Gjensidige

Annual report 2017

Gjensidige Pensjonsforsikring AS

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Gjensidige Pensjonsforsikring AS (GPF) is a wholly owned subsidiary of Gjensidige Forsikring ASA and is headquartered in Oslo. Its activities are aimed at the life- and pension business and the company offers products both to private and commercial customers. The company was established in 2005 and focuses on sales of defined contribution plans and risk coverage for both customer groups.

The company delivers products in the following main categories:

- Occupational pension - Defined contribution plans with associated risk coverage
- Management of paid-up certificates and paid-up policies
- Individual pension savings (unit linked)
- Individual disability pension

The company offers only externally managed funds.

Distribution of the company's occupational products takes place primarily through the parent company Gjensidige Forsikring ASA, in addition to other external distributors. Private pension products are distributed over the internet and a sales center with Gjensidige Bank ASA.

This year's performance

2017 has been another successful year, characterized by good sales, where the impact of larger companies has increased and where transfers of capital between the vendors have gone in our favour. Despite continuous low interest rates, the financial returns have met all guarantees. If the current interest level is to persist, it will eventually be more demanding to meet the guarantee requirements in the coming years. The reservation for longevity is to be completed by 2021 without any expected substantial equity contributions. The government launched a new IPS-product (Individual Pension Savings) in the revised national budget this year with symmetrical taxation. Sales were to start from November 1. Thanks to good sales solutions, especially on internet, GPF has gained a good footing in this market from the very beginning, which contributes to building a solid platform for long-term revenues. Despite good underlying operating performance, GPF achieved a result for the year that is lower than last year. This was due to strengthening of reserves for disability benefits.

GPF's market share relating to occupational defined contribution plans amounted per the third quarter to 9.2 per cent and to 8.0 per cent relating to individual pensions. The market share relating to transferred private pension funds amounted to 13.1 per cent and to19.6 per cent relating to occupational pension funds as per third quarter. (Source: Finans Norge).

Income

Gross written premiums amounted to NOK 5,113.7 million in 2017. Of this NOK 3,094.8 million were written premiums and NOK 2,019.0 million were transferred funds. By comparison, in 2016 gross written premiums were NOK 3,604.2 million of which NOK 2,472.1 million were written premiums and NOK 1,132.1 million were transferred funds. Premiums written increased due to growth in the customer portfolio, both relating to occupational pensions and individual disability pensions.

The paid up policy portfolio contributed with a net financial income of NOK 19.1 million above the guaranteed return. GPF follows a conservative investment strategy, as the life insurance companies are instructed to strengthen premium reserves by 2021, in order to be able to cover the expected growing liabilities resulting from a general increase in life expectancy. GPF has therefore set aside this year's paid-up policy surplus related to policies that are not yet fully reserved. This includes both financial returns and risk profit, and totalled NOK 4.5 million. Total longevity reserve at the end of the year amounted to NOK 196.5 million, and total reserve requirement by 2021 is estimated to be NOK 214.0 million. It is expected that future returns will be sufficient to cover the gap, without use of additional equity. Total additional statutory reserves related to the paid-up policy portfolio at the end of the year were NOK 162.7 million and NOK 151.3 million in 2016. The increase is due to distribution of profit on fully reserved policies.

The other group portfolio contributed with a financial income of NOK 67.2 million. Of this NOK 39.0 million was allocated to the customers, of which NOK 35.5 million was guaranteed return. GPF's share of returns related to the other group portfolio totalled NOK 28.3 million.

Other financial income total NOK 0.9 million and represents the return on the company's own funds.

Claims incurred amounted to NOK 1,659.2 million in 2017 and NOK 1,093.2 million in 2016.

Insurance related operating expenses amounted to NOK 227.3 million in 2017 inclusive charges billed for corporate services. Included was management cost of NOK 22.9 million, previously treated as an income reduction. Total expenses in 2016 were NOK 191.1 million. The expenses are as expected.

For the fiscal year of 2017 GPF achieved a profit after tax of NOK 75.9 million, compared to NOK 84.5 million in 2016. The reduced profit was a result of extraordinary strengthening of the claims reserves linked to disability benefits.

Given Gjensidige's strategy for pension the board confirms that the conditions for continued operation are met. The 2017 financial statement has been prepared based on this assumption. The market for defined contribution pension plans is growing and the company is well positioned to further develop and grow its business. The long term positive profit trend for the company is expected to continue.

Return

GPF offers two main alternatives for managing defined contribution schemes, active or combined management. Both options offer to choose between different risk profiles: Trygg, Balansert, Offensive and Age-adjusted.

The year 2017 yielded a good return on equities driven primarily by growth in companies' earnings. As a result, Oslo Stock Exchange increased 17 per cent, the MSCI World index rose 16.0 per cent in Norwegian kroner and Emerging Markets rose by 30.0 per cent. 2017 will be membered for being the first year in which global stock markets rose every single month.

The Norwegian krone strengthened by 5.5 per cent against the USD, but declined 8.4 per cent against EUR. This made it sensible to hedge currency, which gave our customers an excess return of 1.6 per cent.

Interest rates remained low, but a low rate of credit spreads resulted in a return on interest rates that was better than expected and ended at 3.6 per cent in 2017.

The global upswing in growth has not yet materialized in higher inflation, which has meant that the central banks tightening have been careful. The European Central Bank has now halved its monthly bond purchases in January 2018, from EUR 60 billion to EUR 30 billion, while the US Federal Reserve raised as expected the rate of interest in December and is expected to rise further in 2018. Developments in inflation are therefore very important to keep track of in the future, as this will determine how quickly or gradually the further tightening process for central banks will be.

The booked return on the paid-up policy portfolio was 3.8 per cent, while the value-adjusted return was 4.5 per cent. The average interest rate guarantee was 3.3 per cent. For the other group portfolio the booked return was 3.6 per cent and value-adjusted 3.8 per cent.

Balance Sheet

Assets under management increased by NOK 5,461.7 million during 2017 amounting to NOK 28,699.0 million by year-end. GPF had a total balance of NOK 29,890.7 million, of this equity amounted to 2.4 per cent.

The company has capitalized acquisition and development of IT systems under intangible assets.

Solvency II

Solvency II regulations came into force on 2016. GPF has worked on implementation since inception of the company in 2006. The European insurance supervisory authority EIOPA has previously published recommendations on preparations for Solvency II, which entered into force as early as January 1. 2014. The recommendations cover system of risk management, internal risk assessment (ORSA), reporting to supervisory authorities and guidance related to setting up internal models. The recommendations have been taken into account by GPF. The Company has adopted the standard model for capital modelling and calculation of solvency. It has prepared ORSA reports since 2013. Solvency II has high priority and involves resources from the entire organization, including expertise from the parent company Gjensidige Forsikring ASA.

At the end of 2017 the reported solvency margin was 132.8 per cent. This is after the company issued a subordinated bond of NOK 300.0 million during the second quarter 2016 to strengthen the capital base. The reported solvency margin December 31 2017 is at a satisfactory level and there is no need to take further actions.

Organisation

At the end of 2017 the company had 61 full time employees who are all located at the Oslo headquarter. The majority of the employees are engaged in contract and customer management. In addition, there are separate departments for product development and technical IT support/development.

Sales of occupational pension schemes are done through the parent company Gjensidige Forsikring ASA which employs 18 pension advisors who are spread throughout the country with Oslo, Bergen and Trondheim as geographical centres. Sales are aimed primarily at the transfer market for defined contribution plans and the transfer market from defined benefit to defined contribution plans. In addition, it has established a sales center in Oslo for telemarketing to Gjensidige Forsikring's commercial customers. At the end of the year 10 employees were working at this center. Gjensidige Bank ASA employs 7 investment advisors for sale of private pension products. These are all located in Oslo at the headquarters and surroundings.

Operational risk

The company continuously assesses its own risk situation in accordance with approved procedures for internal control. As part of the annual planning and budgeting process a risk assessment is drawn up where the main short and long term risks are described together with necessary measures. The assessment is adopted by the Board and followed up regularly throughout the year.

Financial risk

Financial risk is a collective term for several types of risks associated with financial assets. Financial risk can be divided into market risk, credit risk and liquidity risk. These risks arise from GPF's investment activities. They are managed aggregated and handled through the company’s asset management strategy.

GPF is exposed to financial risk through a small trading stock. This is a technical holding arising as a result of the internal processing time for buying and selling funds on behalf of clients. The book value of this stock at the end of 2017 was NOK 5.7 million, of which GPF was exposed to only NOK 2.7 million as the company is only exposed to a minor part of the passage time from orders are received to they are effected.

The group portfolio consists of two portfolios:

- Paid-up policy portfolio
- Other group portfolio.

The paid-up policy portfolio and part of the other group portfolio include a guaranteed interest liability which represents a financial risk. Average guaranteed return for the paid-up policies was 3.3 per cent per 31.12.2017. For the other group portfolio the guaranteed return was the 2.5 per cent. The main risk elements related to the group portfolio are share prices, interest rates and credit. Risk- and asset management is undertaken in accordance with applicable regulations through a management agreement with Gjensidige Bank ASA, which in turn uses the parent company Gjensidige Forsikring ASA.

Company assets are held in the form of bank deposits in Norwegian kroner and investments in money market funds.

The risk of losses on receivables is considered to be minor.

Insurance risk

GPF offers insurance products in the form of pensions, mainly group and individual disability pension. According to the regulations the company also needs to offer premium waivers related to occupational disability, included in the defined contribution schemes. There is also a limited portfolio of survivor pensions (spouse's pension / child pension).

At the end of 2017 GPF had approximately 236.000 individuals with disability exposure, of which approximately 42.000 individuals were exposed through occupational pensions. The number of individuals who are exposed to mortality and survival risk is modest compared to the disability risk exposure.

The insurance risk situation is considered to be satisfactory and the uncertainty related to not reported cases are handled through the claim reserves.

The company has a reinsurance agreement with the parent company Gjensidige Forsikring ASA, which provides satisfactory coverage for handling major variations in occurred claims.

Work environment

The working environment is good which is confirmed through employee satisfaction surveys. There have not been any injuries or accidents at the workplace in 2017.Sick leave amounted to 4.1 per cent.

Equality

At the end of 2017 GPF had 61 employees, 31 where women and 30 men. The company's Board of Directors consisted of 2 women and 2 men. Emphasis is placed on having a most equal distribution between genders at all levels, and under the same circumstances underrepresented gender will be given priority when vacant positions are announced. Working hours complies with the various positions and is independent of gender.

Environmental

The company does not pollute the environment more than usual and the company follows Gjensidige's environmental policy.

Financial position and operational performance

The Board considers GPF's financial performance at the year-end to give a true picture of the company's operations and position at the year-end.

Earnings before other items are NOK 75.9 million, which is proposed to be added to other equity.

The Board is not aware of any circumstances that have occurred after the year end that affect the financial statements.

Oslo, 15 February 2018
The Board of Gjensidige Pensjonsforsikring AS

Mats C. Gottschalk	Kari Østerud	Hans Aasnæs	Ida Berild Guldberg
Chair			

Torstein Ingebretsen

CEO

Income statement

NOK thousands	Notes	1.1.-31.12.2017	1.1.-31.12.2016
Technical account			
Gross written premium		3,094,770	2,472,087
Ceded reinsurance premiums	4	(6,876)	(5,457)
Transfer of premium reserves from other insurance companies/pension funds	18	2,018,975	1,132,115
Total premiums for own account	**17**	**5,106,870**	**3,598,745**
Interest income and dividends etc. from financial assets		161,594	177,546
Unrealised gains and losses on investments		30,207	53,195
Realised gains and losses on investments		44,380	5,627
Total net income from investments in the group policy portfolio	**13/17**	**236,182**	**236,367**
Interest income and dividends etc. from financial assets		18,563	20,143
Unrealised gains and losses on investments		1,003,755	89,155
Realised gains and losses on investments		947,969	531,063
Total net income from investments in the investment portfolio	**17**	**1,970,287**	**640,361**
Other insurance related income	17	130,359	83,600
Gross claims paid	19	(464,111)	(414,709)
- Paid claims, reinsurers' share	4	36,089	12,622
Transfer of premium reserve and statutory reserves to other insurance companies/pension funds	18	(1,231,185)	(691,089)
Total claims	**19**	**(1,659,207)**	**(1,093,177)**
Change in premium reserve, gross		(552,432)	(455,100)
Change in premium reserves, reinsurers' share		(2,599)	10,837
Change in statutory reserves		(12,241)	(20,383)
Change in value adjustment fund		(27,836)	(26,895)
Change in premium fund, deposit fund and the pension surplus fund			2,455
Total changes in reserves for the group policy portfolio	**17**	**(595,109)**	**(489,086)**
Change in premium reserve		(5,774,190)	(3,149,122)
Change in premium fund, deposit fund and the pension surplus fund		917,803	476,478
Total changes in reserves for investment portfolio	**17**	**(4,856,388)**	**(2,672,644)**
Profit on investment result		(2,951)	(4,497)
Risk result allocated to insurance contracts		(41)	(1,883)
Total funds allocated to the insurance contracts		**(2,992)**	**(6,380)**
Management expenses		(22,937)	
Sales expenses		(20,720)	(22,793)
Insurance-related administration expenses (incl. commision for reinsurance received)	3	(183,622)	(168,282)
Total insurance-related operating expenses		**(227,279)**	**(191,075)**
Profit/(loss) of technical account	**17**	**102,723**	**106,713**
Interest income and dividends etc. from financial assets		790	5,470
Unrealised gains and losses on investment		(2,503)	1,675
Realised gains and losses on investments		2,608	628
Total net income from investments in the company portfolio		**895**	**7,774**
Other expenses			(1,258)
Total management expenses and other expenses related to investments in the company portfolio			**(1,258)**
Profit/(loss) on non-technical account		**895**	**6,516**
Profit/(loss) for the period before tax expense		**103,618**	**113,228**
Tax expense	15	(27,687)	(28,721)
Profit/(loss) before other comprehensive income		**75,931**	**84,508**
Components of other comprehensive income			
Remeasurement of the net defined benefit liability/asset		(925)	717
Tax on items that are not reclassified to profit or loss	15	231	(179)
Total comprehensive income		**75,237**	**85,045**

Statement of financial position

NOK thousands	Notes	31.12.2017	31.12.2016
Assets			
Other intangible assets	5	49,173	49,275
Total intangible assets		**49,173**	**49,275**
Shares and similar interests		5,458	13,020
Bonds and other securities with fixed income		746,444	589,505
Cash and cash equivalents		97,358	95,992
Total financial assets	**6/12**	**849,260**	**698,518**
Receivables related to direct operations and reinsurance		6,965	5,163
Other receivables		104,800	64,834
Total receivables		**111,765**	**69,997**
Cash and cash equivalents	12	175,727	251,057
Pension assets	10	1,609	2,438
Total other assets		**177,336**	**253,494**
Total assets in company portfolio		**1,187,534**	**1,071,284**
Financial assets at amortized cost			
Bonds held to maturity		30,536	30,508
Loans and receivables		4,536,001	3,149,704
Financial assets measured at fair-value			
Shares and similar interests	8/12	758,151	734,112
Bonds and other securities with fixed income	8/12	614,957	1,357,170
Receivables in collective portfolio	8/12		161
Cash and cash equivalents	8/12	60,412	131,977
Total investments in the group policy portfolio		**6,000,056**	**5,403,632**
Reinsurers' share of insurance-related liabilities in general insurance, gross		22,560	25,159
Financial assets measured at fair value			
Shares and similar interests		20,034,279	16,002,843
Bonds and other securities with fixed income		2,531,180	1,777,181
Loans and receivables		52,445	38,229
Cash and cash equivalents	8/12	62,688	9,445
Total investments in the investment option portfolio	**8/15**	**22,680,592**	**17,827,698**
Total assets in the customer portfolio		**28,703,208**	**23,256,490**
Total assets		**29,890,742**	**24,327,774**

NOK thousands	Notes	31.12.2017	31.12.2016
Equity and liabilites			
Paid in capital			
Share capital	2	39,000	39,000
Other paid-in capital		80,875	80,722
Total paid-in equity		**119,875**	**119,722**
Retained equity			
Other earned equity		532,992	449,178
Profit for the period		75,931	84,508
Total earned equity		**608,923**	**533,686**
Total equity		**728,799**	**653,408**
Subordinated loan	11	299,571	299,457
Total subordinated loan capital etc.		**299,571**	**299,457**
Premium reserves		5,784,856	5,217,107
Additional statutory reserves		176,617	164,389
Market value adjustment reserves		54,730	26,895
Premium Fund, Deposit Fund and Fund for Pension Adjustment, etc.		2,160	1,165
Total insurance obligations in life insurance - the group policy portfolio	**16/23**	**6,018,363**	**5,409,556**
Premium reserves		22,361,592	17,513,426
Premium Fund, Deposit Fund and Fund for Pension Adjustment, etc.		319,000	314,272
Total insurance obligations in life insurance - the investment option portfolio	**16/24**	**22,680,593**	**17,827,698**
Pension liabilities etc.	10	1,877	1,455
Tax liabilities			
Period tax liabilities	15	15,796	14,664
Provisions for deferred taxes	15	20,464	10,200
Total provisions for liabilities		**38,136**	**26,319**
Liabilities related to direct insurance		89,264	79,268
Other liabilities		21,992	15,957
Total financial liabilities		**111,256**	**95,225**
Accrued expenses and deferred income		14,025	16,111
Total accrued expenses and deferred income		**14,025**	**16,111**
Total equity and liabilities		**29,890,742**	**24,327,774**

Statement of changes in equity

NOK thousands	Share capital	Other paid-in capital	Risk equali-sation fund	Remeasure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2015	**39,000**	**80,674**		**803**	**447,838**	**568,315**
1.1.-31.12.2016						
Profit/(loss) before other comprehensive income					84,508	84,508
Components of other comprehensive income						
Items that are not reclassified subsequently to profit or loss						
Remeasurement of the net defined benefit liability/asset				717		717
Tax on items that are not reclassified to profit or loss				(179)		(179)
Items that may be reclassified subsequently to profit or loss						
Equity-settled share-based payment transactions		48				48
Equity as at 31.12.2016	**39,000**	**80,722**		**1,341**	**532,345**	**653,408**
1.1.-31.12.2017						
Profit/(loss) before other comprehensive income					75,931	75,931
Components of other comprehensive income						
Items that are not reclassified subsequently to profit or loss						
Items that are not reclassified subsequently to profit or loss				(925)		(925)
Tax on items that are not reclassified to profit or loss				231		231
Items that may be reclassified subsequently to profit or loss						
Equity-settled share-based payment transactions		153				153
Equity as at 31.12.2017	**39,000**	**80,875**		**647**	**608,277**	**728,798**

Statement of cash flow

NOK thousands	1.1.-31.12.2017	1.1.-31.12.2016
Cash flow from operating activities		
Premiums paid, net of reinsurance	5,090,891	3,639,107
Claims paid, net of reinsurance	(428,022)	(402,087)
Net receipts/payments on premium reserve transfers	(1,231,185)	(645,158)
Net receipts/payments from financial assets	(3,258,871)	(2,540,604)
Operating expenses paid, including commissions	(224,001)	(197,819)
Taxes paid	(14,664)	(25,296)
Net cash flow from operating activities	**(65,852)**	**(171,857)**
Cash flow from investing activities		
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment	(14,728)	(9,509)
Net cash flow from investing activities	**(14,728)**	**(9,509)**
Cash flow from financing activities		
Net receipts on subordinated loans	(11,707)	293,119
Net cash flow from financing activities	**(11,707)**	**293,119**
Net cash flow for the period	**(92,287)**	**111,753**
Cash and cash equivalents at the start of the period	488,472	376,719
Cash and cash equivalents at the end of the period	396,185	488,472
Net cash flow for the period	**(92,287)**	**111,753**
Specification of cash and cash equivalents		
Cash and deposits with credit institutions	396,185	488,472
Total cash and cash equivalents	**396,185**	**488,472**
[1] Of these restricted bank deposits	8,410	6,792

Accounting policies

Reporting entity

Gjensidige Pensjonsforsikring AS (GPF) is a company domiciled in Norway. The company's head office is located at Schweigaardsgate 14, Oslo, Norway. The activity of the company is life and pension insurance. The company does business in Norway.

The accounting policies applied in the financial statements are described below.

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 Insurance Companies (FOR 2015-12-12-1824). 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 GPF are mentioned below. GPF 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 GPF 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 the Group'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 financial statement.

IFRS 9 Financial instruments (2014)

IFRS 9 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.IFRS 9 is effective from 1 January 2018.

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

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. 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.

GPF will 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 as the company recognises revenues in its accounts. IFRS 15 is effective 1 January 2018. Our preliminary assessment is that services beyond what is covered by IFRS 4 about insurance contracts comprise an insignificant part of the income. Our preliminary assessment is that the standard is not expected to have a significant effect on the financial statement.

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 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 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 the financial statements, significantly increasing 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 company's financial statements, significantly changing the measurement and presentation of income and expenses.

Based on our preliminary assessments and on the basis of GPF'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:

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

Presentation currency
The financial statements are presented in NOK which are the functional currency in GPF. All financial information is presented in NOK, unless otherwise stated.

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
Gross premiums are recognized as income by the amounts due during the year. Premiums are normally collected in monthly instalments, and accruals are not necessary. Policies that do not have monthly instalments are initially accrued and subsequently added to the premium reserve.

Transfer of premium reserves
Premium reserves transferred from other companies are recognized in the income statement from the date the company has assumed the risks. Transferred additional statutory reserves are not considered as premiums but reported as changes in reserves for the group policy portfolio.

Claims
Claims show the annual claims paid in the form of pensions and are recognized at the time that payments incurred.

Reinsurance
Ceded reinsurance premiums reduce gross premiums written, and are adjusted for according to the insurance period. Paid claims are reduced by reinsurance 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

Policyholders’ profit
Guaranteed return on premium reserves and pensioners' surplus fund is recognized under the item changes in reserves for the group policy portfolio.

Insurance-related operating expenses
Insurance-related operating expenses consist of insurance-related administration, sales expenses and management expenses.

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the date of the transaction.

Intangible assets

Internally developed software
Internally developed software 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 the Company 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:

- internally developed software 3–7 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.

Technical provisions

Premium provision
The premium reserve comprises income savings deposits, reserves to cover future liabilities for reported insurance cases and premium reserves for pensions (defined benefit pension with guaranteed return) and unearned premiums. Claims reserves are provisions for claims incurred but not reported.

The premium reserve represents the present value of the company's total insurance obligations including future administration costs, less the present value of future premiums. Administration reserves are allocated and included in the premium reserve to cover future administrative costs related to pensions and waivers under payment. Likewise, a provision for administration cost are reserved related to the paid up policy portfolio.

Claim reserves are to cover both anticipated future payments for occurrences that have incurred and been reported but not settled (RBNS) and claims incurred but not reported (IBNR). RBNS reserves are assessed individually, while IBNR provisions are based on empirical data.

IBNR provisions are determined by historical numbers and estimated reporting patterns. The latter is coordinated with the reporting patterns from similar products with Gjensidige Forsikring ASA. IBNR reserves may also be strengthened through the reinsurance agreement with Gjensidige Forsikring ASA.

In case of a claim occurrence a provision is made equal to the net present value of future payments.

Provision in the investment option portfolio
The premium reserves to cover liabilities related the investment option portfolio must always equal the value of the investment portfolio assigned to the contracts. The company is not exposed to investment risk on customers' funds as the company is not obliged to provide a minimum return.

Value adjustment provision
The current year’s net unrealised gains/losses on financial assets at fair value in the group portfolio are allocated to/reversed from the market value adjustment reserve in the statement of financial position assuming the portfolio has a net unrealised excess value.

Pursuant to accounting standard for insurance contracts (IFRS 4) the market value adjustment reserve is shown as a liability.

Additional statutory provision

The company is allowed to make allocations to the additional statutory reserves to ensure the solvency of its life insurance business. The reserves are a conditional allocation to policyholders, to be done when the financial return exceeds the guaranteed interest, and may be used later to meet shortfall related to fulfilling guaranteed returns. Use of reserves for a year is limited to the equivalent of one year's interest guarantee for each contract.

Premium Fund, Deposit Fund and Fund for Pension Adjustment

Fund for Pension Adjustment comprises surplus assigned to the premium reserve related to group pensions in payments. The fund is applied each year as a single premium payment to secure additional benefits for pensioners.

Risk equalisation fund

The company is allowed to allocate up to 50 per cent of the risk result related to group pensions and paid-up policies to risk equalization fund to cover any future negative risk result. The risk equalization fund is not shown as a liability under IFRS and is included as part of equity (restricted equity).

Reinsurers' share of gross insurance-related liabilities

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,

Financial instruments

Financial instruments are classified in one of the following categories

- fair value through profit or loss
- investments held to maturity
- loans and receivables
- financial liabilities at amortised cost

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige Pensjonsforsikring AS 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 the Group 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 comprises the class's 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.

The category loans and receivables comprises bonds classified as loans.

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 subordinated debt.

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 12.

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.

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.

Provisions

Provisions are recognised when the company 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.

Events after the balance sheet date

New information of the financial position after the balance sheet date is taken into the annual accounts. 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 25 for a further description.

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.

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.

Related party transactions

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.

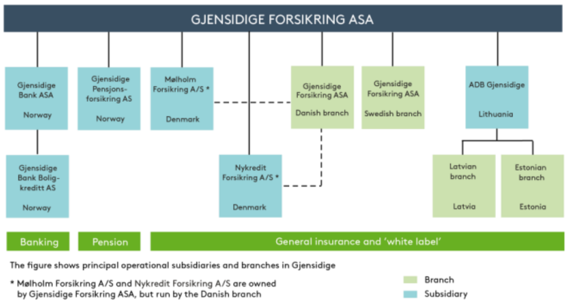
Notes

1. Risk and capital management

Introduction

Gjensidige Pensjonsforsikring AS 's (GPF) core business is life insurance and its business is exposed to associated insurance risk. Additionally the company is exposed through its operations to financial risk.

Figure 1 – Business structure



In this note, the risk management system will be described first. Then the different risks and the management of these risks, will be described. Finally the capital requirement for these risks and the capital management will be described.

Risk management system

The risk management system is organized 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 GPF's CEO and all employees and leaders in the company. This is called the first line of defence. There are established procedures and guidelines that must be followed, and risk management and internal control are therefore performed as a part of all employees' daily work. Control functions in line management are incorporated into the overall internal control system. Such functions include risk and compliance coordinators, security, data privacy officer, anti-money laundry officer and quality functions reviewing distribution and claims handling.

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

- The risk management function is responsible for monitoring and developing GPF's risk management and internal control system. In addition, the function has an overview of the risks GPF is or may be exposed to, and what this means for the company's solvency. The risk management function is headed by the Risk Manager. The Risk Manager has an independent reporting line to the CEO. Requirements for risk management are specified in the risk management and internal control policy and in the ORSA policy, both of which have been approved by the Board.

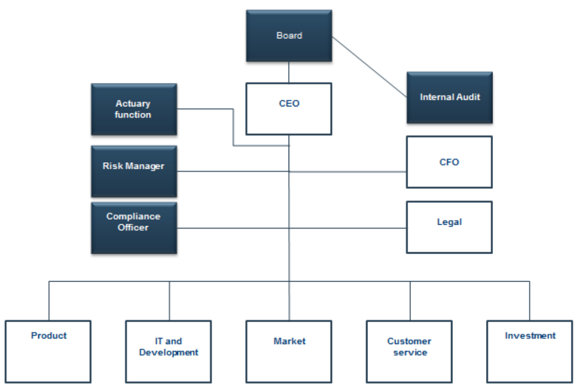
- The compliance function shall detect and prevent risks related to compliance with external and internal regulations. The compliance function is headed by the Compliance Officer.

- The actuarial function is responsible for coordinating the calculation and control of the technical provisions. The responsibility is centralized in the Group's Actuary department, which is headed by the Chief Actuary of Gjensidige Forsikring ASA. Even though the actuarial function is organized in the Group's Actuary department, its responsibility 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 the risk management and internal control system. The audit function reports directly to the Board of GPF.

Figure 3 – Operational structure



The risk management system presented above is implemented and the Board has the overall responsibility for ensuring that the level of risk-taking in the company is satisfactory relative to GPF's financial strength and willingness to take risks. The Board has adopted a risk appetite statement that covers the most important types of risks. This entails ensuring that necessary governing documents, procedures and reporting are in place in order to secure satisfactory risk management, compliance with laws and regulations and the appropriate organization and documentation of risk management and internal control efforts.

GPF has established strategies, policies and more detailed guidelines, routines and authorisation rules for main risk areas. Policies are subject to approval by the Board.

Insurance risk

Risk description

GPF is exposed to life insurance risk. GPF 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; disability, longevity, mortality, lapse and expense risk.

Disability risk
Disability risk is the risk that actual disability is higher than expected and/or that the recovery among disabled persons is lower than expected. Higher disability rates, but also lower recovery rates will increase the claim payments. Both individual and collective disability products expose GPF to disability risk. Disability risk is one of the major insurance risks for GPF.

Longevity risk
Longevity risk is the risk of lower mortality rates than expected. Lower mortality will result in a higher total of pension payments. The company cannot charge additional premium for contract periods concluded in the past. The risk for the company is that the received provisions that shall cover all future claims are insufficient.

GPF is especially exposed to longevity risk in the paid-up policies, where GPF is liable to pay a planned benefit until death. Since 2014 GPF has been increasing reserves in order to satisfy the mortality tariff “K2013”. Per 1.1.2018 the reserves must be further increased by NOK 18 million.

Mortality risk
Mortality risk is the risk of higher mortality rates than expected. Higher mortality rates will result in higher claim payments to the surviving relatives. Mortality risk in GPF 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.

Lapse risk
Lapse risk is the risk of an increase in lapse rate, i.e. the risk of an increase in customers leaving the company. Lapse risk reflects the risk of a potential reduction of the expected future profit if customers leave the company. This is highly relevant in Solvency II aspects, as Solvency II takes into account future profit related to contracts within the contract boundary. However, if an important lapse event occurs, the effect on the capital position would be limited. Reduced future profit would lead to a reduction of own funds, but the effect on the solvency position would be counteracted by a lower risk margin (increasing own funds) 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 some products, GPF cannot increase the administration fee if the expenses increase (e.g. guaranteed paid-up policies). For other products, GPF can increase the administration fee for the future and thereby reduce the losses.

Risk exposure
GPF 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 GPF.

The table below shows the risk exposure to insurance risk of GPF in Solvency II.

Table 1 – Risk exposure within insurance risk (based on the standard formula according to Solvency II principles)

	2017	2016
Type of insurance risk		
Mortality risk	0.0%	0.0%
Longevity risk	3.8%	3.6%
Disability risk	4.5%	2.7%
Lapse risk	88.3%	90.5%
Expenses risk	3.4%	3.2%
Catastrophe risk	0.0%	0.0%
Total	**100.0%**	**100.0%**
Insurance risk- NOK millions	**1,265.6**	**1,301.1**

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.

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 Product department has overall responsibility for the management of the underwriting policy.

GPF has an actuarial function, placed in Gjensidige Forsikring ASA. Having the actuarial function as a common second line of defense for the Group ensures that all parts of the organization use the same principles and models for the calculation of technical provisions.

The Product department is holding regular meetings together with the rest of GPF management and actuarial function to capture the level of technical provisions and changes in the development of reported claims. This includes communication in respect of product and process changes, etc., that could affect the level.

The main documents for managing insurance risks are:
- Underwriting policy
- Guidelines for product development
- Guidelines for underwriting
- Policy for technical provisions
- Guidelines for calculating and reporting technical provisions
- Capital management policy

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

Risk mitigation
GPF buys reinsurance for disability risk from Gjensidige Forsikring ASA as protection against large number of claims (stop loss) and high single claim (excess of loss).

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. GPF is exposed to these types of risk through the Company’s investment activities. The risk is managed at the aggregate level and handled through the guidelines for asset management and investment strategies.

GPF manages several portfolios including unit-linked portfolio, guaranteed products and company portfolios, and has various exposures to financial risk.

Investment portfolio
Defined contributions schemes are the core product of GPF, which offers two main options for its customers: active and combined asset management. In both options customers can choose between different risk profiles: safe, balanced, offensive and age-appropriate.

For Unit Linked products, the market risk is held by the customer, but GPF is indirectly exposed, since a part of the total income depends on the amount of assets under management.

Group policy portfolio
For guaranteed products GPF carries the market risk, since these products have a guaranteed annual return rate, in accordance with Norwegian insurance rules. For some of the guaranteed products, certain future discretionary benefits (e.g. additional statutory reserves) have a loss absorbing effect as these assets can be used to cover the difference between the actual investment return and the guaranteed return. The main risk elements related to the group

portfolio are interest rates, credit and property risk. There is no exposure to equity market risk.

Company portfolio

The risk profile in the company portfolio is conservative and consists mainly of short dated money market instruments and bank deposits.

GPF manages several portfolios including unit-linked portfolio, paid-up policy portfolio, other group policy portfolio and company portfolio. GPF does not carry investment risk for the unit-linked portfolio. The other portfolios expose the Company's equity to risk.

Table 2 – Asset allocation excluding the unit-linked portfolio

NOK millions	2017	2016
Money market [1]	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	**7,025.1**	**6,353.2**

Risk exposure

The table below shows the risk exposure to market risk of GPF in Solvency II.

Table 3 – Risk exposure within market risk (based on the standard formula according to Solvency II principles)

	2017	2016
Type of market risk		
Interest rate risk	16.6%	12.8%
Equity risk	29.3%	36.7%
Property risk	13.0%	17.7%
Spread risk	38.5%	31.6%
Currency risk	0.0%	0.0%
Concentration risk	2.6%	1.2%
Total	**100.0%**	**100.0%**
Markets risk - NOK millions	**1,062.1**	**744.7**

Spread risk

Spread risk measures sensitivity of the values of assets, liabilities and financial instruments 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. For the Group portfolio a major part of the investments are in loans and receivables.

The tables below show allocation of the fixed-income portfolio per sector and per rating category as per December 31, 2017.

Table 4 – Allocation of the fixed-income portfolio per sector

	2017	2016
Government bonds	15.0%	11.0%
Corporate bonds	85.0%	89.0%
Collateralised securities	0.0%	0.0%
Total	**100.0%**	**100.0%**

Table 5 – Allocation of the fixed-income portfolio per rating category

	2017	2016
AAA	30.6%	40.6%
AA	8.4%	10.4%
A	13.9%	12.0%
BBB	9.5%	2.7%
BB	0.0%	0.0%
B	0.0%	0.0%
CCC or lower	0.0%	0.0%
Not rated	37.6%	34.3%
Total	**100.0%**	**100.0%**

As can be seen from the table, a significant part of the Norwegian fixed-income portfolio consists of issuers without a rating from an official rating company.

Equity risk

Equity risk measures sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of market prices of equities.

There are no equities in the assets related to guaranteed business and thus no equity risk within these. Regarding Unit Linked products, approximately 57 per cent of the assets within these products are allocated to equities (mostly global equities), and an equity shock scenario would decrease the assets under management significantly. Since a part of the management fee is proportionate to the assets under management, an equity shock scenario would decrease the income of GPF and result in a reduction of future profits.

The equity exposures are mainly investments in internationally diversified funds, with the majority focusing on developed markets.

Property risk

Property risk measures sensitivity of value of assets, liabilities and financial instruments to changes in the level or volatility of market prices of property. Property constitutes a significant proportion of the group policy portfolios. Independently of the legal organization of the exposure, the underlying investments in property are assessed with respect to risk. The valuation of the investments made via funds is based on guidelines set out in the European standard EVS (European Valuation Standard) issued by TEGoVA (the European Group of Valuers' Associations). The valuation method is based on actual rent income and model assumptions for calculating property values.

The motivation for investing in real estate is primarily that it enhances the risk-adjusted return of the asset portfolio through an expected rate of return that lies between bonds and equities with a modest correlation in returns with both of them.

In addition to the amounts invested through funds, an amount of NOK 778 million is committed, but not yet invested. The commitment is both for the investment portfolio and the group policy 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 another major city in Norway.

Interest rate risk

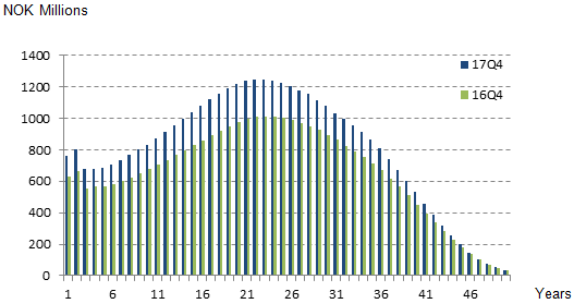
Interest rate risk measures sensitivity of value of assets, liabilities and financial instruments to changes in the term structure of interest rates or interest rate volatility.

For GPF the interest rate risk is substantial in the management of the group policy portfolios, the exposure to interest rate risk are reduced by increasing the total duration of the portfolio of fixed-income instruments, including short-term bonds and loans and receivables. From an accounting perspective, the risk is reduced since a large part of the bond portfolio is classified as loans and receivables.

In a purely market value perspective on the asset and liability side, the interest rate risk will be considerable because of the duration deviation between the asset and liability sides.

Figure below shows the expected pay-out pattern for GPF's premium and claims provisions as at year-end 2017 and 2016, respectively.

Figure 4 – Expected benefit outflows for insurance products



The table below shows the maturity profile of the Group portfolio's on interest-bearing instruments.

Table 6 – Maturity profile (year) on interest-bearing instruments

NOK millions	2017	2016
Maturity		
0-1	785.8	1,445.2
1-2	280.5	272.3
2-3	267.2	408.8
3-4	322.6	317.2
4-5	550.9	582.9
5-6	211.8	217.0
6-7	152.0	354.6
7-8	110.6	136.1
8-9	381.3	213.3
9-10	1,385.8	229.8
>10	793.4	492.1
Total	**5,241.9**	**4,669.4**

The risk arises in the Group policy portfolio which guarantees an annual investment return. A decrease in the interest rate level increases the risk of not achieving the guaranteed investment return. Regarding unit linked products, an interest rate downward shock would increase the assets under management and thus increase the income from asset management. A change 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 some of the increased risk arising on the guaranteed products.

Foreign exchange risk

Foreign exchange risk measures sensitivity of value of assets, liabilities and financial instruments to changes in the level of volatility of currency exchange rates.

Foreign exchange risk in the Group policy portfolio is hedged 100 per cent by using funds that is hedged to NOK.

For unit linked products the customers can choose between hedged and unhedged products. Fixed income products are always hedged.

Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default of the counterparties and debtors of GPF.

GPF are exposed to counterparty risk through the investments in securities, funds, 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. Limits have been set for the necessary access to liquid funds. These are monitored continually and are taken into account in the strategic asset allocation. Liquidity risk is considered low. A liquidity strategy has been prepared, which is approved by the Board on an annual basis.

Risk concentration

The definition of risk concentrations regarding financial investments is risk regarding the accumulation of exposures within the same geographical area, industry sector etc.

For GPF sector concentration of fixed income securities are regulated by the Guidelines for credit exposure for GPF and 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 in the Group portfolio meets the Guidelines requirement and in the unit link portfolios funds are used in the allocation.

In the unit link portfolios the equity investments are investments in internationally diversified funds. Investments are both in developed and emerging markets, together with some 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.

Fixed income funds consist of internationally and Norwegian diversified funds in asset classes like investment grade and high yield.

Managing financial risk

Monitoring, quantification, management and control of risk exposure are an important part of GPFs business that is carried out to ensure that the risk level is reasonable and to support value creation. Overall risk management ensures that different risks are assessed and handled in a consistent manner. The purpose of risk management in GPF is twofold. Firstly, it is intended to ensure that the exposure does not exceed the capacity for risk. Secondly, overall risk management is intended to contribute to value creation for customers and the owner within the adopted risk appetite.

The Board yearly approves the investment strategy with limits for the various types of risk and asset allocation.

The Company has set limits for credit exposure based on Group credit limits. Credit limits are set for designated counterparties. The limits are based in either the official credit rating of the counterparty or internal analyses. These are monitored and reported monthly. The management of credit risk is defined in GPF's credit policy.

The investment strategy defines several risk limits in order to have a diversified investment portfolio for the Group policy Portfolio. The limits have been set to interest rate risk, ALM-risk, foreign exchange risk and allocation in the investment portfolio. These limits are reported monthly to the board and monitored

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

- Investment strategy for portfolios with equity risk
- Investment strategy for portfolios without equity risk
- Credit policy
- Liquidity Strategy
- Capital management policy
- Policy for investment activities.

Risk mitigation
GPF is invested in fixed-income instruments with long duration to reduce the mismatched of the duration of the technical provisions.

The company intends to streamline the risk result and avoid taking financial risk in "portfolios" where one cannot get payed for the management and / or the explicit financial risk the company takes.

Hedging exchange rate exposure
Currency risk is defined as the risk of a financial loss as a result of changes in foreign exchange rates. In the group policy portfolio, all the investments are in fixed-income securities issued in NOK or in Norwegian money market funds. For the unit-linked portfolio for corporate customers, external agents and private customers, some of the equity exposure is not currency hedged, while the interest rate exposure is currency hedged.

Risk sensitivity
The aim of the sensitivity analysis is to show the effect of different pre-defined scenarios.

The following assumptions are made for the different risk drivers for the unit link portfolio:

- Equities: It is assumed that the market value of equities increases/decreases
- Fixed Income: It is assumed that the market value of fixed income increases/decreases

For the group portfolio and the company portfolio the following assumptions are made for the different risk drivers:

- Equities: It is assumed that the market value of equities increases/decreases
- Interest rate: It is assumed that the yield curve taken as a whole changes with one percentage point

The tables below show the effect of the different sensitivities.

Table 7a – Potential loss based on different sensitivities. Figures are based on market values in Unit Link portfolio

Sensitivity	2017	2016
Equity aum down 20%	(14.8)	(8.3)
Equity aum up 20%	14.8	8.3
Fixed income aum down 20%	(11.3)	(8.4)
Fixed income aum up 20%	11.3	8.4

Table 7b – Potential loss based on different sensitivities. Figures are based on market values in Group portfolio and Company portfolio

Sensitivity	2017	2016
Equity aum down 20%	(1.1)	(2.4)
Equity aum up 20%	1.1	2.4
Interest rate down 100 bps	6.3	2.4
Interest rate up 100 bps	(6.3)	(2.4)

Operational risk

Operational risk is a potential event or circumstance that may arise in the business operation that might provide an economic impact and / or loss of reputation. Operational risk may be due to human error, weaknesses in systems, and errors in processes or external events. This includes compliance risk. There is a strong correlation between effective internal control and low operational risk, since internal control is particularly effective for managing operational risk.

All managers in GPF are responsible for risk within their areas of responsibility, and shall be able to demonstrate that controls are adequate and functioning. Risks shall be regularly updated if there are changes or events that trigger the risk situation changes. Quarterly, the risk situation is tested through samples presented for the management group.

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.

GPF is subject to governing documents for management of operational risk:

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

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

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

Strategic 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 in the environment.

Strategic risk is recognised as a dedicated risk category in GPF's risk universe. The most viable tool for managing strategic risk is a robust strategy process and a dynamic performance management process integrated with the reporting processes.

Strategic risks in the business are covered in the own risk and solvency assessment (ORSA).

The main governing documents for managing strategic risk:

- Management Forecast – a yearly five-year projection of the business
- Risk appetite
- Policy for risk management and internal control

Capital management
The core function of insurance is the transfer of risk, and GPF is exposed to risk through its insurance and investment operations. The identification and management of risk is an essential part of its operations. All insurance companies must adapt their risk exposure to their capital base whilst acknowledging that solvency capital, or equity, has a cost.

A key objective of capital management is to balance these two aspects. GPF's overall capital management objective is to ensure that the capitalization of the company can sustain an adverse outcome without giving rise to a financially distressed situation and that the company's capital is used in the most efficient way.

The capital management policy specifies the requirements for capital management. This includes a description of the capital management strategy, the organization of capital management and capital reporting.

The capital management policy has guidelines for the choice of tools within certain areas in order to maximize shareholder value through an optimal use of capital. The tools available are:

- Capitalization and capital structure of the company
- Dividend Policy
- Asset allocation
- Reinsurance

- Allocation of capital to products or business units to assess profitability or pricing.

The company calculates the solvency capital requirement under the standard method defined by § 14-10 of the Act on financial undertakings. The company has established a traffic light system indicating different levels of solvency capital in relation to the SCR and associated measures:

- Green zone> 121 per cent of SCR
  Quarterly report to the Board

- Yellow zone 100 to 121 per cent of SCR
  Meeting in the investment committee. Consider measures and implement these in order to assure that the company will be in the green zone within the next six quarters.

- Red zone < 100 per cent of SCR
  Immediate information to the Board and Financial Supervisory Authority with associated actions that will be implemented within a short period of time. These measures should be sufficient to lift the SCR to the yellow zone within one quarter or within the deadline that FSA may set.

Regulatory capital requirement

The regulatory capital requirement is calculated based on the standard formula specified in the Solvency II regulation. The capital requirement for GPF is NOK 1.4 billion. Eligible capital is NOK 1.9 billion. This gives a solvency margin of 133 per cent.

Table 8 – Regulatory Solvency Capital Requirement

NOK millions	2017	2016
Total eligible own funds to meet the SCR	1,913.7	1,718.8
SCR	1,441.4	1,282.8
Capital surplus	472.4	436.0
SCR margin	132.8%	134.0%

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. If the capital falls below this level, the company will be prohibited to continue the business any further.

Table 9 – Regulatory Minimum Capital Requirement

NOK millions	2017	2016
Available capital to meet MCR	1,718.8	1,510.9
Solvency capital requirement MCR	562.9	485.2
Solvency capital surplus	1,156.0	1,025.6
MCR margin	305.4%	311.4%

Total eligible own funds to meet the SCR is excess of assets over liabilities calculated according to Solvency II principles, adjusted for subordinated liabilities.

Table 10 - Eligible capital to cover the Solvency Capital Requirement

NOK millions	2017	2016
Assets over liabilities according to Solvency II principles	1,606.2	1,413.8
Subordinated liabilities	307.5	305.0
Total eligible own funds to meet the SCR	**1,913.7**	**1,718.8**

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)
- 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. The tables below show the technical provisions for GPF according to accounting principles and Solvency II principles.

Table 11a - Technical provisions 2017

NOK millions	Accounting (IFRS)	Solvency II	Difference
Technical provisions for life insurance (best estimate)	28,699.0	26,796.8	(1,902.1)
Risk margin		909.3	909.3
Total technical provisions	**28,699.0**	**27,706.1**	**(992.8)**

Table 11b- Technical provisions 2016

NOK millions	Accounting (IFRS)	Solvency II	Difference
Technical provisions for life insurance (best estimate)	23,237.3	21,380.8	(1,856.5)
Risk margin		1,046.3	1,046.3
Total technical provisions	**23,237.3**	**22,427.0**	**(810.2)**

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 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. GPF has mainly tier 1 capital, which is considered to be capital of best quality.

The tier 2 capital for GPF consists of a subordinated debt, with a nominal amount of NOK 300.0 million. The market value of the debt is NOK 307.5 million per 31.12.2017.

GPF has no tier 3 capital.

Table 12 - Eligible own funds to meet the Solvency Capital Requirement, split by tiers

NOK millions	2017	2016
Tier 1	1,606.2	1,413.8
Tier 2	307.5	305.0
Of this; Subordinated liabilities from insurance	*307.5*	*305.0*
Total eligible own funds to meet SCR	**1,913.7**	**1,718.8**

There are restrictions on the tier 2 capital that can be used to cover the MCR. Only 20 per cent of the MCR can be covered by tier 2 capital. The total eligible basic own funds to cover the MCR is therefore lower than total the eligible own funds to meet the SCR.

Table 13 - Eligible own funds to meet Minimum Capital Requirement, split by tiers

NOK millions	2017	2016
Tier 1	1,606.2	1,413.8
Tier 2	112.6	97.0
Total eligible basic own funds to meet MCR	**1,718.8**	**1,510.8**

The SCR is based on different sources of risks. The main risks for GPF are within life insurance risk and market risk. Life insurance risk is mainly related to future uncertainty in administration and insurance result. 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.

Table 14 - Regulatory Solvency Capital Requirement, split by risks

NOK millions	2017	2016
Capital available	**1,913.7**	**1,718.8**
Capital charge for life uw risk	1,288.8	1,323.7
Capital charge for market risk	1,097.6	824.1
Capital charge for counterparty risk	9.3	10.4
Diversification	(502.5)	(429.6)
Basic SCR	**1,893.2**	**1,728.5**
Operational risk	74.4	54.4
Adjustments (risk-reducing effect of deferred tax)	(526.3)	(500.1)
Total capital requirement	**1,441.4**	**1,282.9**
Solvency ratio	**132.8%**	**134.0%**

2. Share capital

The share capital of Gjensidige Pensjonsforsikring AS consists as at 31 December 2017 of 39.000 shares at NOK 1.000 in only one class of shares and is 100 per cent owned by Gjensidige Forsikring ASA. With Gjensidige Forsikring ASA as sole owner there are no special provisions in the articles of association relating to voting rights.

3. Expenses

NOK thousands	2017	2016
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses		
Depreciation and value adjustments	14,830	16,325
Employee benefit expenses	57,804	49,904
Software costs	26,150	21,862
Other expenses [1]	84,838	80,191
Total insurance-related operating expenses incl. commissions for received reinsurance and sales expenses	**183,622**	**168,282**

[1] Including in other expenses, are internal staff and operating reduction from related parties.

Other specifications

Employee benefit expenses		
Wages and salaries	43,478	41,083
Social security cost	6,586	5,912
Finance tax	2,337	
Pension cost - defined benefit plan (excl. social security cost)	3,012	2,585
Pension cost - defined contribution plan (excl. social security cost)	652	(1,210)
Contractual pensions (excl. sosial security cost)	703	605
Share-based payment	1,036	928
Total employee benefit expenses	**57,804**	**49,904**

Auditor's fee (incl. VAT)		
Statutory audit [1]	313	399
Other non-assurance services		34
Total auditor's fee (incl. VAT)	**313**	**433**

[1] 2017 figures concerns new auditor.

4. Related party transactions

Overview

Gjensidige Forsikring ASA owns 100 per cent of shares in Gjensidige Pensjonsforsikring AS.

Transactions

Income statement

The table below shows transactions with related parties recognised in the income statement.

	2017		2016	
NOK thousands	**Income**	**Expense**	**Income**	**Expense**
Gross premiums written reinsurance				
Gjensidige Forsikring ASA		6,876		5,457
Gross paid claims reinsurance				
Gjensidige Forsikring ASA	36,089		12,622	
Change in gross provision for reinsurance claims				
Gjensidige Forsikring ASA		2,599	10,837	
Administration expenses				
Gjensidige Forsikring ASA		67,495		61,488
Gjensidige Investeringsrådgiving AS				15,000
Gjensidige Bank ASA		19,349		
Total	**36,089**	**96,319**	**23,459**	**81,945**

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 thousands	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Intercompany non-interest-bearing debts and receivables				
Gjensidige Forsikring ASA	12,935		16,541	
Gjensidige Investeringsrådgiving AS			490	
Gjensidige Bank ASA	911			
Total intercompany balances within the Group	**13,845**		**17,031**	

Gjensidige Forsikring ASA delivers a variety of services to Gjensidige Pensjonsforsikring AS. Significant deliveries are office space and related services. In addition, the services related to accounting, health assessment, market support and legal assistance. Essentially entered into one-year agreements for these services. Gjensidige Pensjonsforsikring AS covers all costs related to the distribution of their products. Gjensidige Pensjonsforsikring AS has also entered into a reinsurance agreement with Gjensidige Forsikring ASA.

5. Intangible assets

NOK thousands	Internally developed IT systems
Cost	
As at 1 January 2016	152,818
Additions	18,451
Disposals/ reclassifications	(533)
As at 31 December 2016	**170,736**
Uncompleted projects	10,042
As at 31 December 2016, including uncompleted projects	**180,778**
Amortisation and impairment losses	
As at 1 January 2016	(115,711)
Amortisations	(16,325)
Disposals/ reclassifications	533
As at 31 December 2016	**(131,503)**
Carrying amount	
As at 1 January 2016	55,558
As at 31 December 2016	**49,275**
Cost	
As at 1 January 2017	170,736
Additions	10,042
As at 31 December 2017	**180,778**
Uncompleted projects	14,728
As at 31 December 2017, including uncompleted projects	**195,506**
Amortisation and impairment losses	
As at 1 January 2017	(131,503)
Amortisations	(14,830)
As at 31 December 2017	**(146,333)**
Carrying amount	
As at 1 January 2017	49,275
As at 31 December 2017	**49,173**
Amortisation method	Straight-line
Useful life (years)	3-7

6. Shares and similar interests in company portfolio

NOK thousands	Org.number	Currency/Country	2017
Equity funds			
Kombinert Pensjonsprofil Aksjer VS		NOK/NOR	357
Indeksert Pensjonsprofil Aksjer		NOK/NOR	33
Man GLG European Equity D EUR		EUR/NOR	23
C WorldWide Globale Aksjer		NOK/NOR	22
Kombinert Pensjonsprofil Aksjer		NOK/NOR	17
Eika Norge	985682976	NOK/NOR	12
Aktiv Pensjonsprofil Aksjer		NOK/NOR	10
Various funds		NOK/NOR	15
Total equity funds			**491**
Total listed			**440**
Bond funds			
Various funds			5
Total bond funds			**5**
Money market funds			
Storebrand Likviditet	977555779	NOK/NOR	247,387
Danske Invest Norsk Likv. Inst.		NOK/NOR	148,407
Nordea Likviditet 20		NOK/NOR	144,930
Holberg Likviditet	982371929	NOK/NOR	102,707
Danske Invest Norsk Likviditet 1	868006862	NOK/NOR	102,574
Alfred Berg Pengemarked	966491167	NOK/NOR	290
Skagen Høyrente	979876076	NOK/NOR	133
Skagen Tellus	990009651	NOK/NOR	11
Total money market funds			**746,440**
Total listed			**424,633**
Combination funds			
Kombinert Pensjonsprofil Trygg		NOK/NOR	1,450
Aktiv Pensjonsprofil Balansert		NOK/NOR	1,018
Kombinert Pensjonsprofil Balansert VS		NOK/NOR	759
Handelsbanken Pensjonsprofil 50		NOK/NOR	328
Aktiv Pensjonsprofil Offensiv		NOK/NOR	311
Vekterspar Balansert		NOK/NOR	268
Vekterspar Trygg		NOK/NOR	234
Aktiv Pensjonsprofil Trygg		NOK/NOR	167
Kombinert Pensjonsprofil Trygg VS		NOK/NOR	126
Kombinert Pensjonsprofil Balansert		NOK/NOR	45
Kombinert Pensjonsprofil Offensiv		NOK/NOR	35
Handelsbanken Pensjonsprofil 70		NOK/NOR	21
Various funds		NOK/NOR	5
Total combination funds			**4,767**
Total listed			**4,376**
Other financial investments			
Norsk Pensjon	890050212	NOK/NOR	200
Total other financial investments			**200**
Total financial shares and similar interests			**751,902**
Total listed			**429,449**

Fund without Norwegian registration number is registered outside Norway. Fund profiles are virtual profiles composed of both Norwegian and foreign registered funds, fund profiles are not official listed funds and have as such no Norwegian registration number.

7. Shares and similar interest in investment portfolio

NOK thousands	Org. number	Currency/country	2017
Equity funds			
Kombinert Pensjonsprofil Aksjer		NOK/NOR	3,243,793
Kombinert Pensjonsprofil Aksjer Privat		NOK/NOR	636,937
Skagen Kon-Tiki	984305141	NOK/NOR	359,170
Skagen Global	979876106	NOK/NOR	330,680
Skagen Vekst	879876052	NOK/NOR	287,950
Landkreditt Aksje Global	988849537	NOK/NOR	197,259
Handelsbanken Pensjonsprofil 100		NOK/NOR	145,218
Kombinert Pensjonsprofil Aksjer VS		NOK/NOR	120,105
Indeksert Pensjonsprofil Aksjer		NOK/NOR	113,204
Skagen m2	998738873	NOK/NOR	84,961
Delphi Nordic	960058658	NOK/NOR	66,268
Alfred Berg Norge	957801412	NOK/NOR	54,317
KLP AksjeGlobal Indeks 4	988244163	NOK/NOR	45,325
Schroder ISF Emerg Mkts A Acc		USD/NOR	34,627
Holberg Norden	982371910	NOK/NOR	31,161
Pareto Aksje Norge B	883610512	NOK/NOR	28,562
KLP AksjeVerden Indeks	996716716	NOK/NOR	27,155
Landkreditt Utbytte	999029280	NOK/NOR	22,085
Skagen Focus	915294294	NOK/NOR	20,960
Parvest Equity India		NOK/NOR	18,851
Delphi Global	989747746	NOK/NOR	18,536
Danske Invest Norge I	968127799	NOK/NOR	16,951
C WorldWide Globale Aksjer	945434422	NOK/NOR	16,613
Eika Norge	985682976	NOK/NOR	14,016
Man GLG European Equity D EUR		EUR/NOR	13,964
Dnb Miljøinvest	971580496	NOK/NOR	13,150
Henderson Gartmore Global Growth Fund R E ACC		EUR/LUX	8,999
Storebrand Norge	938651728	NOK/NOR	7,659
Aktiv Pensjonsprofil Aksjer		NOK/NOR	5,744
SKAGEN Select 100	918534741	NOK/NOR	4,982
Candriam Equities L Australia C AUD Acc		AUD/LUX	3,578
Vekterspar Aksjer		NOK/NOR	3,053
Investec GSF Global Equity A, Acc. Gross USD		USD/NOR	2,271
Parvest Real Estate Securities World		NOK/NOR	2,216
Goldman Sachs N-11 Equity Portfolio		EUR/NOK	1,453
Handelsbanken Barekraftig Energi		NOK/NOR	928
Handelsbanken Kina A1		NOK/NOR	825
Handelsbanken Norden Selektiv A1		NOK/NOR	801
Handelsbanken Tillvaxtmarknad Tema A1 NOK		NOK/NOR	463
Handelsbanken Norge A1 NOK		NOK/NOR	452
Handelsbanken Asia		NOK/NOR	444
Handelsbanken Global Criteria		NOK/NOR	371
Handelsbanken Norden A1 NOK		NOK/NOR	265
Handelsbanken America Small Cap		NOK/NOR	263
Handelsbanken Europa Selektiv A1		NOK/NOR	202
Handelsbanken Latin-Amerika A1 NOK		NOK/NOR	96
Handelsbanken Latin-Amerika A1 NOK		NOK/NOR	96
Handelsbanken Russland		NOK/NOR	71
Handelsbanken Øst-Europa A1 NOK		NOK/NOR	34
Handelsbanken Europa Tema A1 NOK		NOK/NOR	24
Total equity funds			**6,010,326**
Total listed			**5,710,608**
Bond funds			
Skagen Avkastning	970876084	NOK/NOR	79,796
Danske Invest Norsk Obligasjon	968007009	NOK/NOR	42,189
PIMCO GIS plc Global Bond Fund Hedged NOK Acc.		NOK/USA	27,664
Skagen Credit	913541391	NOK/NOR	24,238
Nordea Global High Yield	986224211	NOK/NOR	22,368
Skagen Tellus	990009651	NOK/NOR	22,223
DNB Obligasjon	951162728	NOK/NOR	15,641

NOK thousands	Org. number	Currency/country	2017
Handelsbanken Råvarefond		NOK/NOR	130
Handelsbanken Obligasjon A1 NOK		NOK/NOR	118
Total bond funds			**234,365**
Total listed			**220,861**
Money market funds			
Kombinert Pensjonsprofil Renter		NOK/NOR	1,040,121
Alfred Berg Pengemarked	966491167	NOK/NOR	361,487
Kombinert Pensjonsprofil Renter Privat		NOK/NOR	218,124
Holberg Likviditet	982371929	NOK/NOR	178,599
Landkreditt Høyrente	988437832	NOK/NOR	172,002
Vekterspar Bankinnskudd		NOK/NOR	107,417
Handelsbanken Pensjonsprofil Renter		NOK/NOR	89,652
Skagen Høyrente	979876076	NOK/NOR	73,631
Indeksert Pensjonsprofil Renter		NOK/NOR	28,072
Handelsbanken Likviditet A1 NOK		NOK/NOR	21,300
Danske Invest Norsk Likviditet 1	868006862	NOK/NOR	3,851
Landkreditt Ekstra	999029302	NOK/NOR	2,558
Total money market funds			**2,296,815**
Total listed			**1,859,212**
Combination funds			
Kombinert Pensjonsprofil Balansert		NOK/NOR	2,810,012
Kombinert Pensjonsprofil Trygg		NOK/NOR	1,443,647
Aktiv Pensjonsprofil Balansert		NOK/NOR	1,403,281
Vekterspar Trygg		NOK/NOR	1,400,766
Kombinert Pensjonsprofil Balansert Privat		NOK/NOR	1,324,955
Vekterspar Balansert		NOK/NOR	1,231,371
Kombinert Pensjonsprofil Trygg Privat		NOK/NOR	1,083,149
Handelsbanken Pensjonsprofil 70		NOK/NOR	814,760
Aktiv Pensjonsprofil Trygg		NOK/NOR	682,417
Kombinert Pensjonsprofil Offensiv		NOK/NOR	545,383
Handelsbanken Pensjonsprofil 50		NOK/NOR	343,489
Aktiv Pensjonsprofil Offensiv		NOK/NOR	341,003
Kombinert Pensjonsprofil Offensiv Privat		NOK/NOR	242,194
Kombinert Pensjonsprofil Balansert VS		NOK/NOR	178,809
Vekterspar Offensiv		NOK/NOR	136,633
Kombinert Pensjonsprofil Offensiv VS		NOK/NOR	24,990
Kombinert Pensjonsprofil Trygg VS		NOK/NOR	7,537
SKAGEN Select 60		NOK/NOR	3,530
Indeksert Pensjonsprofil Offensiv	818534752	NOK/NOR	2,505
Indeksert Pensjonsprofil Trygg		NOK/NOR	1,936
Handelsbanken Pensjonsprofil 30		NOK/NOR	711
Handelsbanken Multi Asset 100		NOK/NOR	405
Indeksert Pensjonsprofil Balansert		NOK/NOR	285
SKAGEN Select 15	918534784	NOK/NOR	183
Total combination funds			**14,023,953**
Total listed			**12,762,094**
Other financial investements			
Receivables			52,445
Cash			62,688
Total other financial investments			**115,133**
Total financial shares and similar interests investments in investment portfolio			**22,680,592**
Total listed			**20,552,775**

Fund without Norwegian registration number is registered outside Norway. Fund profiles are virtual profiles composed of both Norwegian and foreign registered funds, fund profiles are not official listed funds and have as such no Norwegian registration number

8. Shares and similar interest in group policy portfolio

NOK thousands	Org.number	Currency/country	2017
Equity funds			
Malling & Co Eiendomsfond 1 IS	916638914	NOK / NOR	758,151
Total equity funds			**758,151**
Total listed			**0**
Bond funds			
Shenkman Finsbury High Income Fund A NOK		NOK / NOR	141,261
Nordea Global High Yield	986224211	NOK / NOR	20,007
Total bond funds			**161,268**
Total listed			**161,268**
Money market funds			
Storebrand Likviditet	977555779	NOK / NOR	223,655
Danske Invest Norsk Likv. Inst.	981582047	NOK / NOR	175,787
Alfred Berg Pengemarked	966491167	NOK / NOR	47,028
Nordea Likviditet 20	885033822	NOK / NOR	7,219
Total money market funds			**453,689**
Total listed			**260,314**
Total shares and similar interest in group policy portfolio			**1,373,108**
Total listed			**421,582**
Other financial assets			
Bank account			60,412
Total other financial assets			**60,412**
Total financial shares and similar interests			**1,433,520**
Total listed			**421,582**

Fund without Norwegian registration number is registered outside Norway. Fund profiles are virtual profiles composed of both Norwegian and foreign registered funds, fund profiles are not official listed funds and have as such no Norwegian registration number.

9. Contingent liabilities

NOK thousands	2017	2016
Guarantees and committed capital		
Committed capital, not paid	778,143	28,143

Gjensidige Pensjonsforsikring AS has undertaken to invest in the property fund Malling & Co Eiendom 1 IS, beyond amounts recognized in the balance sheet.

10. Pension

Gjensidige Pensjonsforsikring AS (GPF) 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.

GPF 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 GPF 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.

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, GPF 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 2.0 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 56.6 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.

GPF uses GAP07, which is a dynamic mortality model that takes account of the expected development in life expectancy. The assumptions on which the model is based are tested at regular intervals.

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 (including regulatory risk), the pension liability, pension assets, financing level and the co-variation between pension liabilities and pension assets.

GPF 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 11.7 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, GPF 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 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. Previously, GAP07 was used.

In 2017 there was information that suggested that GAP07 should be changed. 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.

GPF'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. GPF 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. GPF 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.

GPF 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 3.8 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, GPF will have to pay extra pension contributions to bring them up to the lower limit. On certain conditions, GPF 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.

In 2013, the pension fund was required to use a life expectancy assumption that deviates significantly from the life expectancy assumptions used in accordance with IAS 19. This order increased the minimum requirement for pension funds. GPF expects the minimum requirement to remain unchanged over the next few years.

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. GPF 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.

GPF 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. GPF 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 GPF. An allocation key based on the GPF'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 thousands	Funded 2017	Unfunded 2017	Total 2017	Funded 2016	Unfunded 2016	Total 2016
Present value of the defined benefit obligation						
As at 1 January	10,888	1,455	12,343	12,390	898	13,289
Current service cost	563	116	679	649	77	727
Employers' national insurance contributions of current service cost	108	22	130	92	11	102
Interest cost	300	40	340	346	25	371
Actuarial gains and losses	934	211	1,146	(224)	(37)	(261)
Benefits paid	(113)		(113)	(106)		(106)
Employers' national insurance contributions of benefits paid	(78)		(78)	(203)		(203)
Business combinations		32	32	431		431
As at 31 December	**12,602**	**1,876**	**14,478**	**10,888**	**1,455**	**12,343**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	12,602	1,876	14,478	10,888	1,455	12,343
Fair value of plan assets	(14,211)		(14,211)	(13,326)		(13,326)
Net defined benefit obligation/(benefit asset)	**(1,609)**	**1,876**	**268**	**(2,437)**	**1,455**	**(982)**
Fair value of plan assets						
As at 1 January	13,326		13,326	10,796		10,796
Interest income	368		368	301		301
Return beyond interest income	220		220	456		456
Contributions by the employer	488		488	1,644		1,644
Benefits paid	(113)		(113)	(106)		(106)
Employers' national insurance contributions of benefits paid	(78)		(78)	(203)		(203)
Business combinations				437		437
As at 31 December	**14,211**		**14,211**	**13,326**		**13,326**
Pension expense recognised in profit or loss						
Current service cost	563	116	679	649	77	727
Interest cost	300	40	340	346	25	371
Interest income	(368)		(368)	(301)		(301)
Past service cost				(2,486)	480	(2,006)
Employers' national insurance contributions	108	22	130	92	11	102
Total defined benefit pension cost	**603**	**179**	**782**	**(1,701)**	**594**	**(1,107)**
The expense is recognised in the following line in the income statement						
Insurance-related administration expenses			782			(1,107)
Remeasurements of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			1,855			1,138
Exchange rate differences			(925)			717
Cumulative amount as at 31 December			**930**			**1,855**
Actuarial assumptions						
Discount rate			2.6%			2.8%
Future salary increases [1]			2.6%			2.8%
Change in social security base amount			3.1%			3.1%
Future pension increases			3.1%			3.1%
Other specifications						
Amount recognised as expense for the defined contribution plan eksl VAT			3,012			2,221
Amount recognised as expense for Fellesordningen LO/NHO eksl VAT			703			520
Expected contribution to Fellesordningen LO/NHO next year			809			520

[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 1.6 per cent (2.0). See explanation under Actuarial assumptions.

NOK thousands	Funded 2017	Unfunded 2017	Total 2017	Funded 2016	Unfunded 2016	Total 2016
Per cent			**Change in pension benefit obligation 2017**			**Change in pension benefit obligation 2016**
Sensitivity						
10% increased mortality			(3.2%)			(3.3%)
10% decreased mortality			2.3%			2.5%
+ 1% point discount rate			(13.5%)			(13.5%)
- 1% point discount rate			17.5%			16.7%
+ 1% point salary adjustment			12.5%			12.8%
- 1% point salary adjustment			(8.8%)			(9.3%)
+ 1% point social security base amount			(4.8%)			(4.9%)
- 1% point social security base amount			6.3%			6.2%
+ 1% point future pension increase			10.8%			10.4%

Valuation hierarchy 2017	Level 1	Level 2	Level 3	
NOK thousands	**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		1,776		1,776
Bonds	10,117	1,177		11,293
Bank		501		501
Derivatives		639		639
Total	**10,117**	**4,094**		**14,211**

Valuation hierarchy 2016	Level 1	Level 2	Level 3	
NOK thousands	**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		320		320
Bonds	9,808	2,798		12,607
Bank		53		53
Derivatives		346		346
Total	**9,808**	**3,517**		**13,326**

11. Subordinated debt

	FRN Gjensidige Pensjonsforsikring AS 2016/2026 SUB
ISIN	NO0010767429
Issuer	Gjensidige Pensjonsforsikring AS
Principal, NOK millions	300,000
Currency	NOK
Issue date	23/06/2016
Maturity date	23/06/2026
First call date	23/06/2021
Interest rate	NIBOR 3M + 2,90%
General terms	
Regulatory regulation	Solvency II
Regulatory call	Yes
Conversion right	No

12. 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 of input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities that is 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 futures, equity options, forward rate agreements and currency swaps, 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 investments classified in level three in the valuation hierarchy is unleveraged exposure to real estate through single purpose vechicles.

- 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

The valuation of the fund is based the guidelines given in the European standard EVS (European Valuation Standard) made by TEGoVA (The European Group of Valuers' Associations) together with well recognized valuation principles in the real estate market

In line with EVS, the valuation of each individual asset will be based on discounting future estimated cash flow. The future estimated cash flow is based on several specific real estate market conditions, such as market rent, market cost / capex levels and expected vacancy levels in the future. The discount rate is derived from the mean of comparable property transactions. This collection of transactions is meant to reflect an average yield on similar properties. We also perform a subjective risk adjustment, which is meant to reflect the deviation from the mean for the specific property in particular. In addition, we add the net present value of the latest inflation estimates from Statistics Norway to derive a nominal discount rate.

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 thousands	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 assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	763,608	763,608	747,133	747,133
Bonds and other fixed income securities	1,361,401	1,361,401	1,946,675	1,946,675
Shares and similar interests in life insurance with investment options	20,034,279	20,034,279	16,002,843	16,002,843
Bonds and other fixed income securities in life insurance with investment options	2,531,180	2,531,180	1,777,181	1,777,181
Financial assets held to maturity				
Bonds held to maturity	30,536	32,118	30,508	33,190
Loans and receivables				
Bonds and other fixed income securities classified as loans and receivables	4,536,001	4,767,057	3,149,704	3,370,073
Receivables related to direct operations and reinsurance	59,409	59,409	43,553	43,553
Other receivables	104,800	104,800	64,834	64,834
Cash and cash equivalents	396,185	396,185	488,472	488,472
Total financial assets	**29,817,400**	**30,050,038**	**24,250,902**	**24,473,953**
Financial liabilities				
Financial liabilities at amortised cost				
Subordinated debt	299,571	307,809	299,457	299,457
Other liabilities	21,992	21,992	15,957	15,957
Liabilities related to direct insurance	89,264	89,264	79,268	79,268
Accrued expenses and deferred income	14,025	14,025	16,111	16,111
Total financial liabilities	**424,852**	**433,090**	**410,793**	**410,793**
Gain/(loss) not recognised in profit or loss		**224,400**		**223,051**

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 thousands	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 assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	5,258		758,351	763,608
Bonds and other fixed income securities	1,357,020	4,381		1,361,401
Shares and similar interests in life insurance with investment options	20,021,129	13,150		20,034,279
Bonds and other fixed income securities in life insurance with investment options	2,515,540	15,641		2,531,180
Financial assets at amortised cost				
Bonds held to maturity		32,118		32,118
Bonds and other fixed income securities classified as loans and receivables		4,767,057		4,767,057
Financial liabilities at amortised cost				
Subordinated debt		307,809		307,809

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 thousands	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 assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	12,820		734,313	747,133
Bonds and other fixed income securities	1,946,675			1,946,675
Shares and similar interests in life insurance with investment options	15,993,604	9,239		16,002,843
Bonds and other fixed income securities in life insurance with investment options	1,764,308	12,873		1,777,181
Financial assets at amortised cost				
Bonds held to maturity		33,190		33,190
Bonds and other fixed income securities classified as loans and receivables		3,370,073		3,370,073
Financial liabilities at amortised cost				
Subordinated debt		299,457		299,457

Reconciliation of financial assets valued based on non-observable market data (level 3) 2017

NOK thousands	As at 1.1.2017	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Transfers into/out of level 3	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	734,313	24,038					758,351	
Total	**734,313**	**24,038**					**758,351**	

Sensitivity of financial assets valued based on non-observable market data (level 3) 2017

		Sensitivity
Shares and similar interests	Decrease in value 10%	75,835
Total		**75,835**

Reconciliation of liabilities arising from financing activities

			Non-cash flows			
	As at 31.12.2016	Cash flows	Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2017
Subordinated debt	299,457				113	299,571

Reconciliation of financial assets valued based on non-observable market data (level 3) 2016

NOK thousands	As at 1.1.2016	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Transfers into/out of level 3	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	200	200	733,913				734,313	
Total	**200**	**200**	**733,913**				**734,313**	

Sensitivity of financial assets valued based on non-observable market data (level 3) 2016

		Sensitivity
Shares and similar interests	Decrease in value 10%	73,431
Total		**73,431**

13. Net income from investments

NOK thousands	2017	2016
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated		
Shares and similar interests		
Dividend income	24,123	
Unrealised gains/(losses) from shares and similar interests	34,951	32,256
Total net income and gains/(losses) from shares and similar interests	**59,074**	**32,256**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	21,240	34,737
Unrealised gains/(losses) from bonds and other fixed-income securities	(7,246)	22,615
Realised gains/(losses) from bonds and other fixed-income securities	17,484	6,255
Total net income and gains/(losses) from bonds and other fixed-income securities	**31,477**	**63,606**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated	**90,551**	**95,862**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	1,751	3,728
Impairment bonds held to maturity	37	
Total net income and gains/(losses) from bonds held to maturity	**1,789**	**3,728**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	149,433	127,849
Net gains/(losses) from loans and receivables	5,381	
Total net income and gains/(losses) from loans and receivables	**154,814**	**127,849**
Net income and gains/(losses) from financial liabilities at amortised cost		
Net interest income/(expenses) from subordinated debt	(11,821)	(6,338)
Total net income and gains/(losses) from financial liabilities at amortised cost	**(11,821)**	**(6,338)**
Net other financial income/(expenses) [1]	(58)	1,131
Return swap on property	1,802	21,909
Total net income from investments	**237,077**	**244,141**
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	155,535	135,176

[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.

14. Salaries and remuneration

The Board's statement on the stipulation of pay and other remuneration

There is established a remuneration committee for Gjensidige Pensjonsforsikring AS.

The remuneration policy has to be within the limits set by the Board in Gjensidige Forsikring ASA.

The remuneration committee shall prepare matters relating to the remuneration system that will be determined by the Board.

General principles for remuneration policy
The remuneration that applies to all employees 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 remunerations system 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. Remunerations and career development shall be linked to achievement of spoken strategic and financial goals and core values, and both quantitative and qualitative targets shall be taken into consideration. The remuneration system shall promote long-term values, 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 payment in kind.

Decision-making process
The Board of Gjensidige Pensjonsforsikring AS has established a remuneration committee consisting of two members.

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

- Drafting proposals for and follow up compliance with guidelines and framework for remuneration
- Prepare proposals and follow up the practice of guidelines and limits for compensation
- Annually considering and proposing the remuneration of the CEO
- Annually drafting proposals for the CEO's scorecard
- Acting as advisers to the CEO in connection with the annual assessment of the remuneration of other executive personnel
- Promote proposed statement regarding salaries and other remuneration to executive personnel, employees and representatives
- Considering other important personnel matters relating to executive personnel

Key management personnel compensation 2017

NOK thousands	Fixed salary/-fee	Earned variable salary	Calculated value of total benefits other than cash	Rights earned in the financial year according to defined benefit pension plan	Annual vesting share-based payment	Number of shares assign-ed, not released	Number of shares released	Number of shares not redeem-ed	Number of shares held	Retire-ment con-ditions
The senior group management										
Torstein Ingebretsen, CEO [4, 5]	1,793	210	393	138	499	1,660	1,740	3,220	2,248	[1]
Nils Andreas Brekke, CFO [3]	1,293	159	290	255	337	1,246	973	2,173	2,758	[2]
Helene Bjørkholt, Product Manager [4, 6]	1,171	146	265	138	304	1,069	996	1,962	3,247	[1]
Lars Ingmar Eng, Director marketing [4, 7]	1,143	143	272	141	322	1,049	1,059	2,080	2,065	[1]
Steffan Lloyd, Director IKT [4]	1,084	137	269	129	336	1,117	1,026	2,168	5,285	[1]
Åge Sætrevik, Chief Investment [4]	1,080	156	324	139	399	1,294	1,421	2,575	1,967	[1]
The Board										
Mats C. Gottschalk, Chairman										
Ida Berild Guldberg, Board member										
Hans Aasnæs, Board member	72									
Kari Østerud, Board member	142									

[1] Age 67
[2] Age 65
[3] Pension plan is benefit based
[4] Pension plan is contribution based
[5] Borrower in Gjensidige Bank ASA with NOK 4,530 thousand outstanding. Applicable conditions are 2.30 per cent in interest rate and loan maturity 28.04.2026
[6] Borrower in Gjensidige Bank ASA with NOK 890 thousand outstanding. Applicable conditions are 2.30 per cent in interest rate and loan maturity 28.09.2023
[7] Borrower in Gjensidige Bank ASA with NOK 950 thousand outstanding. Applicable conditions are 1.99 per cent in interest rate and loan maturity 20.08.2026

Key management personnel compensation 2016

NOK thousands	Fixed salary/-fee	Earned variable salary	Calculated value of total benefits other than cash	Rights earned in the financial year according to defined benefit pension plan	Annual vesting share-based payment	Number of shares assign-ed, not released	Number of shares released	Number of shares not redeem-ed	Number of shares held	Retire-ment con-ditions
The senior group management										
Torstein Ingebretsen, CEO[4, 5]	1,743	209	448	135	452	1,441	2,018	3,300	1,442	[1]
Nils Andreas Brekke, CFO [3]	1,258	136	289	236	251	868	881	1,832	2,779	[2]
Helene Bjørkholt, Product Manager [4, 6]	1,141	126	266	132	255	786	931	1,860	2,656	[1]
Lars Ingmar Eng, Director marketing [4,7,8]	1,108	143	275	128	282	918	1,013	2,058	1,438	[1]
Steffan Lloyd, Director IKT [4]	1,053	137	275	118	246	870	864	1,794	4,114	[1]
The Board										
Mats C. Gottschalk, Chairman										
Henning Brattlie, Board member										
Kari Østerud, Board member	139									

[1] Age 67
[2] Age 65
[3] Pension plan is benefit based
[4] Pension plan is contribution based
[5] Borrower in Gjensidige Bank ASA with NOK 4,579 thousand outstanding. Applicable conditions are 2.20 per cent in interest rate and loan maturity 28.04.2026
[6] Borrower in Gjensidige Bank ASA with NOK 983 thousand outstanding. Applicable conditions are 2.20 per cent in interest rate and loan maturity 28.09.2023
[7] Borrower in Gjensidige Bank ASA with NOK 1,050 thousand outstanding. Applicable conditions are 1.95 per cent in interest rate and loan maturity 20.08.2026
[8] Borrower in Gjensidige Bank ASA with NOK 353 thousand outstanding. Applicable conditions are 1.99 per cent in interest rate and loan maturity 30.05.2021

15. Tax

NOK thousands	2017	2016
Specification of tax expense		
Tax payable	15,796	14,664
Correction previous years	1,395	(64)
Change in deferred tax	10,495	14,121
Total tax expense	**27,687**	**28,721**

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		
Properties, plant and equipment and intangible assets		
Shares, bonds and other securities	89,382	47,094
Pension assets	1,609	2,438
Total taxable temporary differences	**90,991**	**49,531**
Deductible temporary differences		
Loans and receivables	(428)	(446)
Provisions for liabilities	(6,832)	(6,832)
Pension liabilities	(1,877)	(1,455)
Total deductible temporary differences	**(9,136)**	**(8,733)**
Net temporary differences	**81,855**	**40,798**
Net deferred tax liabilities/(deferred tax assets)	**20,464**	**10,200**
Reconciliation of tax expense		
Profit before tax	103,618	113,228
Estimated tax of profit before tax expense (25%)	(25,905)	(28,307)
Tax effect of		
Tax exempted income and expenses	(593)	(497)
Gain of shares not tax exempted	205	19
Correction previous years	(1,395)	64
Total tax expense	**(27,687)**	**(28,721)**
Effective rate of income tax	26.7 %	25.4%
Change in deferred tax		
Deferred tax liabilities/assets as at 1 January	(10,200)	4,101
Change in deferred tax recognised in profit or loss	(10,264)	(14,121)
Change in deferred tax recognised directly in the balance sheet		
Pensions	231	(179)
Forpliktelser ved utsatt skatt/(eiendeler ved utsatt skatt) per 31. desember	**(20,232)**	**(10,200)**
Tax recognised in other comprehensive income		
Deferred tax pensions	(231)	179
Total tax recognised in other comprehensive income	**(231)**	**179**

16. Insurance liabilities split by segment

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2017**
Premium reserves	1,287,348		1,287,348	3,778,007			719,501	4,497,508	5,784,856
Additional statutory reserves	3,678		3,678	162,742			10,197	172,939	176,617
Market value adjustment reserves				54,730				54,730	54,730
Premium Fund, Deposit Fund and Fund for Pension Adjustment	408		408				1,752	1,752	2,160
Total insurance obligations in life insurance - the group policy portfolio	**1,291,434**		**1,291,434**	**3,995,479**			**731,450**	**4,726,929**	**6,018,363**
Premium reserves		2,111,687	2,111,687		6,917,148	13,332,758		20,249,906	22,361,593
Premium Fund, Deposit Fund and Fund for Pension Adjustment						319,000		319,000	319,000
Total insurance obligations in life insurance - the investment option portfolio		**2,111,687**	**2,111,687**		**6,917,148**	**13,651,758**		**20,568,906**	**22,680,593**

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2016**
Premium reserves	986,593		986,593	3,279,364			951,150	4,230,514	5,217,107
Additional statutory reserves	2,455		2,455	151,340			10,594	161,934	164,389
Market value adjustment reserves				26,387			508	26,895	26,895
Premium Fund, Deposit Fund and Fund for Pension Adjustment	403		403				762	762	1,165
Total insurance obligations in life insurance - the group policy portfolio	**989,451**		**989,451**	**3,457,091**			**963,014**	**4,420,105**	**5,409,556**
Premium reserves		1,946,878	1,946,878		5,287,263	10,279,285		15,566,548	17,513,426
Premium Fund, Deposit Fund and Fund for Pension Adjustment						314,272		314,272	314,272
Total insurance obligations in life insurance - the investment option portfolio		**1,946,878**	**1,946,878**		**5,287,263**	**10,593,557**		**15,880,820**	**17,827,698**

17. Profit/(loss) of technical account

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2017**
Premiums for own account	311,669	256,921	568,590	39,184	188,816	4,053,116	257,163	4,538,279	5,106,870
Income from investments in the group policy portfolio	42,961		42,961	169,209			24,011	193,220	236,182
Income from investments in the investment portfolio		139,060	139,060		119,758	1,711,469		1,831,227	1,970,287
Other insurance related income		18,237	18,237		57,347	54,774		112,121	130,359
Claims	2,248	(176,264)	(174,016)	340,278	(49,181)	(1,261,152)	(515,136)	(1,485,191)	(1,659,207)
Changes in reserves for the group policy portfolio	(305,185)		(305,185)	(537,715)			247,791	(289,924)	(595,109)
Changes in reserves for investment portfolio		(207,198)	(207,198)		(197,810)	(4,451,380)		(4,649,190)	(4,856,388)
Funds allocated to the insurance contracts				(1,996)			(996)	(2,992)	(2,992)
Insurance-related operating expenses	(22,950)	(16,310)	(39,260)	(18,875)	(48,281)	(80,579)	(40,284)	(188,019)	(227,279)
Profit/(loss) of technical account	**28,743**	**14,446**	**43,189**	**(9,915)**	**70,649**	**26,248**	**(27,451)**	**59,531**	**102,723**

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2016**
Premiums for own account	276,222	167,586	443,808	9,977	105,314	2,804,965	234,681	3,154,937	3,598,745
Income from investments in the group policy portfolio	33,975		33,975	166,572			35,820	202,392	236,367
Income from investments in the investment portfolio		65,723	65,723		31,123	543,515		574,638	640,361
Other insurance related income		12,790	12,790		35,817	34,993		70,810	83,600
Claims	(15,792)	(184,076)	(199,868)	(65,360)	(29,587)	(710,781)	(87,581)	(893,309)	(1,093,177)
Changes in reserves for the group policy portfolio	(213,360)		(213,360)	(102,184)			(173,542)	(275,726)	(489,086)
Changes in reserves for investment portfolio	(209)	(36,228)	(36,437)		(52,338)	(2,583,869)		(2,636,207)	(2,672,644)
Funds allocated to the insurance contracts	(1,105)		(1,105)	(2,467)			(2,808)	(5,275)	(6,380)
Insurance-related operating expenses	(19,872)	(12,803)	(32,675)	(15,667)	(40,891)	(67,898)	(33,944)	(158,400)	(191,075)
Profit/(loss) of technical account	**59,859**	**12,992**	**72,851**	**(9,129)**	**49,438**	**20,925**	**(27,374)**	**33,860**	**106,713**

18. Premium reserves transferred to/from other companies

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2017**
Premium reserves transferred from other companies		29,662	29,662	39,184	188,788	1,709,267	52,074	1,989,313	2,018,975
Premium reserves transferred to other companies		(4,877)	(4,877)		(40,227)	(1,144,017)	(42,064)	(1,226,308)	(1,231,185)
Number of contracts from other		218	218	35	2,190	2,002	2,002	4,227	4,445
Number of contracts to other		18	18		3,793	695	695	4,488	4,506

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2016**
Premium reserves transferred from other companies		45,125	45,125	9,977	105,236	915,301	56,476	1,086,990	1,132,115
Premium reserves transferred to other companies		(1,895)	(1,895)	(28)	(21,347)	(621,915)	(45,904)	(689,194)	(691,089)
Number of contracts from other		143	143	25	1,170	717	717	1,912	2,055
Number of contracts to other		13	13	2	2,230	591	591	2,823	2,836

19. Claims split by segment

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2017**
Gross claims paid	(22,509)	(171,387)	(193,896)	(108,535)	(8,953)	(117,135)	(35,592)	(270,215)	(464,111)
Claims paid - reinsurance	24,757		24,757				11,332	11,332	36,089
Claims for own account	**2,248**	**(171,387)**	**(169,139)**	**(108,535)**	**(8,953)**	**(117,135)**	**(24,260)**	**(258,883)**	**(428,022)**

	Individual pension			Occupational pension					
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Risk products**	**Total occupational pension**	**Total 2016**
Gross claims paid	(16,400)	(182,180)	(198,580)	(65,332)	(8,240)	(88,865)	(53,692)	(216,129)	(414,709)
Claims paid - reinsurance	739		739				11,883	11,883	12,622
Claims for own account	**(15,661)**	**(182,180)**	**(197,841)**	**(65,332)**	**(8,240)**	**(88,865)**	**(41,809)**	**(204,246)**	**(402,087)**

20. Analysis of administration-, risk- and financial result

	Individual pension			Occupational pension				
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Total occupational pension**	**Total 2017**
Administration income	49,677	11,388	61,065	8,491	61,610	64,871	134,972	196,037
Administration costs	(22,950)	(16,310)	(39,260)	(18,875)	(48,281)	(120,863)	(188,019)	(227,279)
Administration result	**26,727**	**(4,922)**	**21,805**	**(10,384)**	**13,329**	**(55,992)**	**(53,047)**	**(31,242)**
Risk premium	259,267	10,134	269,401	9,183		244,423	253,606	523,007
Claims	(277,515)	(9,002)	(286,517)	(9,076)	(27)	(254,856)	(263,959)	(550,477)
Risk result	**(18,248)**	**1,132**	**(17,116)**	**107**	**(27)**	**(10,433)**	**(10,353)**	**(27,470)**
Financial income	42,961		42,961	169,209		24,011	193,221	236,182
Guaranteed return	(22,697)		(22,697)	(122,009)		(12,841)	(134,850)	(157,547)
Market value adjustment				(28,109)		273	(27,836)	(27,836)
Financial result	**20,264**		**20,264**	**19,091**		**11,443**	**30,535**	**50,799**
Management income		**18,237**	**18,237**		**57,347**	**54,774**	**112,121**	**130,359**
Total	**28,743**	**14,447**	**43,190**	**8,814**	**70,649**	**(208)**	**79,256**	**122,446**
Year-end allocations								
Additional reserve contribution				17			17	17
Owners contribution				(17)			(17)	(17)
Owners share of profit				489			489	489
Total				**489**			**489**	**489**
Allocated to customer								
Risk result				107			107	107
Financial result				19,091		996	20,087	20,087
Additional reserve contribution				17			17	17
Total				**19,215**		**996**	**20,211**	**20,211**
Allocated to owner								
Administration result	26,727	(4,922)	21,805	(10,384)	13,329	(55,992)	(53,047)	(31,242)
Risk result	(18,248)	1,132	(17,116)		(27)	(10,433)	(10,460)	(27,577)
Financial result	20,264		20,264	489		10,447	10,936	31,200
Management income		18,237	18,237		57,347	54,774	112,121	130,359
Owners net contribution				(17)			(17)	(17)
Profit of technical account	**28,743**	**14,447**	**43,190**	**(9,912)**	**70,649**	**(1,204)**	**59,533**	**102,723**

	Individual pension			Occupational pension				
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Total occupational pension**	**Total 2016**
Administration income	48,860	11,562	60,422	7,281	54,527	62,075	123,883	184,305
Administration costs	(19,872)	(12,802)	(32,674)	(15,668)	(40,890)	(101,843)	(158,401)	(191,075)
Administration result	**28,988**	**(1,240)**	**27,748**	**(8,387)**	**13,637**	**(39,768)**	**(34,518)**	**(6,770)**
Risk premium	223,470	10,097	233,567	11,994		226,282	238,276	471,843
Claims	(211,636)	(8,655)	(220,291)	(6,992)	(16)	(227,954)	(234,962)	(455,253)
Risk result	**11,834**	**1,442**	**13,276**	**5,002**	**(16)**	**(1,672)**	**3,314**	**16,590**
Financial income	33,975		33,975	166,572		35,820	202,392	236,367
Guaranteed return	(13,833)		(13,833)	(109,733)		(32,504)	(142,237)	(156,070)
Market value adjustment				(26,386)		(508)	(26,895)	(26,895)
Financial result	**20,142**		**20,142**	**30,453**		**2,808**	**33,261**	**53,403**
Management income		**12,790**	**12,790**		**35,817**	**34,993**	**70,810**	**83,600**
Total	**60,964**	**12,992**	**73,956**	**27,068**	**49,438**	**(3,639)**	**72,867**	**146,823**

	Individual pension			Occupational pension				
NOK thousands	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Total occupational pension**	**Total 2016**
Year-end allocations								
Additional reserve contribution				1,321			1,321	1,321
Owners contribution				(888)			(888)	(888)
Owners share of profit				146			146	146
Total				**579**			**579**	**579**
Allocated to customer								
Risk result				5,002			5,002	5,002
Financial result	1,105		1,105	30,453		2,808	33,261	34,366
Owners net contribution				1,321			1,321	1,321
Total	**1,105**		**1,105**	**36,776**		**2,808**	**39,584**	**40,689**
Allocated to owner								
Administration result	28,988	(1,240)	27,748	(8,387)	13,637	(39,768)	(34,518)	(6,770)
Risk result	11,834	1,442	13,276		(16)	(1,672)	(1,688)	11,588
Financial result	19,037		19,037					19,037
Management income		12,790	12,790		35,817	34,993	70,810	83,600
Owners net contribution				(742)			(742)	(742)
Profit of technical account	**59,859**	**12,992**	**72,851**	**(9,129)**	**49,438**	**(6,447)**	**33,862**	**106,713**

21. New contracts

		Individual pension			Occupational pension				
NOK thousands	**Year**	**Risk products**	**Unit Link**	**Total individual pension**	**Paid-up policies**	**Pension capital certificates**	**Defined contri-bution**	**Total occupational pension**	**Total**
Yearly instalment/reserve									
	2017		157,734	157,734	26,461	1,339,865	303,641	1,669,967	1,827,701
	2016		125,827	125,827	11,304	865,200	216,001	1,092,505	1,218,332
Risk premium									
	2017	64,101		64,101			20,026	20,026	84,127
	2016	59,776		59,776			16,793	16,793	76,569

It is used different measurement concepts depending on the product insurance content. For savings-related products the agreed deposit or transferred reserves are used, and for risk-based products annual risk premium are used.

22. Return in portfolio

Portfolio	**Year**	**Paid-up policy portfolio [1]**	**Other policy portfolio [1]**	**Total group policy portfolio [1]**	**Investement portfolio**	**Company portfolio**
Recognised return	2017	3.75%	3.62%	3.68%	5.73%	1.52%
Value-adjusted return	2017	4.47%	3.78%	4.22%	11.05%	1.37%
Recognised return	2016	4.08%	2.99%	3.76%	3.64%	2.02%
Value-adjusted return	2016	4.87%	4.11%	4.66%	4.23%	2.24%
Recognised return	2015	5.43%	2.84%	4.67%	4.98%	2.19%
Value-adjusted return	2015	5.42%	2.89%	4.68%	6.30%	1.97%
Recognised return	2014	4.63%	3.97%	4.47%	3.63%	2.54%
Value-adjusted return	2014	4.63%	3.97%	4.46%	13.29%	2.45%
Recognised return	2013	4.57%	3.96%	4.48%	3.35%	2.47%
Value-adjusted return	2013	4.67%	4.10%	4.55%	16.16%	2.72%
Recognised return	2012	4.76%	4.25%	4.61%	2.94%	2.65%
Value-adjusted return	2012	4.77%	4.28%	4.69%	8.16%	2.28%

[1] When calculating the return of group policy portfolio Dietz method is used, which is according to the regulations for calculating return on capital in life insurance.

23. Changes contractual insurance obligations

NOK thousands	2017	2016
Premium reserve		
As at 1 January	5,217,107	4,745,151
Changes in insurance obligations recognised in the profit and loss account	555,032	432,587
Profit on investment result	1,955	34,366
Risk profit allocated to the insurance agreements	41	5,003
Adjustment of insurance obligations from comprehensive income	10,721	
As at 31 December	**5,784,856**	**5,217,107**
Additional statutory reserves		
As at 1 January	164,389	143,090
Changes in insurance obligations recognised in the profit and loss account	12,227	21,299
As at 31 December	**176,617**	**164,389**
Premium Fund, Deposit Fund and Fund for Pension Adjustment		
As at 1 January	1,165	3,619
Changes in insurance obligations recognised in the profit and loss account		(3,058)
Profit on investment result	996	604
As at 31 December	**2,160**	**1,165**
Market value adjustment reserve		
As at 1 January	26,895	
Changes in insurance obligations recognised in the profit and loss account	27,836	26,895
As at 31 December	**54,730**	**26,895**

24. Changes insurance obligations - investment choice portfolio separately

NOK thousands	2017	2016
Premium reserve		
As at 1 January	17,513,426	14,862,969
Changes in insurance obligations recognised in the profit and loss account	4,848,167	2,650,457
As at 31 December	**22,361,593**	**17,513,426**
Premium Fund, Deposit Fund and Fund for Pension Adjustment		
As at 1 January	314,272	292,502
Changes in insurance obligations recognised in the profit and loss account	4,728	21,770
As at 31 December	**319,000**	**314,272**

25. Share-based payment

Description of the share-based payment arrangements

As at 31 December 2017, Gjensidige Pensjonsforsikring AS 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 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. 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	I/A	I/A	10%	10%
Expected sale	I/A	I/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 80 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	875	823
Share savings programme for employees	161	106
Total expenses	**1,036**	**928**

Share savings programme

	2017	2016
The number of bonus shares		
Outstanding 1 January	1,252	1,241
Granted during the period	1,226	592
Forfeited during the period	(50)	(570)
Exercised during the period		(11)
Released during the period	(786)	
Movement to/(from) during the period	282	
Outstanding 31 December	**1,924**	**1,252**
Exercisable 31 December		
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	5,678	5,166	5,630	5,132
Granted during the period	2,821	2,474	2,576	2,307
Exercised during the period	(2,911)	(2,656)	(2,977)	(2,730)
Movement to/(from) during the period	1,155	1,029		
Modification dividend during the period	333	333	449	457
Outstanding 31 December	**7,076**	**6,346**	**5,678**	**5,166**
Exercisable 31 December	**-**	**-**	**-**	**-**
Average remaining life of outstanding shares	2.09	2.06	0.85	0.85

	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.

Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the annual report and financial statements for Gjensidige Pensjonsforsikring AS for the calendar year 2017 and as of 31 December 2017 (Annual Report 2017).

We declare that, to the best of our knowledge, the financial statements for 2017 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the Accounting Act, and taking into account the limitations of accounting regulations for life insurance. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the annual report gives a true picture of important events in the accounting period and their impact on the financial statements, related material transactions and the most important risks and uncertainties faced by the company in the next accounting period.

Oslo, 15 February 2018
The Board of Gjensidige Pensjonsforsikring AS

Mats C. Gottschalk	Kari Østerud	Hans Aasnæs	Ida Berild Guldberg
Chair			

Torstein Ingebretsen
CEO

Deloitte.

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Translation from the original Norwegian version

To the General Meeting of Gjensidige Pensjonsforsikring AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gjensidige Pensjonsforsikring AS showing a Total comperhensice income of tkr 75 237. The financial statements comprise the balance sheet as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the 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.

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 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 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'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 to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

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 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 15 February 2018
Deloitte AS

Eivind Skaug
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

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.

Gjensidige Pensjonsforsikring is a wholly owned subsidiary that mainly offers defined contribution pension plans and risk coverage. The Group's operating income was NOK 27 billion in 2017, while total assets were NOK 149 billion.

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