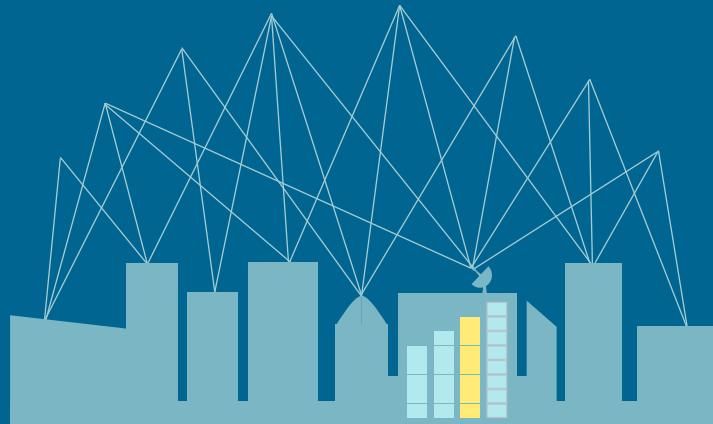


# Interim Report 3rd quarter 2018

## Gjensidige Pensjonsforsikring



# Gjensidige Pensjonsforsikring AS

## Third quarter 2018

In the following, figures in brackets indicate the amount or percentage for the corresponding period last year.

### Year-to-date

- Profit/(loss) before tax expense: NOK 110.3 million (75.8)
- Operating income: NOK 265.9 million (224.7)
- Operating expenses: NOK 181.3 million (173.4)
- Operating margin: 31.8 per cent (22.8)
- Return on equity, annualised: 14.3 per cent (11.1)
- Solvency capital (SF): NOK 2,126.1 million (2,105.1)
- Solvency margin (SF): 146.3 per cent (132.9)
- Assets under management: NOK 31,711.5 million (27,326.5)

### Third quarter

- Profit/(loss) before tax expense: NOK 40.2 million (21.6)
- Operating income: NOK 91.1 million (74.7)
- Operating expenses: NOK 61.9 million (58.6)
- Operating margin: 32.1 per cent (21.6)

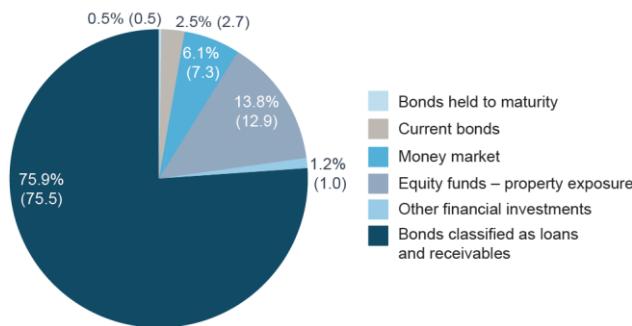
NOK millions	Q3 2018	Q3 2017	1.1.-30.9.2018	1.1.-30.9.2017	1.1.-31.12.2017
Administration fees	36.7	33.9	107.2	100.3	134.6
Insurance income	16.9	9.4	48.6	33.7	36.3
Management income etc.	37.5	31.4	110.2	90.6	130.4
Operating expenses	(61.9)	(58.6)	(181.3)	(173.4)	(227.3)
<b>Net operating income</b>	<b>29.2</b>	<b>16.1</b>	<b>84.6</b>	<b>51.3</b>	<b>74.0</b>
Net financial income	11.0	5.5	25.7	24.5	29.6
<b>Profit/(loss) before tax expense</b>	<b>40.2</b>	<b>21.6</b>	<b>110.3</b>	<b>75.8</b>	<b>103.6</b>
Operating margin <sup>1</sup>	32.09%	21.61%	31.81%	22.81%	24.56%

<sup>1</sup> Operating margin = net operating income/total income

# Another record quarter, for the first time the 40-million mark was exceeded

## Asset allocation the group policy portfolio

Earned premiums year to date (same period last year)



## Year-to-date development

### Earnings performance

Continued revenue growth lifted earnings significantly from last year. The profit before tax expense was NOK 110.3 million (75.8) which makes this quarter to another record quarter.

### Operating income

Total operating income amounted to NOK 265.9 million (224.7).

Administration fees were NOK 107.2 million (100.3) driven by a growing customer portfolio. Insurance income was NOK 48.6 million (33.7), which was also a consequence of an increased number of customers in addition to strengthening of IBRN reserves last year. Management income increased to NOK 110.2 million (90.6) as a result of growth in assets under management.

### Operating expenses

Operating expenses increased to NOK 181.3 million (173.4), driven by increased distribution costs due to higher business volume.

### Net financial income

Net financial income, including returns both on the group policy portfolio and the corporate portfolio, amounted to NOK 25.7 million (24.5). The increased income was due to higher returns related to property investments. The company's share of the profit relating to the paid-up policy portfolio was allocated in its entirety as a provision for longevity.

### Paid-up policy portfolio

The recognised return on the paid-up policy portfolio was 4.53 per cent (2.80). The improvement was related to non-recurring effects due to the changed classification of unrealised gains relating to property investments. The average annual interest guarantee was 3.3 per cent.

### Assets under management

Assets under management have increased by NOK 3,012.5 million since year end 2017. Total pension assets under management amounted to NOK 31,711.5 million (27,326.5) including the group policy portfolio of NOK 6,474.3 million (5,875.3).

## Development during the quarter

### Earnings performance

The profit before tax expense was NOK 40.2 million (21.6) and for the first time the 40-million mark was exceeded. The profit growth was especially driven by growth in operating revenues.

### Operating income

Total income increased to NOK 91.1 million (75.1).

Administration fees increased to NOK 36.7 million (33.9) as a result of a growing customer portfolio. Insurance income was NOK 16.9 million (9.4). Adjusted for a strengthening of provisions in the third quarter 2018, the increase was NOK 1.5 million. Management income increased to NOK 37.5 million (31.4), reflecting an increase in assets under management.

### Operating expenses

Operating expenses were NOK 61.9 million (58.6).

### Net financial income

Net financial income was NOK 11.0 million (5.5) caused as a result of increased return on property investments.

### Solvency position

The solvency margin reported at the end of the period was 146.3 per cent, up from 142.8 per cent in the last quarter.

### Events after the balance sheet date

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

### Outlook

Gjensidige Pensjonsforsikring AS shall support Gjensidige's sales to insurance customers in Norway. The company offers occupational pension and disability pension products to individuals. The defined contributions market remains competitive but highly active, creating ample business opportunities. The results achieved over the last few years substantiate the fact that the company is well positioned to further expand its business. The positive profit trend is expected to continue.

Oslo, 24 October 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	Q3 2018	Q3 2017	1.1.-30.9.2018	1.1.-30.9.2017	1.1.-31.12.2017
<b>Technical account</b>					
Gross written premium	830,026	746,270	2,523,425	2,248,983	3,094,770
Ceded reinsurance premiums	(14,143)		(42,386)	(6,876)	(6,876)
Transfer of premium reserves from other insurance companies/pension funds	404,131	313,746	1,289,670	1,702,716	2,018,975
<b>Total premiums for own account</b>	<b>1,220,013</b>	<b>1,060,016</b>	<b>3,770,709</b>	<b>3,944,823</b>	<b>5,106,870</b>
Income from investments in subsidiaries and associated companies	29,217		57,136		
Interest income and dividends etc. from financial assets	43,311	39,571	129,294	119,523	161,594
Unrealised gains and losses on investments	2,608	17,428	623	30,057	30,207
Realised gains and losses on investments	891	7,298	2,308	36,327	44,380
<b>Total net income from investments in the group policy portfolio</b>	<b>76,027</b>	<b>64,297</b>	<b>189,361</b>	<b>185,907</b>	<b>236,182</b>
Interest income and dividends etc. from financial assets			20,277	18,563	18,563
Unrealised gains and losses on investments	427,386	249,643	(17,874)	583,479	1,003,755
Realised gains and losses on investments	197,356	228,044	609,405	721,539	947,969
<b>Total net income from investments in the investment portfolio</b>	<b>624,741</b>	<b>477,687</b>	<b>611,809</b>	<b>1,323,580</b>	<b>1,970,287</b>
<b>Other insurance related income</b>	<b>37,524</b>	<b>31,402</b>	<b>110,181</b>	<b>90,632</b>	<b>130,359</b>
Gross claims paid	(140,634)	(114,173)	(410,032)	(342,306)	(464,111)
- Paid claims, reinsurers' share		19,141	8,678	32,995	36,089
Transfer of premium reserve and statutory reserves to other insurance companies/pension funds	(265,446)	(383,118)	(1,024,133)	(907,588)	(1,231,185)
<b>Total claims</b>	<b>(406,080)</b>	<b>(478,149)</b>	<b>(1,425,488)</b>	<b>(1,216,899)</b>	<b>(1,659,207)</b>
Change in premium reserve, gross	(105,909)	(123,360)	(391,207)	(402,035)	(552,432)
Change in premium reserves, reinsurers' share	12,480	(1,719)	37,554	1,719	(2,599)
Change in statutory reserves	(158)	(138)	(1,497)	(1,087)	(12,241)
Change in value adjustment fund	(2,473)	(15,123)	42,534	(27,566)	(27,836)
Change in premium fund, deposit fund and the pension surplus fund	(109)	(18)	763	169	
<b>Total changes in reserves for the group policy portfolio</b>	<b>(96,170)</b>	<b>(140,359)</b>	<b>(311,851)</b>	<b>(428,800)</b>	<b>(595,109)</b>
Change in premium reserve	(1,533,733)	(1,243,202)	(3,310,581)	(4,262,034)	(5,774,190)
Change in other provisions	202,330	314,295	752,684	636,189	917,803
<b>Total changes in reserves for investment portfolio</b>	<b>(1,331,404)</b>	<b>(928,907)</b>	<b>(2,557,896)</b>	<b>(3,625,845)</b>	<b>(4,856,388)</b>
Profit on investment result	(18,776)	(4,525)	(78,335)	(18,959)	(2,951)
Risk result allocated to insurance contracts	(3,538)	(1,964)	(16,985)	(6,494)	(41)
<b>Total funds allocated to the insurance contracts</b>	<b>(22,314)</b>	<b>(6,489)</b>	<b>(95,319)</b>	<b>(25,454)</b>	<b>(2,992)</b>
Management expenses	(4,780)	(5,715)	(13,788)	(17,052)	(22,937)
Sales expenses	(6,309)	(5,026)	(18,821)	(15,014)	(20,720)
Insurance-related administration expenses (incl. commissions for reinsurance received)	(50,774)	(47,811)	(148,733)	(141,353)	(183,622)
<b>Total insurance-related operating expenses</b>	<b>(61,863)</b>	<b>(58,553)</b>	<b>(181,342)</b>	<b>(173,420)</b>	<b>(227,279)</b>
<b>Profit/(loss) of technical account</b>	<b>40,476</b>	<b>20,945</b>	<b>110,163</b>	<b>74,525</b>	<b>102,723</b>
<b>Net income from investments in the company portfolio</b>					
Interest income and dividends etc. from financial assets	3,576	2,727	9,808	10,260	12,611
Unrealised gains and losses on investment	(1,192)	168	(2,081)	(1,540)	(2,503)
Realised gains and losses on investments	384	699	1,337	1,453	2,608
<b>Total net income from investments in the company portfolio</b>	<b>2,768</b>	<b>3,594</b>	<b>9,065</b>	<b>10,173</b>	<b>12,716</b>
Other expenses	(3,033)	(2,924)	(8,943)	(8,946)	(11,821)
<b>Total management expenses and other expenses related to investments in the company portfolio</b>	<b>(3,033)</b>	<b>(2,924)</b>	<b>(8,943)</b>	<b>(8,946)</b>	<b>(11,821)</b>
<b>Profit/(loss) on non-technical account</b>	<b>(265)</b>	<b>670</b>	<b>121</b>	<b>1,226</b>	<b>895</b>
<b>Profit/(loss) before tax expense</b>	<b>40,210</b>	<b>21,615</b>	<b>110,285</b>	<b>75,752</b>	<b>103,618</b>
Tax expense	(10,053)	(5,404)	(27,571)	(18,938)	(27,687)
<b>Profit/(loss) before other comprehensive income</b>	<b>30,158</b>	<b>16,211</b>	<b>82,714</b>	<b>56,814</b>	<b>75,931</b>
Remeasurement of the net defined benefit liability/asset					(925)
Tax on items that are not reclassified to profit or loss					231
<b>Total items that are not reclassified subsequently to profit or loss</b>					<b>(694)</b>
<b>Total comprehensive income</b>	<b>30,158</b>	<b>16,211</b>	<b>82,714</b>	<b>56,814</b>	<b>75,237</b>

# Statement of financial position

NOK thousands	30.9.2018	30.9.2017	31.12.2017
<b>Assets</b>			
Other intangible assets	54,540	47,140	49,173
<b>Total intangible assets</b>	<b>54,540</b>	<b>47,140</b>	<b>49,173</b>
<i>Financial assets measured at fair-value</i>			
Shares and similar interests	53,694	57,130	5,458
Bonds and other securities with fixed income	843,393	745,106	746,444
Cash and cash equivalents	98,264	96,964	97,358
<b>Total financial assets</b>	<b>995,352</b>	<b>899,200</b>	<b>849,260</b>
Receivables related to direct operations	3,379	13,372	6,965
Other receivables	95,141	86,964	104,800
<b>Total receivables</b>	<b>98,519</b>	<b>100,336</b>	<b>111,765</b>
Cash and cash equivalents	84,142	54,193	175,727
Pension assets	1,609	2,438	1,609
<b>Total other assets</b>	<b>85,751</b>	<b>56,630</b>	<b>177,336</b>
Prepaid expenses and earned, not received income	6,775		
<b>Total prepaid expenses and earned, not received income</b>	<b>6,775</b>		
<b>Total assets in the company portfolio</b>	<b>1,240,936</b>	<b>1,103,306</b>	<b>1,187,534</b>
<i>Equities and units in subsidiaries, associated companies and joint-controlled companies</i>			
Equities and units in associated companies	895,932		
<i>Financial assets at amortized cost</i>			
Bonds held to maturity	30,111	30,082	30,536
Loans and receivables	4,916,079	4,434,053	4,536,001
<i>Financial assets measured at fair-value</i>			
Shares and similar interests		758,134	758,151
Bonds and other securities with fixed income	557,426	591,831	614,957
Receivables in collective portfolio	9,323	2,750	
Cash and cash equivalents	31,638	30,754	60,412
<b>Total investments in the group policy portfolio</b>	<b>6,440,509</b>	<b>5,847,604</b>	<b>6,000,056</b>
<b>Reinsurers' share of insurance-related liabilities in general insurance, gross</b>	<b>60,114</b>	<b>26,878</b>	<b>22,560</b>
<i>Financial assets measured at fair value</i>			
Shares and similar interests	22,043,526	18,976,905	20,034,279
Bonds and other securities with fixed income	3,134,731	2,365,963	2,531,180
Loans and receivables	42,700	35,698	52,445
Cash and cash equivalents	16,268	72,655	62,688
<b>Total investments in the investment option portfolio</b>	<b>25,237,226</b>	<b>21,451,220</b>	<b>22,680,592</b>
<b>Total assets in the customer portfolio</b>	<b>31,737,849</b>	<b>27,325,703</b>	<b>28,703,208</b>
<b>Total assets</b>	<b>32,978,785</b>	<b>28,429,009</b>	<b>29,890,742</b>

NOK thousands	30.9.2018	30.9.2017	31.12.2017
<b>Equity and liabilities</b>			
<i>Paid in capital</i>			
Share capital	39,000	39,000	39,000
Other paid-in capital	81,663	80,788	80,875
<b>Total paid-in equity</b>	<b>120,663</b>	<b>119,788</b>	<b>119,875</b>
<i>Retained equity</i>			
Other earned equity	608,923	533,686	532,992
Profit/(loss) before other comprehensive income	82,714	56,814	75,931
<b>Total earned equity</b>	<b>691,637</b>	<b>590,500</b>	<b>608,923</b>
<b>Total equity</b>	<b>812,300</b>	<b>710,288</b>	<b>728,798</b>
Subordinated debt	299,658	299,542	299,571
<b>Total subordinated debt capital etc.</b>	<b>299,658</b>	<b>299,542</b>	<b>299,571</b>
Premium reserves	6,187,200	5,628,899	5,784,856
Additional statutory reserves	178,113	165,462	176,617
Market value adjustment reserves	12,196	54,461	54,730
Premium fund, deposit fund and the pension surplus fund	1,397	996	2,160
Unallocated surplus fund	95,347	25,454	
<b>Total insurance obligations in life insurance - the group policy portfolio</b>	<b>6,474,253</b>	<b>5,875,272</b>	<b>6,018,363</b>
Premium reserves	24,921,463	21,110,489	22,361,592
Premium fund, deposit fund and the pension surplus fund	315,763	340,732	319,000
<b>Total insurance obligations in life insurance - the investment option portfolio</b>	<b>25,237,226</b>	<b>21,451,220</b>	<b>22,680,593</b>
Pension liabilities etc.	1,877	1,455	1,877
<i>Tax liabilities</i>			
Period tax liabilities	27,952	10,239	15,796
Provisions for deferred taxes	20,464	10,200	20,464
<b>Total provisions for liabilities</b>	<b>50,292</b>	<b>21,893</b>	<b>38,136</b>
Liabilities related to direct insurance	33,025	37,575	89,264
Liabilities related to reinsurance	34,906		
Other liabilities	24,582	17,319	21,992
<b>Total financial liabilities</b>	<b>92,513</b>	<b>54,894</b>	<b>111,256</b>
Accrued expenses and deferred income	12,543	15,900	14,025
<b>Total accrued expenses and deferred income</b>	<b>12,543</b>	<b>15,900</b>	<b>14,025</b>
<b>Total equity and liabilities</b>	<b>32,978,785</b>	<b>28,429,009</b>	<b>29,890,742</b>

# Statement of changes in equity

NOK thousands	Share capital	Other paid in capital	Remeasurement of the net defined benefit liab./asset	Other earned equity	Total equity
<b>Equity as at 31.12.2016</b>	39,000	80,722	1,341	532,345	653,408
<b>1.1.-31.12.2017</b>					
<b>Comprehensive income</b>					
Profit/(loss) before comprehensive income				75,931	75,931
Total components of other comprehensive income			(694)		(694)
<b>Total comprehensive income</b>			(694)	75,931	75,237
<b>Transactions with owners of the company</b>					
Equity-settled share-based payment transactions			153		153
<b>Equity as at 31.12.2017</b>	39,000	80,875	647	608,276	728,798
Adjustment due to amendment to IFRS 2			848		848
<b>Equity as at 1.1.2018</b>	39,000	81,724	647	608,276	729,647
<b>1.1.-30.9.2018</b>					
<b>Comprehensive income</b>					
Profit/(loss) before comprehensive income				82,714	82,714
<b>Total comprehensive income</b>				82,714	82,714
<b>Transactions with owners of the company</b>					
Equity-settled share-based payment transactions			(60)		(60)
<b>Equity as at 30.9.2018</b>	39,000	81,663	647	690,990	812,300
<b>1.1.-30.9.2017</b>					
<b>Comprehensive income</b>					
Profit/(loss) before comprehensive income				56,814	56,814
<b>Total comprehensive income</b>				56,814	56,814
<b>Transactions with owners of the company</b>					
Equity-settled share-based payment transactions			66		66
<b>Equity as at 30.9.2017</b>	39,000	80,788	1,341	589,159	710,288

# Cash flows

NOK thousands	1.1.-30.9.2018	1.1.-30.9.2017	1.1.-31.12.2017
<b>Cash flow from operating activities</b>			
Premiums paid, net of reinsurance	3,762,741	3,897,497	5,090,891
Claims paid, net of reinsurance	(262,370)	(309,311)	(428,022)
Net receipts/payments of premium reserve transfers	(1,024,133)	(907,588)	(1,231,185)
Net receipts/payments from financial assets	(2,403,431)	(2,689,796)	(3,258,871)
Operating expenses paid, including commissions	(193,009)	(183,428)	(224,001)
Taxes paid	(20,083)	(23,363)	(14,664)
<b>Net cash flow from operating activities</b>	<b>(140,286)</b>	<b>(215,989)</b>	<b>(65,852)</b>
<b>Cash flow from investing activities</b>			
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment	(16,731)	(9,055)	(14,728)
<b>Net cash flow from investing activities</b>	<b>(16,731)</b>	<b>(9,055)</b>	<b>(14,728)</b>
<b>Cash flow from financing activities</b>			
Net receipts/payments on subordinated debt	(8,856)	(8,862)	(11,707)
<b>Net cash flow from financing activities</b>	<b>(8,856)</b>	<b>(8,862)</b>	<b>(11,707)</b>
<b>Net cash flow for the period</b>	<b>(165,872)</b>	<b>(233,906)</b>	<b>(92,287)</b>
Cash and cash equivalents at the start of the period	396,185	488,472	488,472
Cash and cash equivalents at the end of the period	230,313	254,566	396,185
<b>Net cash flow for the period</b>	<b>(165,872)</b>	<b>(233,906)</b>	<b>(92,287)</b>
<b>Specification of cash and cash equivalents</b>			
Cash and deposits with credit institutions	230,313	254,566	396,185
<b>Total cash and cash equivalents</b>	<b>230,313</b>	<b>254,566</b>	<b>396,185</b>

# Notes

## 1. Accounting policies

The financial statements as of the third quarter of 2018, concluded on 30 September 2018, comprise Gjensidige Pensjonsforsikring AS and associated companies. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2017.

The financial statements as of the third quarter of 2018 have been prepared in accordance with the Norwegian Accounting Act and Norwegian Financial Reporting Regulations for Insurance Companies (FOR 2015-12-12-1824). The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2017.

### New standards adopted

#### IFRS 15 Recognition of revenue for customers (2014)

The standard did not have a significant effect on Gjensidige Pensjonsforsikring's financial statement.

### New standards and interpretations not yet adopted

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

#### 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 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.

The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly, the provision should equal lifetime expected credit losses. This dual approach replaces today's collective impairment model.

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

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. In addition, the insurance sector of a financial conglomerate is allowed to defer the application of IFRS 9 until 1 January 2021, where all of the following conditions are met:

- no financial instruments are transferred between the insurance sector and any other sector of the financial conglomerate other than financial instruments that are measured at fair value with changes in fair value recognised through the profit or loss account by both sectors involved in such transfers;
- the financial conglomerate states in the consolidated financial statements which insurance entities in the group are applying IAS 39;
- disclosures requested by IFRS 7 are provided separately for the insurance sector applying IAS 39 and for the rest of the group applying IFRS 9.

Gjensidige Pensjonsforsikring has decided to make use of this exception.

#### IFRS 16 Leases (2016)

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

#### IFRS 17 Insurance Contracts (2017)

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. IFRS 17 is a complex standard that includes some fundamental differences to current accounting for liability measurement and profit recognition. Insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). If a group of contracts is or become loss-making, the loss will be recognised immediately. Insurance revenue, insurance service expenses and insurance finance income or expenses will be presented separately. IFRS 17 is effective 1 January 2021. The standard is expected to have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

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

The preparation of interim accounts involves the application of assessments, estimates and assumptions that affect the use of accounting policies and the amounts recognised for assets and liabilities, revenues and expenses. The actual results may deviate from these estimates. The most material assessments involved in applying the accounting policies and the most important sources of uncertainty in the estimates are the same in connection with preparing the interim report as in the annual report for 2017.

Due to rounding-off differences, figures and percentages may not exactly add up to the exact total figures.

A complete or limited audit of the interim report has not been carried out.

## 2. 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 are included in the respective levels are accounted for below.

#### Quoted prices in active markets

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. A financial asset/liability is considered valued based on quoted prices in active markets if fair value is estimated based on easily and regularly available prices and these prices represent actual and regularly occurring transactions at arm's length principle. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

The following financial assets are classified as level one in the valuation hierarchy

- Listed shares
- Norwegian government/government backed bonds and other fixed income securities
- Exchange traded funds

#### Valuation based on observable market data

When quoted prices in active markets are not available, the fair value of financial assets/ liabilities is preferably estimated on the basis of valuation techniques based on observable market data.

A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices).

The following financial assets/liabilities are classified as level two in the valuation hierarchy

- Currency 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 major part of the investments classified in level three (year 2017) in the valuation hierarchy is unleveraged exposure to real estate through single purpose vehicles.

- 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 recognised 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 reflects 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 30.09.2018	Fair value as at 30.09.2018	Carrying amount as at 30.09.2017	Fair value as at 30.09.2017
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss, designated upon initial recognition</i>				
Shares and similar interests	53,694	53,694	815,264	815,264
Bonds and other fixed income securities	1,400,819	1,400,819	1,336,937	1,336,937
Shares and similar interests in life insurance with investment options	22,043,526	22,043,526	18,976,905	18,976,905
Bonds and other fixed income securities in life insurance with investment options	3,134,731	3,134,731	2,365,963	2,365,963
<i>Financial assets held to maturity</i>				
Bonds held to maturity	30,111	30,604	30,082	32,007
<i>Loans and receivables</i>				
Bonds and other fixed income securities classified as loans and receivables	4,916,079	5,003,894	4,434,053	4,675,768
Receivables related to direct operations and reinsurance	55,401	55,401	51,819	51,819
Other receivables	95,141	95,141	86,964	86,964
Prepaid expenses and earned, not received income	6,775	6,775		
Cash and cash equivalents	230,313	230,313	254,566	254,566
<b>Total financial assets</b>	<b>31,966,591</b>	<b>32,054,899</b>	<b>28,352,553</b>	<b>28,596,193</b>
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost</i>				
Subordinated debt	299,658	307,599	299,542	307,779
Other liabilities	24,582	24,582	17,319	17,319
Liabilities related to direct insurance	67,931	67,931	37,575	37,575
Accrued expenses and deferred income	12,543	12,543	15,900	15,900
<b>Total financial liabilities</b>	<b>404,714</b>	<b>412,655</b>	<b>370,335</b>	<b>378,572</b>
<b>Gain/(loss) not recognised in profit or loss</b>		<b>80,367</b>		<b>235,403</b>

#### Valuation hierarchy 2018

The table shows a valuation hierarchy where financial assets/liabilities are divided into three levels based on the method of valuation.

NOK thousands	Quoted prices in active markets	Level 1	Level 2	Level 3	Total		
		Valuation techniques based on observable market data	Valuation techniques based on non- observable market data				
<b>Financial assets</b>							
<i>Financial assets at fair value through profit or loss, designated upon initial recognition</i>							
Shares and similar interests	53,494			200	53,694		
Bonds and other fixed income securities	1,400,817		2		1,400,819		
Shares and similar interests in life insurance with investment options	22,023,282		20,244		22,043,526		
Bonds and other fixed income securities in life insurance with investment options	3,119,171		15,560		3,134,731		
<i>Financial assets at amortised cost</i>							
Bonds held to maturity		30,604			30,604		
Bonds and other fixed income securities classified as loans and receivables		5,003,894			5,003,894		
<i>Financial liabilities at amortised cost</i>							
Subordinated debt		307,599			307,599		

#### 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	Quoted prices in active markets	Level 1	Level 2	Level 3	Total		
		Valuation techniques based on observable market data	Valuation techniques based on non- observable market data				
<b>Financial assets</b>							
<i>Financial assets at fair value through profit or loss, designated upon initial recognition</i>							
Shares and similar interests	56,930			758,334	815,264		
Bonds and other fixed income securities	1,336,845		92		1,336,937		
Shares and similar interests in life insurance with investment options	18,965,776		11,129		18,976,905		
Bonds and other fixed income securities in life insurance with investment options	2,350,846		15,117		2,365,963		
<i>Financial assets at amortised cost</i>							
Bonds held to maturity		32,007			32,007		
Bonds and other fixed income securities classified as loans and receivables		4,675,768			4,675,768		
<i>Financial liabilities at amortised cost</i>							
Subordinated debt		307,779			307,779		

Reconciliation of financial assets valued based on non-observable market data (level 3) 2018

NOK thousands	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Transfers into/out of level 3			As at 30.09.2018	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.09.2018
			Purch- ases	Sales	Settle- ments		
Shares and similar interests	758,351				(758,151)	200	
<b>Total</b>	<b>758,351</b>				<b>(758,151)</b>	<b>200</b>	

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

	Sensitivity
Shares and similar interests	Decrease in value 10%
<b>Total</b>	<b>20</b>

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	Transfers into/out of level 3			As at 30.09.2017	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.09.2017
			Purch- ases	Sales	Settle- ments		
Shares and similar interests	734,313	24,021				758,334	
<b>Total</b>	<b>734,313</b>	<b>24,021</b>				<b>758,334</b>	

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

	Sensitivity
Shares and similar interests	Decrease in value 10%
<b>Total</b>	<b>75,833</b>

### 3. Related parties

There have not been any significant transactions with related parties other than ordinary current agreements conducted at arm's length distance.

### 4. Contingent liabilities

As part of its ongoing financial management the company has committed, but not paid up to NOK 300.0 million (778.1) in commercial real estate debt funds.

# Key figures

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

		Q3 2018	Q3 2017	1.1.-30.9.2018	1.1.-30.9.2017	1.1.-31.12.2017
Assets under management pension, at the end of the period	NOK millions			31,711.5	27,326.5	28,699.0
of which the group policy portfolio	NOK millions			6,474.3	5,875.3	6,018.4
Operating margin <sup>1</sup>	%	32.09	21.61	31.81	22.81	24.56
Recognised return on the paid-up policy portfolio <sup>2</sup>	%			4.53	2.80	3.75
Value-adjusted return on the paid-up policy portfolio <sup>3</sup>	%			3.41	3.53	4.47
Share of shared commercial customers <sup>4</sup>	%			67.8	69.4	69.3
Return on equity, annualised <sup>5</sup>	%			14.3	11.1	11.0
Solvency capital (SF) <sup>6</sup>	NOK millions			2,126.1	2,105.1	1,913.7
Solvency margin (SF) <sup>7</sup>	%			146.3	132.9	132.8
Minimum capital requirement <sup>8</sup>	NOK millions			599.3	540.5	562.9

<sup>1</sup> Operating margin = net operating income/total income

<sup>2</sup> Recognised return on the paid-up policy portfolio = realised return on the portfolio

<sup>3</sup> Value-adjusted return on the paid-up policy portfolio = total return on the portfolio

<sup>4</sup> Shared customers = customers having both pension and general insurance products with Gjensidige

<sup>5</sup> Return on equity, annualised = Shareholders' share of net profit for the period/average shareholders' equity for the period, annualised

<sup>6</sup> Solvency capital (SF) = Solvency capital /Capital requirement under the Solvency II standard formula

<sup>7</sup> Solvency margin (SF) = Solvency capital available under the Solvency II standard formula

<sup>8</sup> Minimum capital requirement under the Solvency II standard formula

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.