Gjensidige

Gjensidige Pensjonsforsikring AS

Annual Report 2019

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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 online and through a separate sales force.

This year’s performance

GPF achieved a good result in 2019. The reason for the improvement is primarily increased operating revenues as a result of growth in the customer portfolio and not least in the capital under management. In addition, a good risk result was obtained for the paid-up policies, which were partly awarded to the customers through appreciation of the benefits. The rest of the risk surplus was allocated to the Risk Equalization Fund and contributed to the company's results. Good financial returns meant that the company's financial income remained at a satisfactory level.

Sales has also been good, where we have particularly enjoyed progress in the SME market. The number of customers |departed has been as expected and the company is satisfied with the size of the customer base at year end.

GPF’s market share relating to occupational defined contribution plans amounted per the third quarter to 9.5 per cent and to 7.3 per cent relating to individual pensions. The market share relating to transferred private pension funds amounted to 13.6 per cent and to 12.6 per cent relating to occupational pension funds. The market share relating to private disability pension was 20.8 per cent (Source: Finans Norge, third quarter 2019).

Income

Gross written premiums amounted to NOK 5,623.0 million in 2019. Of this NOK 3,938.9 million were written premiums and NOK 1,684.1 million were transferred funds. By comparison, in 2018 gross written premiums were NOK 5,040.7 million of which NOK 3,441.3 million were written premiums and NOK 1,599.4 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 49.5 million above the guaranteed return. GPF follows a conservative investment strategy. The life companies are required to strengthen premium reserves by 2021 so that they are able to meet expected increasing future liabilities as a result of a generally increasing life expectancy. GPF started early with the reservation which was completed in 2018 after NOK 196.5 million was added to the reserves. Total additional provisions related to the paid-up policy portfolio where NOK 261.7 million at the end of the year, compared with NOK 224.3 million in 2018.

The other group portfolio contributed with a financial income of NOK 89.2 million. Of this NOK 52.5 million was allocated to the customers, of which NOK 47.0 million was guaranteed return. GPF's share of returns related to the other group portfolio totaled NOK 36.6 million.

The profit of non-technical accounting ended at NOK 4.3 million in 2019 compared to NOK 6.2 million in 2018.

Claims incurred amounted to NOK 2,760.0 million in 2019 and NOK 1,833.5 million in 2018.

Total operating costs amounted to NOK 275.6 million in 2019 inclusive charges billed for corporate services. Total operating costs in 2018 were NOK 241.0 million. The cost growth is due to increased business volume and an impairment on IT-systems. The costs are as expected.

For the fiscal year of 2019 total comprehensive income were NOK 147.7 million, compared to NOK 124.3 million in 2018. The progress is due to growth in the portfolio, good financial returns and increased risk result on the paid-up policies.

Given Gjensidige Forsikring's strategy for pension the board confirms that the conditions for continued operation are met. The 2019 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.

Individual Pension Account

On 9 April 2019, the Norwegian Parliament resolved on changes in the defined contribution law (Individual pension account). According to the new rules, Individual pension certificates will be transferred to, and managed by, either the employer’s pension manager or a supplier decided by the employee’s himself. The changes also apply to the so called 12-month rule which no longer applies, hence employees with defined contribution plans are viable for earned pension irrelevant of tenure.

The purpose of Individual pension account is to reduce the expenses for management of pension funds in addition to improving employees’ insight in earned pension. The new rules are expected to come in force on 1 January 2021.

GPF is in the process of making necessary preparations to handle own pension account. The change will provide new opportunities and the company will actively seek to take a position in this new market.

Return

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

Contrary to expectations at the beginning of the year, 2019 was a very good year in the stock markets, despite the turmoil surrounding the US-China trade war and the risk of hard Brexit and gloomy macro numbers from Europe. Measured in NOK, the world index MSCI World rose 29.6 percent, the US S&P 500 index rose 33.5 percent, emerging economies (MSCI EM) rose 20.2 percent and European Eurostoxx 50 rose 22.0 percent. Norway had a relatively weaker development, and the Oslo Stock Exchange OSEBX ended up 16.5 percent while the OSEFX fund index rose 19.2 percent.

2019 has also been characterized by falling interest rates. After four interest rate hikes in 2018, the US Federal Reserve (Fed) turned in 2019 and conducted three interest rate cuts. At the end of 2019, the US policy rate is in the range of 1.50-1.75 percent. The European Central Bank (ECB) followed with both interest rate cuts and stimulus packages, and the key rate is now -0.50 percent. The outlook from the central banks is that interest rates will be kept low for a long time to come. The Norwegian central bank has gone in the opposite direction and raised the

Norwegian policy rate in 2019, the last time in September to 1.50 percent.

The combined pension profile for shares had a return of 24.7 per cent and combined pension profile for interests had a return of minus 6.5 per cent

The booked return on the paid-up policy portfolios was 4.3 per cent, while the value-adjusted return was 4.7 per cent. The average interest rate guarantee for the paid-up policy portfolio was 3.4 per cent. For the other group portfolio, the booked return was 3,7 per cent and the value-adjusted return 3.7 per cent.

Balance Sheet

Assets under management increased by NOK 6,646.8 million during 2019 amounting to NOK 37,335.1 million by year-end. At the end of the year GPF had a total balance of NOK 38,815.6 million, of this, equity amounted to 2.3 per cent.

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

Solvency II

Solvency II regulations came into force in 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 implemented by GPF. The Company has adopted the standard model for capital modeling 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 2019 the reported solvency margin was 140.3 per cent. The reported solvency margin is at a satisfactory level and there is no need to take further actions.

Organisation

At the end of 2019 the company had 70 full time employees who are all located at the Oslo headquarter. Most 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 15 pension advisors who are spread throughout the country with Oslo, Bergen, Stavanger and Trondheim as geographical centers.

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 is established a sales center in Oslo for telemarketing to Gjensidige Forsikring's commercial customers. At the end of the year 8 employees were working at the center. GPF also employs 7 investment advisors for sale of private pension products. These are all located in the Oslo headquarter.

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 because of the internal processing time for buying and selling funds on behalf of clients.

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 3.4 per cent per 31.12.2019. For the other group portfolio the guaranteed return varied between 2.0 and 2.7 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 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 and bonds.

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 2019 GPF had approximately 236,000 individuals with disability exposure, of which approximately 63,000 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 both with the parent company Gjensidige Forsikring ASA and external vendors, 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 2019. Sick leave amounted to 2.8 per cent.

Equality

At the end of 2019 GPF had 70 employees, 37 where women and 33 men. The company's Board of Directors consisted of 3 women and 1 man. 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 Forsikrings's environmental policy.

Allocation of profit

The Board considers GPF's income statement, balance sheet and disclosures to give a true picture of the company's operations and position at the year-end.

Total earnings are NOK 147.7 million. Of this, NOK 22.7 million is proposed to be allocated to risk equalization fund and the remaining 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, 13 February 2020

The Board of Gjensidige Pensjonsforsikring AS

Catharina Hellerud
Catharian Hellerud
Chair

Kari Østerud
Kari Østerud

Ida Guldberg
Ida Guldberg

Erik Ranberg
Erik Ranberg

Torstein Ingebretsen
CEO

Income statement

NOK millions	Notes	1.1.-31.12.2019	1.1.-31.12.2018
Technical account			
Gross written premium		3,938.9	3,441.3
Ceded reinsurance premiums		(65.4)	(57.0)
Transfer of premium reserves from other insurance companies/pension funds	18	1,684.1	1,599.4
Total premiums for own account	**17**	**5,557.6**	**4,983.8**
Income from investments in associated companies		73.7	74.6
Interest income and dividends etc. from financial assets		170.4	173.2
Unrealised gains and losses on investments		17.7	(6.9)
Realised gains and losses on investments		18.3	2.9
Total net income from investments in the group policy portfolio	**13/17**	**280.2**	**243.7**
Income from investments in associated companies		66.2	41.0
Interest income and dividends etc. from financial assets		19.1	20.8
Unrealised gains and losses on investments		2,709.9	(2,070.3)
Realised gains and losses on investments		989.4	809.8
Total net income from investments in the investment portfolio	**17**	**3,784.7**	**(1,198.6)**
Other insurance related income	17	167.2	150.5
Gross claims paid	19	(635.5)	(572.3)
- Paid claims, reinsurers' share	19	19.2	5.5
Transfer of premium reserve and statutory reserves to other insurance companies/pension funds	18	(2,143.7)	(1,266.8)
Total claims	**17**	**(2,760.0)**	**(1,833.5)**
Change in premium reserve, gross		(513.5)	(516.8)
Change in premium reserves, reinsurers' share		63.1	29.8
Change in statutory reserves		(42.5)	(64.8)
Change in value adjustment fund		(15.5)	49.0
Change in premium fund, deposit fund and the pension surplus fund		1.5	0.6
Total changes in reserves for the group policy portfolio	**17**	**(506.9)**	**(502.2)**
Change in premium reserve		(7,455.2)	(2,325.6)
Change in premium fund, deposit fund and the pension surplus fund		1,426.5	904.3
Total changes in reserves for investment portfolio	**17**	**(6,028.7)**	**(1,421.3)**
Profit on investment result		(3.9)	(5.6)
Risk result allocated to insurance contracts		(22.1)	(15.3)
Total funds allocated to the insurance contracts		**(26.0)**	**(20.9)**
Management expenses		(14.7)	(18.7)
Sales expenses		(19.7)	(25.0)
Insurance-related administration expenses (incl. commision for reinsurance received)	3	(241.2)	(197.3)
Total insurance-related operating expenses		**(275.6)**	**(241.0)**
Profit/(loss) of technical account	**17**	**192.6**	**160.5**
Non-technical account			
Interest income and dividends etc. from financial assets		11.1	13.0
Unrealised gains and losses on investment		3.2	(3.9)
Realised gains and losses on investments		3.4	2.2
Total net income from investments in the company portfolio		**17.7**	**11.4**
Other income	11		6.8
Other expenses	11	(13.4)	(12.1)
Profit/(loss) on non-technical account		**4.3**	**6.2**
Profit/(loss) for the period before tax expense		**196.9**	**166.6**
Tax expense	15	(48.6)	(41.3)
Profit/(loss) before other comprehensive income		**148.3**	**125.4**
Remeasurement of the net defined benefit liability/asset		(0.8)	(1.4)
Tax on items that are not reclassified to profit or loss	15	0.2	0.4
Total comprehensive income		**147.7**	**124.3**

Statement of financial position

NOK millions	Notes	31.12.2019	31.12.2018
Assets			
Intangible assets	5	48.1	58.1
Buildings and other real estate			
Right-of-use property	27	10.3	
Financial assets at amortised cost			
Loans and receivables		225.9	
Financial assets measured at fair value			
Shares and similar interests	6	6.3	67.2
Bonds and other securities with fixed income	6	751.5	852.6
Cash and cash equivalents			98.6
Total financial assets	**6/12**	**993.9**	**1,018.4**
Receivables related to direct operations and reinsurance		7.8	3.5
Other receivables		232.3	161.1
Total receivables		**240.1**	**164.7**
Cash and cash equivalents	12	118.3	80.2
Pension assets	10	2.4	1.4
Total other assets		**120.7**	**81.7**
Prepaid expenses and earned, not received income		1.2	
Total assets in company portfolio		**1,404.0**	**1,322.9**
Subsidiaries and associates			
Shares in associates	26	958.2	908.5
Financial assets at amortized cost			
Bonds held to maturity	12		30.6
Loans and receivables	12	5,020.4	4,962.3
Financial assets measured at fair-value			
Bonds and other securities with fixed income	8/12	824.0	612.5
Cash and cash equivalents		23.9	46.6
Total investments in the group policy portfolio		**6,826.5**	**6,560.4**
Reinsurers' share of insurance-related liabilities in group policy portfolio		454.2	385.3
Subsidiaries and associates			
Shares in associates	26	1,290.3	815.7
Financial assets measured at fair value			
Shares and similar interests	7/12	24,502.5	19,811.5
Bonds and other securities with fixed income	7/12	4,196.5	3,282.3
Loans and receivables		73.3	61.5
Cash and cash equivalents		68.2	130.8
Total investments in the investment option portfolio		**30,130.9**	**24,101.8**
Total assets in the customer portfolio		**37,411.6**	**31,047.5**
Total assets		**38,815.6**	**32,370.3**

NOK millions	Notes	31.12.2019	31.12.2018
Equity and liabilities			
Paid in capital			
Share capital	2	39.0	39.0
Other paid-in capital		82.3	81.8
Total paid-in equity		**121.3**	**120.8**
Retained equity			
Risk equalisation fund		38.0	15.3
Other earned equity		743.0	618.0
Total earned equity		**780.9**	**633.2**
Total equity		**902.2**	**754.0**
Subordinated loan	11/12	299.8	299.7
Premium reserves		6,896.1	6,336.2
Additional statutory reserves		284.0	241.5
Market value adjustment reserves		21.2	5.7
Premium Fund, Deposit Fund and Fund for Pension Adjustment, etc.		2.9	2.9
Total insurance obligations in life insurance - the group policy portfolio	**16/23**	**7,204.2**	**6,586.4**
Premium reserves		29,843.5	23,796.2
Premium fund, Deposit fund and fund for pension adjustment, etc.		287.4	305.6
Total insurance obligations in life insurance - the investment option portfolio	**16/24**	**30,130.9**	**24,101.8**
Pension liabilities etc.	10	2.5	2.5
Tax liabilities			
Period tax liabilities	15	57.5	12.5
Provisions for deferred taxes	15	39.4	48.8
Total provisions for liabilities		**99.5**	**63.8**
Liabilities related to direct insurance		52.7	79.4
Liabilities related to reinsurance		32.9	350.3
Other liabilities		76.9	122.0
Total liabilities	**12**	**162.5**	**551.6**
Other accrued expenses and deferred income		16.5	13.1
Total equity and liabilities		**38,815.6**	**32,370.3**

Oslo, 13 February 2020

The Board of Gjensidige Pensjonsforsikring AS

Catharian Hellerud
Chair

Kari Østerud

Ida Guldberg

Erik Ranberg

Torstein Ingebretsen
CEO

Statement of changes in equity

NOK millions	Share capital	Other paid-in capital	Remeasure-ment of the net defined benefit liab./asset	Risk equalisation fund	Other earned equity	Total equity
Equity as at 31.12.2017	**39.0**	**80.9**	**0.6**		**608.3**	**728.8**
Adjustment due to amendment to IFRS 2		0.8				0.8
Equity as at 1.1.2018	**39.0**	**81.7**	**0.6**		**608.3**	**729.6**
1.1.-31.12.2018						
Comprehensive income						
Profit/(loss) before comprehensive income					125.4	125.4
Total components of other comprehensive income			(1.1)			(1.1)
Total comprehensive income			**(1.1)**		**125.4**	**124.3**
Risk equalisation fund				15.3	(15.3)	
Transactions with owners of the company						
Accrued dividend					(100.0)	(100.0)
Equity-settled share-based payment transactions		0.1				0.1
Equity as at 31.12.2018	**39.0**	**81.8**	**(0.4)**		**618.3**	**754.0**
1.1.-31.12.2019						
Comprehensive income						
Profit/(loss) before comprehensive income					148.3	148.3
Total components of other comprehensive income			(0.6)			(0.6)
Total comprehensive income			**(0.6)**		**148.3**	**147.7**
Risk equalisation fund				22.7	(22.7)	
Transactions with owners of the company						
Equity-settled share-based payment transactions		0.5				0.5
Equity as at 31.12.2019	**39.0**	**82.3**	**(1.0)**	**38.0**	**743.9**	**902.2**

Statement of cash flows

NOK millions	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operating activities		
Premiums paid, net of reinsurance	4,927.2	5,008.7
Claims paid, net of reinsurance	(616.3)	(371.2)
Net receipts/payments on premium reserve transfers	(2,143.7)	(1,266.8)
Net receipts/payments from financial assets	(1,895.7)	(3,085.0)
Operating expenses paid, including commissions	(261.3)	(269.1)
Taxes paid	(12.5)	(20.5)
Net cash flow from operating activities	**(2.4)**	**(3.9)**
Cash flow from investing activities		
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment	(27.1)	(24.0)
Dividend between Group companies	(100.0)	
Net cash flow from investing activities	**(127.1)**	**(24.0)**
Cash flow from financing activities		
Net receipts/payments on subordinated debt incl. Interest	(13.3)	(11.9)
Repayment of lease liabilities	(2.4)	
Payment of interest related to lease liabilities	(0.7)	
Net cash flow from financing activities	**(16.4)**	**(11.9)**
Net cash flow for the period	**(145.9)**	**(39.9)**
Cash and cash equivalents at the start of the period	356.3	396.2
Cash and cash equivalents at the end of the period	210.4	356.3
Net cash flow for the period	**145.9**	**39.9**
Specification of cash and cash equivalents		
Cash and deposits with credit institutions [1]	210.4	356.3
Total cash and cash equivalents	**210.4**	**356.3**
[1] Of these restricted bank deposits	16.6	13.5

Accounting policies

Reporting entity

Gjensidige Pensjonsforsikring AS (GPF) is a company domiciled in Norway. The company's head office is located at Schweigaardsgate 12, Oslo, Norway. The activities of the company are 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 adopted

IFRS 16 Leasing (2016)

GPF implemented IFRS 16 with effect from 1 January 2019.

The lease liabilities were recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability.

The implementation effects were as following:

- Right-of-use assets in the statement of financial position increased by NOK 27.7 million
- Lease liability in the statement of financial position increased by NOK 27.7 million
- Effect on equity amounted to 0

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 2019. 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.

IFRS 9 Financial instruments (2014)

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

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

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

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

The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2022. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, IAS 39 Financial Instruments.

GPF is an insurance company and has therefore decided to make use of this exception

IFRS 17 Insurance Contracts (2017)

IFRS 17 – Insurance Contracts, published on May 18, 2017 with effect from 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance contracts. The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. The standard defines the level of aggregation to be used for measuring the insurance contract liabilities and the related profitability. IFRS 17 requires identifying portfolios of insurance contracts, which comprise contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into three groups:

- contracts that are onerous at initial recognition;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently;
- and the remaining contracts in the portfolio.

Contracts that are issued more than one year apart should not be in the same group.

IFRS 17 requires a general measurement model based on the following "building blocks":

- probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with those future cash flows, and a risk adjustment for non-financial risk.
- the Contractual Service Margin (CSM).

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprices the fulfilment cash flows related to future services and the CSM at that date;
- and the liability for incurred claims, which is measured as the fulfilment cash flows related to past services at that date.

A simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

Insurance revenue, insurance service expenses and insurance finance income of expenses will be presented separately in the income statement. The standard will have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

Calculations are carried out to determine the effects this will have on the financial statements.

IASB has decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after January 1, 2022.

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.

Due to rounding differences, figures and percentages may not add up to the total.

Associated companies
Associated companies are companies where GPF has significant influence, but not control over the financial and operational management.

Associated companies are accounted for using the equity method. Dividends reduce the carrying amount of the investment. Investor's share of excess value is recognized on a separate line in the income statement.

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 installments, and accruals are not necessary. Policies that do not have monthly installments 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 consists of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income is recognised in profit or loss using the effective interest method.

Financial expenses consist of interest expenses on loans, realised losses related to financial assets, change in fair value of financial assets at fair value through profit or loss, recognised impairment on financial assets and recognised loss on financial derivatives. All expenses related to loans are recognised in profit or loss using the effective interest method.

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 administration-, sales- 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.

Leases
GPF recognises all identifiable lease agreements as a lease liability and a corresponding right-of-use asset, with the following exemptions:

- short-term leases (defined as 12 months or less)
- low value assets

For these leases, GPF recognises the lease payments as other operating expenses in the statement of profit or loss when they incur.

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when GPF is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if GPF is reasonably certain not to exercise that option.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment of lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The lease liabilities are included in the accounting line Other liabilities in the financial statement.

The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of the lease liability.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciations are according to IAS 16 Property, Plant and Equipment, except that the right-of-use asset is depreciated over the earlier of the lease term and the remaining useful life of the right-of-use asset. IAS 36 Impairment of Assets applies to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The right-of-use assets are included in the accounting line Right-of-use property.

The interest effect of discounting the lease liability is presented separately from the depreciation charge for the right-of-use asset. The depreciation expense is presented with other depreciations, whereas the interest effect of discounting is presented as a financial item.

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 1–3 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 incurred 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, but not approved. This includes both cases 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. IBNR reserves may also be strengthened through the reinsurance agreements 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 shall be classified as equity and is included as part of 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 in the insurance business

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 GPF 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 classes shares and similar interests and bonds and other fixed income assets.

Investments held to maturity

Investments held to maturity are non-derivative financial assets with payments that are fixed or which can be determined in addition to a fixed maturity date, in which a business has intentions and ability to hold to maturity with the exception of

- those that the business designates as at fair value through profit or loss at initial recognition
- those that meet the definition of loans and receivables

Investments held to maturity are measured at amortised cost using the effective interest method, less any impairment losses.

The category investments held to maturity comprises the class bonds held to maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with payments that are fixed or determinable. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. 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

Gjensidige has a share saving program for employees and a share-based remuneration scheme for senior executives. The share savings program is an arrangement with settlement in shares, while the remuneration scheme is an arrangement with settlement in both shares and cash.

The share-based payment arrangement are measured at fair value at the time of allocation and are not changed afterwards. 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 arrangements that are settled in shares, the value of the allocated shares in the period is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. For arrangements settled in cash, which is only applicable for Gjensidige's obligation to withhold an amount for the employees' tax liability and transfer this amount in cash to the tax authorities on behalf of the employee, the value of the options granted is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. . Employers' social security costs are calculated based on the fair value of the shares on each balance sheet date. The amount is recognised in the income statement over the expected vesting period and accrued according to IAS 37.

Share-based payment arrangements settled by one of the shareholders in the ultimate mother company is also recognised as a share-based payment transaction with settlement in equity.

See note 25 for a further description of share-based payment arrangements and their measurement method.

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 Cost Plus method, which includes direct and indirect costs, as well as a mark-up for profit.

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.

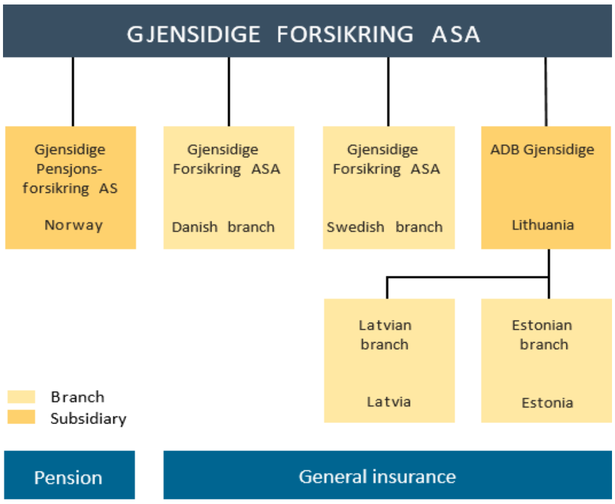
Notes

1. Risk and capital management

Introduction

Gjensidige Pensjonsforsikring's (GPF) core business is life insurance and its business are exposed to insurance risk and financial risk.

Figure 1 – Business structure



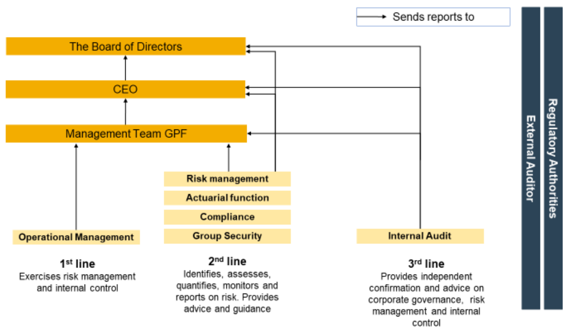
The figure shows principal operational subsidiaries and branches in Gjensidige

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 employee's 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, security 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.

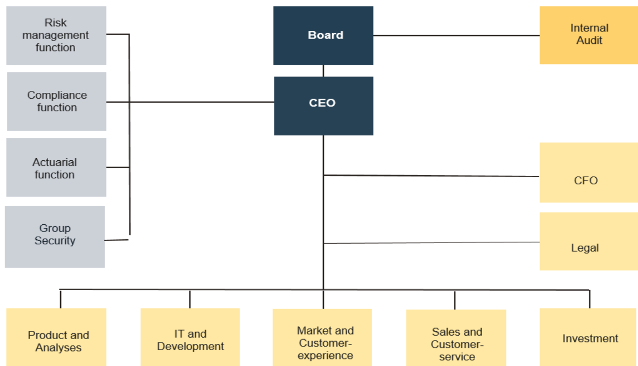
Group security is responsible for establishing, implementing, operating, monitoring, reviewing, maintaining and improving the information security management system. The security function is headed by the Chief Security Officer.

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 is limited to controlling activities. Group's Actuary department has no responsibility for developing claim provision models and regular claim provision calculations, which 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 risk management and the 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 risk willingness. 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, 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, collective disability and survivor benefits. There is 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. 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. Except from lapse 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 for guaranteed products. 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 or other agreed upon period. The increase of reserves according to the requirements in the mortality tariff “K2013”, were fulfilled as of 31.12.18.

Mortality risk

Mortality risk is the risk of higher mortality rates than expected. It is defined as a permanent increase in mortality for all ages. Higher mortality rates will result in higher claim payments to the surviving relatives. The 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 will have a limited impact. This means that it is not the risk of increased mortality that is greatest for GPF, but the risk of lower mortality; longevity risk.

Catastrophe risk

Catastrophe risk is defined as the risk of an immediate increase in mortality due to a catastrophic event. Mortality risk is in general low, and the catastrophe scenario for catastrophe risk will have a very small impact on GPF’s portfolio.

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. This is highly relevant in Solvency II aspects, as Solvency II takes into account future profit related to contracts within the contract boundary. Lapse risk reflects the risk of a potential reduction of the expected future profit if customers leave the company. Lapse risk is mainly related to the unit linked portfolio and represents an important risk for the enterprise in Solvency II.

However, if an important lapse event occurs, this will lead to loss of total assets and future profits, but at the same the risk will be reduced.

Expense risk

Expense risk is the risk of actual expenses being higher than expected. The risk is related to the administration result which is the expected administration income minus the expected expenses for the entire lifetime of the products that fall within the scope of the contract. Cost risk is greater in the Solvency II perspective, because the contract limit is longer. 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)

NOK millions	2019	2018
Type of insurance risk		
Mortality risk	0.0 %	0.0 %
Longevity risk	2.6 %	2.8 %
Disability risk	1.6 %	1.8 %
Lapse risk	93.5 %	93.2 %
Expenses risk	2.3 %	2.2 %
Catastrophe risk	0.0 %	0.0 %
Total	**100.0 %**	**100.0 %**
Insurance risk	**1,867.6**	**1,621.4**

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).

In 2018 GPF signed a reassurance contract with Swiss Re with quota share for disability risk associated with child insurance.

Financial risk

Risk description

Financial risk is the risk of experiencing losses due to changes in macroeconomic conditions and/or changes in financial asset values and liabilities. 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 policy for investment activities and investment strategies.

GPF manages investment option portfolio, group policy portfolio and company portfolio, and those have various exposures to financial risk.

Investment option portfolio

Defined contributions schemes are the core product of GPF, which offers three main options for its customers: active, combined and index asset management. In all 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. The portfolio expose the company's equity for potential loss.

Company portfolio

The risk profile in the company portfolio is conservative and consists mainly of short dated money market instruments, loan and receivables to amortized cost and bank deposits.

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 2019 was minus NOK 35.7 million, of which GPF was exposed to only NOK 2.2 million as the company is only exposed to a minor part of the passage time from orders are received to they are effected.

Table 2 – Asset allocation excluding the unit-linked portfolio

NOK millions	2019	2018
Money market	1,325.6	1,309.7
Bank deposits	142.2	225.5
Bonds held to maturity		30.6
Loan and receivables	5,246.3	4,962.3
Current bonds	249.9	155.4
Equities	6.3	67.2
Real estate	958.2	908.5
Total	**7,928.5**	**7,659.2**

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)

NOK millions	2019	2018
Type of market risk		
Interest rate risk	11.2%	9.8%
Equity risk	36.7%	33.6%
Property risk	16.2%	18.4%
Spread risk	35.8%	37.9%
Currency risk	0.0%	0.0%
Concentration risk	0.1%	0.3%
Total	**100.0%**	**100.0%**
Markets risk	**1,346.5**	**1,080.5**

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, 2019 for GPF.

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

	2019	2018
Government bonds	9.0%	16.0%
Corporate bonds	91.0%	84.0%
Total	**100.0%**	**100.0%**

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

	2019	2018
AAA	30.9%	30.2%
AA	7.9%	9.3%
A	18.0%	14.2%
BBB	12.1%	10.2%
BB	0.0%	0.0%
B	0.0%	0.0%
CCC or lower	0.0%	0.0%
Not rated	31.1%	36.1%
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 59 % 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.

The portfolio consists of investment properties. The real estate portfolio has its largest concentration of offices in the Oslo area.

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 is 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 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.

Expected payout pattern for GPF's technical provisions is shown in the figure below.

Figure 4 – Expected payout pattern for the insurance technical provisions

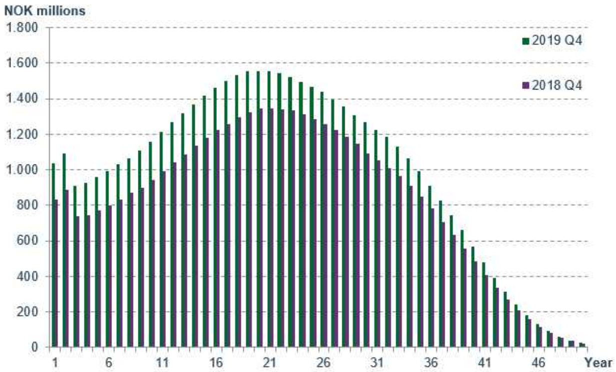


Table 6 – Maturity profile (year) on interest-bearing instruments

NOK millions	2019	2018
Maturity		
0-1	977.6	783.9
1-2	148.4	266.8
2-3	444.2	181.5
3-4	170.3	666.3
4-5	117.5	230.7
5-6	96.6	151.8
6-7	321.8	110.7
7-8	1,446.7	322.0
8-9	508.6	1,446.9
9-10	468.1	508.7
>10	1,168.4	982.7
Total	**5,868.4**	**5,652.0**

The interest rate 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 are 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 and Norwegian funds. Investments are mainly in developed markets. 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 GPF's 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, the equity exposure is normally not currency hedged. But because of market view the investments are currency hedged per 31.12.19. 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 change in value based on different sensitivities. Figures are based on market values in Unit Link portfolio

Sensitivity	2019	2018
Equity aum down 20 %	(19.3)	(16.0)
Equity aum up 20 %	19.3	16.0
Fixed income aum down 20 %	(13.3)	(13.7)
Fixed income aum up 20 %	13.3	13.7

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

Sensitivity	2019	2018
Equity aum down 20 %	(1.3)	(10.5)
Equity aum up 20 %	1.3	10.5
Interest rate down 100 bps	10.0	8.4
Interest rate up 100 bps	(10.0)	(8.4)
Real estate down 20 %	(191.6)	(181.7)
Real estate up 20 %	191.6	181.7

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 (SCR) 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:

- Blue zone > 145 per cent of SCR. Consider dividend.
- Green zone > 130 to 145 per cent of SCR. Quarterly report to the Board.
- Yellow zone 105 to 130 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 four quarters. If SCR lower than 115 per cent and prognosis show falling SCR consider measures and implement these within the next two quarters
- Red zone < 105 per cent of SCR. Immediate information to the Board and optionally Financial Supervisory Authority (FSA) 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 1.9 billion. Eligible capital is NOK 2.7 billion. This gives a solvency margin of 140.3 per cent.

Table 8 – Regulatory Solvency Capital Requirement

NOK millions	2019	2018
Total eligible own funds to meet the SCR	2,678.6	2,352.6
SCR	1,909.6	1,644.8
Capital surplus	769.0	707.8
SCR margin	140.3 %	143.0 %

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	2019	2018
Available capital to meet MCR	2,500.0	2,171.2
Solvency capital requirement MCR	628.4	591.3
Solvency capital surplus	1,871.6	1,579.9
MCR margin	397.9 %	367.2 %

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	2019	2018
Assets over liabilities according to Solvency II principles	2,374.3	2,053.0
Subordinated liabilities	304.3	299.7
Total eligible own funds to meet the SCR	**2,678.6**	**2,352.6**

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

- Intangibles are valued to zero under Solvency II
- Bonds are valued to fair 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 2019

NOK millions	Accounting	Solvency II	Difference
Technical provisions for life insurance (best estimate)	37,335.1	34,148.4	(3,186.7)
Risk margin	-	1,296.4	1,296.4
Total technical provisions	**37,335.1**	**35,444.8**	**(1,890.3)**

Table 11b - Technical provisions 2018

NOK millions	Accounting	Solvency II	Difference
Technical provisions for life insurance (best estimate)	30,688.2	27,915.9	(2,772.3)
Risk margin	-	1,084.9	1,084.9
Total technical provisions	**30,688.2**	**29,000.8**	**(1,687.4)**

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 for index- and unit-linked insurance, the main difference between accounting and Solvency II principles 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 304.3 million per 31.12.2019.

GPF has no tier 3 capital.

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

NOK millions	2019	2018
Tier 1	2,374.3	2,053.0
Tier 2	304.3	299.7
Of this; Subordinated liabilities from insurance	*304.3*	*299.7*
Total eligible own funds to meet SCR	**2,678.6**	**2,352.6**

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	2019	2018
Tier 1	2,374.3	2,053.0
Tier 2	125.7	118.3
Total eligible basic own funds to meet MCR	**2,500.0**	**2,171.2**

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	2019	2018
Capital available	**2,678.6**	**2,352.6**
Capital charge for life uw risk	1,867.6	1,621.4
Capital charge for market risk	1,346.5	1,080.5
Capital charge for counterparty risk	8.8	14.3
Diversification	(659.2)	(550.1)
Basic SCR	**2,563.7**	**2,166.1**
Operational risk	79.8	69.6
Adjustments (risk-reducing effect of deferred tax)	(733.9)	(590.9)
Total capital requirement	**1,909.6**	**1,644.8**
Solvency ratio	**140.3 %**	**143.0 %**

2. Share capital

The share capital of Gjensidige Pensjonsforsikring AS consists as at 31 December 2019 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 millions	2019	2018
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses		
Depreciation and value adjustments	37.2	15.1
Employee benefit expenses	81.3	64.4
Software costs	29.8	28.2
Other expenses [1]	92.9	89.7
Total insurance-related operating expenses incl. commissions for received reinsurance and sales expenses	**241.2**	**197.3**

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

Other specifications

Employee benefit expenses	2019	2018
Wages and salaries	61.1	48.5
Social security cost	9.2	7.4
Finance tax	3.2	2.6
Pension cost - defined benefit plan (excl. social security cost)	4.7	3.6
Pension cost - defined contribution plan (excl. social security cost)	0.8	0.8
Contractual pensions (excl. sosial security cost)	0.9	0.5
Share-based payment	1.5	1.0
Total employee benefit expenses	**81.3**	**64.4**

Auditor's fee (incl. VAT)	2019	2018
Statutory audit [1]	0.3	0.3
Other assurance services		0.1
Total auditor's fee (incl. VAT)	**0.3**	**0.5**

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.

	2019		2018	
NOK millions	Income	Expense	Income	Expense
Gross premiums written reinsurance				
Gjensidige Forsikring ASA		3.4		6.3
Gross paid claims reinsurance				
Gjensidige Forsikring ASA	17.2		5.5	
Change in gross provision for reinsurance claims				
Gjensidige Forsikring ASA	3.1		16.7	
Administration expenses				
Gjensidige Forsikring ASA		75.1		72.4
Gjensidige Bank ASA [1]				14.7
Total	**20.3**	**78.5**	**22.2**	**93.4**

Income and losses

The table below shows a summary of contributions/dividends from/to related parties as well as other gains and losses.

	2019		2018	
NOK millions	Receivables	Liabilities	Receivables	Liabilities
Intercompany non-interest-bearing debts and receivables				
Gjensidige Forsikring ASA	40.0			56.1
Gjensidige Bank ASA [1]				2.1
Total intercompany balances within the Group	**40.0**			**58.2**

[1] Gjensidige Bank ASA was sold in 2018 and is no longer a related party

Gjensidige Forsikring ASA delivers a variety of services to Gjensidige Pensjonsforsikring AS. Gjensidige Forsikring ASA invoices premiums for two products on behalf of Gjensidige Pensjonsforsikring AS. In addition, a number of corporate functions of a purely administrative nature (such as accounting, health assessment, market support, legal assistance) are provided, which are priced based on the cost-plus method.. 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 millions	Internally developed IT systems 2019	Internally developed IT systems 2018
Cost		
As at 1 January	195.5	180.8
Additions	24.0	14.7
As at 31 December	**219.5**	**195.5**
Uncompleted projects	27.1	24.0
As at 31 December, including uncompleted projects	**246.6**	**219.5**
Amortisation and impairment losses		
As at 1 January	(161.4)	(146.3)
Amortisations	(37.2)	(15.1)
As at 31 December	**(198.6)**	**(161.4)**
Carrying amount		
As at 1 January	58.1	49.2
As at 31 December	**48.1**	**58.1**
Amortisation method	Straight-line	Straight-line
Useful life (years)	1-3	3-7

6. Shares and similar interests in company portfolio

NOK millions	Org.number	Currency/Country	2019
Equity funds			
Delphi Nordic		NOK/NOR	0.3
Alfred Berg Norge Classic		NOK/NOR	0.2
Storebrand Norge		NOK/NOR	0.2
Pareto Aksje Norge B		NOK/NOR	0.2
Landkreditt Aksje Global		NOK/NOR	0.1
Indeksert Pensjonsprofil Aksjer		NOK/NOR	0.1
Kombinert Pensjonsprofil Aksjer VS		NOK/NOR	0.1
Dnb Miljøinvest		NOK/NOR	0.1
Various funds		NOK/NOR	0.2
Total equity funds			**1.5**
Total listed			**1.5**
Bond funds			
Various funds		NOK/NOR	0.1
Total bond funds			**0.1**
Total listed			**0.1**
Money market funds			
Storebrand Likviditet B	977555779	NOK/NOR	307.9
Nordea Kort Obligasjon 20	885033822	NOK/NOR	174.6
Danske Invest Norsk Likviditet I	981582047	NOK/NOR	106.2
Holberg Likviditet	999029302	NOK/NOR	105.8
Danske Invest Norsk Likviditet Institusjon	988437832	NOK/NOR	56.6
Landkreditt Ekstra		NOK/NOR	0.1
Landkreditt Høyrente		NOK/NOR	0.1
Total money market funds			**751.3**
Total listed			**751.3**

NOK millions	Org.number	Currency/Country	2019
Combination funds			
Kombinert Pensjonsprofil Balansert		NOK/NOR	2.0
Kombinert Pensjonsprofil Trygg		NOK/NOR	1.8
Vekterspar Balansert		NOK/NOR	0.4
Kombinert Pensjonsprofil Balansert Privat		NOK/NOR	0.2
Vekterspar Offensiv		NOK/NOR	0.1
Various funds		NOK/NOR	0.1
Total combination funds			**4.6**
Total listed			**4.6**
Other financial investments			
Norsk Pensjon	890050212	NOK/NOR	0.2
Total other financial investments			**0.2**
Total financial shares and similar interests			**757.7**
Total listed			**757.5**

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 millions	Org. number	Currency/country	2019
Equity funds			
Kombinert Pensjonsprofil Aksjer		NOK/NOR	6,711.8
Kombinert Pensjonsprofil Aksjer Privat		NOK/NOR	1,558.7
Handelsbanken Pensjonsprofil 100		NOK/NOR	394.1
Kombinert Pensjonsprofil Aksjer VS		NOK/NOR	189.7
Landkreditt Aksje Global	988849537	NOK/NOR	186.5
Skagen Global	979876106	NOK/NOR	133.9
Indeksert Pensjonsprofil Aksjer		NOK/NOR	127.5
Skagen Kon-Tiki	984305141	NOK/NOR	115.1
Skagen Vekst	879876052	NOK/NOR	100.7
Landkreditt Utbytte A	999029280	NOK/NOR	81.4
KLP AksjeGlobal Indeks 4	988244163	NOK/NOR	65.4
Alfred Berg Norge Classic	957801412	NOK/NOR	63.7
KLP AksjeVerden Indeks	996716716	NOK/NOR	58.2
Schroder ISF Emerg Mkts A Acc		USD/NOR	53.6
Dnb Miljøinvest	971580496	NOK/NOR	47.0
Landkreditt Norden Utbytte		NOK/NOR	44.1
Pareto Aksje Norge B	883610512	NOK/NOR	34.4
Handelsbanken Global Criteria A1		NOK/NOR	34.1
Skagen m2	998738873	NOK/NOR	29.7
Holberg Norden	982371910	NOK/NOR	28.5
Delphi Nordic	960058658	NOK/NOR	26.6
Storebrand Norge	938651728	NOK/NOR	24.7
C WorldWide Globale Aksjer	945434422	NOK/NOR	21.2
Delphi Global	989747746	NOK/NOR	18.0
Handelsbanken Norge Index		NOK/NOR	17.1
KLP AksjeNorden Indeks	980854043	NOK/NOR	15.3
Janus Henderson Global Equity Fund R E Acc		EUR/LUX	14.3
Parvest Equity India		NOK/NOR	12.9
KLP AksjeNorge Indeks II	992966092	NOK/NOR	11.9
Handelsbanken Norden Index		NOK/NOR	11.9
Danske Invest Norge I	968127799	NOK/NOR	11.1
Eika Norge	985682976	NOK/NOR	11.0
KLP AksjeEuropa Indeks IV	915845967	NOK/NOR	8.2
KLP AksjeUSA Indeks III	917232164	NOK/NOR	7.8
KLP AksjeFremvoksende Markeder Indeks II	996716678	NOK/NOR	5.9
Aktiv Pensjonsprofil Aksjer		NOK/NOR	5.2
Man GLG European Equity D EUR		EUR/NOR	4.8
Candriam Equities L Australia C AUD Acc		AUD/LUX	4.8
Skagen Focus	915294294	NOK/NOR	4.4
KLP AksjeEuropa Indeks III	815846052	NOK/NOR	3.4
SKAGEN Select 100	918534741	NOK/NOR	3.0
Parvest Real Estate Securities World		NOK/NOR	2.7

NOK millions	Org. number	Currency/country	2019
Vekterspar Aksjer		NOK/NOR	2.6
Handelsbanken Barekraftig Energi		NOK/NOR	2.4
Investec GSF Global Equity A, Acc. Gross USD		USD/NOR	2.2
Goldman Sachs N-11 Equity Portfolio		EUR/NOK	2.2
KLP AksjeUSA Indeks IV	817232582	NOK/NOR	2.0
Handelsbanken Norden Selektiv A1		NOK/NOR	1.5
Sector Global Equity Kernel A NOK		NOK/NOR	1.0
Handelsbanken Kina A1		NOK/NOR	0.9
Handelsbanken Råvarefond A1		NOK/NOR	0.9
Handelsbanken America Small Cap A1		NOK/NOR	0.8
Handelsbanken Asia		NOK/NOR	0.8
Handelsbanken Tillvaxtmarknad Tema A1 NOK		NOK/NOR	0.6
Handelsbanken Norge A1 NOK		NOK/NOR	0.5
Handelsbanken Norden A1 NOK		NOK/NOR	0.3
Handelsbanken Europa Selektiv A1		NOK/NOR	0.3
Handelsbanken Europa Tema A1 NOK		NOK/NOR	0.2
Handelsbanken Øst-Europa A1 NOK		NOK/NOR	0.1
Total equity funds			**10,323.7**
Total listed			**10,323.7**
Bond funds			
Kombinert Pensjonsprofil Renter		NOK/NOR	2,070.1
Kombinert Pensjonsprofil Renter Privat		NOK/NOR	558.6
Handelsbanken Pensjonsprofil Renter		NOK/NOR	198.1
Skagen Avkastning	970876084	NOK/NOR	49.4
Danske Invest Norsk Obligasjon	968007009	NOK/NOR	37.4
Indeksert Pensjonsprofil Renter		NOK/NOR	37.3
PIMCO GIS plc Global Bond Fund Hedged NOK Acc.		NOK/USA	26.0
Nordea Global High Yield	986224211	NOK/NOR	25.8
DNB Obligasjon	951162728	NOK/NOR	24.6
Skagen Tellus	990009651	NOK/NOR	10.8
Handelsbanken Obligasjon A1 NOK		NOK/NOR	10.8
Total bond funds			**3,049.0**
Total listed			**3,049.0**
Money market funds			
Alfred Berg Likviditet Pluss	966491167	NOK/NOR	301.2
Holberg Likviditet	982371929	NOK/NOR	132.6
Gjensidige Likviditet		NOK/NOR	105.9
Landkreditt Høyrente	988437832	NOK/NOR	100.5
Landkreditt Ekstra	999029302	NOK/NOR	88.6
Skagen Høyrente	979876076	NOK/NOR	36.5
Handelsbanken Kort Rente Norge		NOK/NOR	26.9
Danske Invest Norsk Likviditet 1	868006862	NOK/NOR	5.7
Total money market funds			**797.9**
Total listed			**797.9**
Combination funds			
Kombinert Pensjonsprofil Balansert		NOK/NOR	2,722.1
Kombinert Pensjonsprofil Balansert Privat		NOK/NOR	1,706.2
Kombinert Pensjonsprofil Trygg		NOK/NOR	1,563.9
Kombinert Pensjonsprofil Trygg Privat		NOK/NOR	1,322.0
Aktiv Pensjonsprofil Balansert		NOK/NOR	1,172.8
Vekterspar Trygg		NOK/NOR	1,051.1
Vekterspar Balansert		NOK/NOR	1,049.7
Handelsbanken Pensjonsprofil 70		NOK/NOR	894.2
Kombinert Pensjonsprofil Offensiv		NOK/NOR	858.3
Aktiv Pensjonsprofil Trygg		NOK/NOR	611.5
Handelsbanken Pensjonsprofil 50		NOK/NOR	513.6
Kombinert Pensjonsprofil Offensiv Privat		NOK/NOR	337.7
Aktiv Pensjonsprofil Offensiv		NOK/NOR	320.7
Kombinert Pensjonsprofil Balansert VS		NOK/NOR	203.9
Vekterspar Offensiv		NOK/NOR	113.4
Kombinert Pensjonsprofil Offensiv VS		NOK/NOR	41.9
Handelsbanken Pensjonsprofil 30		NOK/NOR	18.4
Kombinert Pensjonsprofil Trygg VS		NOK/NOR	11.4
Indeksert Pensjonsprofil Offensiv		NOK/NOR	7.2
Indeksert Pensjonsprofil Balansert		NOK/NOR	4.3

NOK millions	Org. number	Currency/country	2019
Indeksert Pensjonsprofil Trygg		NOK/NOR	2.5
Handelsbanken Multi Asset 100		NOK/NOR	0.9
SKAGEN Select 60	818534752	NOK/NOR	0.7
Total combination funds			**14,528.4**
Total listed			**14,528.4**
Other financial investements			
Receivables			73.3
Cash			68.2
Total other financial investments			**141.5**
Total financial shares and similar interests investments in investment portfolio			**28,840.5**
Total listed			**28,699.0**

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 interests in group policy portfolio

NOK millions	Org.number	Currency/Country	2019
Bond funds			
Shenkman Finsbury High Income Fund A NOK		NOK / IRL	228.1
Nordea Global High Yield	986224211	NOK / NOR	21.7
Total bond funds			**249.7**
Total listed			**249.7**
Money market funds			
Storebrand Likviditet B	977555779	NOK / NOR	449.4
Danske Invest Norsk Likviditet Institusjon	981582047	NOK / NOR	105.9
Alfred Berg Likviditet Pluss	966491167	NOK / NOR	12.6
Nordea Kort Obligasjon 20	885033822	NOK / NOR	6.4
Total money market funds			**574.3**
Total listed			**574.3**
Other financial investments			
Bankaccount		NOK/NOR	23.9
Total other financial investments			**23.9**
Total financial shares and similar interests			**847.9**
Total listed			**824.0**

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 millions	2019	2018
Guarantees and committed capital		
Committed capital, not paid		133.5

Gjensidige Pensjonsforsikring has undertaken to invest in the property fund Malling & Co Eiendomfond 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 be

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. The rates are seven per cent of earnings between 0 and 7.1 times the National Insurance basic amount (G) and 20 per cent of earnings between 7.1 and 12 G.

Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

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.

Actuarial assumptions

Actuarial assumptions are shown in the table. The discount rate is the assumption that has the greatest impact on the value of the pension liability. Wage growth, pension increases and the adjustment of the National Insurance basic amount are based on historical observations and expected future inflation. Wage growth is set at 3.2 per cent (3.1), and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2018/19 is calculated to be 1.91 per cent (1.55). The reason for the low wage growth is that the pension plan is closed to new members and that the average age of employee members is 56.8 years (56.1).

The discount rate is based on a yield curve stipulated on the basis of the covered bond yield. The discount rate is based on observed interest approximately ten years ahead. The market's long-term view of the interest rate level is estimated on the basis of the required real interest rate, inflation and future credit risk. An interpolation has been made in the period between the observed interest and long-term market expectations. A discount curve has thus been calculated for each year in which pensions will be disbursed.

The sensitivity analysis is based on only one assumption being changed at a time, while all the others remain constant. This is seldom the case, since several of the assumptions co-vary. The sensitivity analysis has been prepared using the same method as the actuarial calculation of the pension liability in the balance sheet is based on.

Risk

The risk in the net pension liability is a combination of the pension plan itself, the pension liability, pension assets, financing level and the co-variation between pension liabilities and pension assets.

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.

The pension assets are higher than the calculated pension liabilities. However, the use of pension assets to pay future premiums is limited, and part of the overfunding is expected to be used to increase pension payments. An increase in the liabilities (such as, as a result of interest exemption) will be partly offset by a reduction in overfunding. Interest rate rises lead to a fall in liabilities that, in isolation, can lead to increased overfunding. The risk factors below must therefore be seen in the light of the overfunding.

Interest rate risk

The pension assets' exposure to interest rate risk is deemed to be moderate because the market value-weighted duration is approximately 2.5 years. The portfolio value will fall by approximately 2.5 per cent in the event of a parallel shift in the yield curve of plus one percentage point.

The pension liability will increase by 11.9 per cent in the event of a parallel shift in the whole yield curve (fall in interest) of minus one percentage point. The value will fall by 9.8 per cent in the event of an interest rate increase of one percentage point.

Credit risk

The pension assets' exposure to credit risk is deemed to be moderate. Most of the pension fund's fixed-income investments shall be within "investment grade". If the credit risk on a global basis were to increase by a factor corresponding to the factor used in stress tests for pension funds (equal to a deterioration in relation to the 99.5 percentile), this would lead to a fall of approximately nine per cent in the bond portfolio.

The pension liabilities are exposed to some credit risk because the Norwegian covered bond yield, which forms the basis for determining the discount rate, entails a certain credit risk.

Life expectancy and disability

The life expectancy assumptions are based on the K2013BE table as reported by FNO (Finans Norge) AS.

The rate of disability is based on the IR73 table. This measures long-term disability. The incidence of disability is low compared to many other employers.

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.

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 percentage point higher, it will lead to a 3.9 per cent increase in the liability. If wage growth is one percentage point lower, it will lead to a 3.1 per cent decrease in the liability. If G is one percentage point higher it will lead to a 1.5 per cent decrease in the liability.

Minimum requirement for the level of pension assets
The pension assets must meet certain minimum requirements defined in Norwegian laws, regulations and in orders issued by the Financial Supervisory Authority of Norway (FSA).

If the level of the pension assets falls below a lower limit, 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.

Gjensidige Pensjonskasse measures risk based on requirements set by the Financial Supervisory Authority in the form of stress tests. These tests should reflect 99.5 per cent value at risk. The pension fund has a buffer capital utilization of approximately 75 per cent, which indicates that there is no requirement to provide pension funds to improve the pension fund's solvency.

Private collective pension (AFP)

As a member of Finance Norway, GPF 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 millions	Funded 2019	Unfunded 2019	Total 2019	Funded 2018	Unfunded 2018	Total 2018
Present value of the defined benefit obligation						
As at 1 January	13.5	2.5	16.0	12.6	1.9	14.5
Current service cost	0.6	0.2	0.8	0.6	0.1	0.8
Employers' national insurance contributions of current service cost	0.1		0.2	0.1		0.1
Interest cost	0.4	0.1	0.5	0.3		0.4
Actuarial gains and losses	1.5	(0.2)	1.3	0.3	0.4	0.6
Benefits paid	(0.2)		(0.2)	(0.2)		(0.2)
Employers' national insurance contributions of benefits paid	(0.4)		(0.4)	(0.2)		(0.2)
As at 31 December	**15.6**	**2.5**	**18.1**	**13.5**	**2.5**	**16.0**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	15.6	2.5	18.1	13.5	2.5	16.0
Fair value of plan assets	(18.0)		(18.0)	(14.9)		(14.9)
Net defined benefit obligation/(benefit asset)	**(2.4)**	**2.5**	**0.1**	**(1.4)**	**2.5**	**1.0**
Fair value of plan assets						
As at 1 January	14.9		14.9	14.2		14.2
Interest income	0.5		0.5	0.4		0.4
Return beyond interest income	0.5		0.5	(0.8)		(0.8)
Contributions by the employer	2.7		2.7	1.5		1.5
Benefits paid	(0.2)		(0.2)	(0.2)		(0.2)
Employers' national insurance contributions of benefits paid	(0.4)		(0.4)	(0.2)		(0.2)
As at 31 December	**18.0**		**18.0**	**14.9**		**14.9**
Pension expense recognised in profit or loss						
Current service cost	0.6	0.2	0.8	0.6	0.1	0.8
Interest cost	0.4	0.1	0.5	0.3		0.4
Interest income	(0.5)		(0.5)	(0.4)		(0.4)
Employers' national insurance contributions	0.1		0.2	0.1		0.1
Total defined benefit pension cost	**0.7**	**0.3**	**1.0**	**0.7**	**0.2**	**0.9**
The expense is recognised in the following line in the income statement						
Insurance-related administration expenses			1.0			0.9
Remeasurements of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(0.5)			0.9
Exchange rate differences			(0.8)			(1.4)
Cumulative amount as at 31 December			**(1.3)**			**(0.5)**
Actuarial assumptions						
Discount rate			2.21%			2.98%
Future salary increases [1]			3.14%			3.20%
Change in social security base amount			3.14%			3.20%

NOK millions	2019	2018
Other specifications		
Amount recognised as expense for the defined contribution plan eksl VAT	4.7	3.6
Amount recognised as expense for Fellesordningen LO/NHO eksl VAT	0.9	0.5
Expected contribution to Fellesordningen LO/NHO next year	1.0	0.6
Expected contribution to the defined benefit plan for the next year	2.3	1.3

[1] Future salary increases represent our expected average future salary increase for the industry. Since Gjensidige has a closed plan, average future salary increase for our population is 1.91 per cent (1.55). See explanation under Actuarial assumptions.

Per cent	Change in pension benefit obligation 2019	Change in pension benefit obligation 2018
Sensitivity		
+ 1 %-point discount rate	19.0 %	17.3 %
- 1 %-point discount rate	(13.9 %)	(13.1 %)
+ 1 %-point salary adjustment	(8.4 %)	(9.3 %)
- 1 %-point salary adjustment	11.8 %	11.5 %
+ 1 %-point social security base amount	5.8 %	5.9 %
- 1 %-point social security base amount	(4.6 %)	(5.3 %)
- 1 %-point future pension increase	13.2 %	18.4 %
10 % decreased mortality	2.7 %	2.3 %
10 % increased mortality	(3.7 %)	(3.1 %)

Valuation hierarchy 2019	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 31.12.2019
Shares and similar interests		1.5		1.5
Bonds		16.0		16.0
Others		0.4		0.4
Total		**18.0**		**18.0**

Valuation hierarchy 2018	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 31.12.2018
Shares and similar interests		0.9		0.9
Bonds		13.7		13.7
Derivatives		0.3		0.3
Total		**14.9**		**14.9**

11. Subordinated debt

	FRN Gjensidige Pensjonsforsikring AS 2016/2026 SUB
ISIN	NO0010767429
Issuer	Gjensidige Pensjonsforsikring AS
Principal, NOK millions	300.0
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 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 only financial assets classified as level three in the valuation hierarchy are share in Norsk Pensjon.

NOK millions	Carrying amount as at 31.12.2019	Fair value as at 31.12.2019	Carrying amount as at 31.12.2018	Fair value as at 31.12.2018
Financial assets				
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	6.3	6.3	67.2	67.2
Bonds and other fixed income securities	1,575.5	1,575.5	1,465.1	1,465.1
Shares and similar interests in life insurance with investment options	24,502.5	24,502.5	19,811.5	19,811.5
Bonds and other fixed income securities in life insurance with investment options	4,196.5	4,196.5	3,282.3	3,282.3
Financial assets held to maturity				
Bonds held to maturity			30.6	30.7
Loans and receivables				
Bonds and other fixed income securities classified as loans and receivables	5,246.3	5,372.8	4,962.3	5,064.9
Receivables related to direct operations and reinsurance	81.2	81.2	65.0	65.0
Other receivables	232.3	232.3	161.1	161.1
Cash and cash equivalents	210.4	210.4	356.3	356.3
Total financial assets	**36,050.9**	**36,177.5**	**30,201.4**	**30,304.1**

NOK millions	Carrying amount as at 31.12.2019	Fair value as at 31.12.2019	Carrying amount as at 31.12.2018	Fair value as at 31.12.2018
Financial liabilities				
Financial liabilities at amortised cost				
Subordinated debt	299.8	304.3	299.7	301.2
Other liabilities	76.9	76.9	122.0	122.0
Liabilities related to direct insurance	85.6	85.6	429.6	429.6
Total financial liabilities	**462.3**	**466.8**	**851.3**	**852.8**
Gain/(loss) not recognised in profit or loss		**122.0**		**101.2**

Valuation hierarchy 2019

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

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests		6.1	0.2	6.3
Bonds and other fixed income securities		1,575.5		1,575.5
Shares and similar interests in life insurance with investment options		24,502.5		24,502.5
Bonds and other fixed income securities in life insurance with investment options		4,196.5		4,196.5
Financial assets at amortised cost				
Bonds and other fixed income securities classified as loans and receivables		5,372.8		5,372.8
Financial liabilities at amortised cost				
Subordinated debt		304.3		304.3

Investments in funds have been reclassified from level 1 to level 2 in the valuation hierarchy in 2019

Valuation hierarchy 2018

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

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	67.0		0.2	67.2
Bonds and other fixed income securities	1,465.1			1,465.1
Shares and similar interests in life insurance with investment options	19,794.3	17.3		19,811.5
Bonds and other fixed income securities in life insurance with investment options	3,268.1	14.1		3,282.3
Financial assets at amortised cost				
Bonds held to maturity		30.7		30.7
Bonds and other fixed income securities classified as loans and receivables		5,064.9		5,064.9
Financial liabilities at amortised cost				
Subordinated debt		301.2		301.2

Reconciliation of financial assets valued based on non-observable market data (level 3) 2019

NOK millions	As at 1.1.2019	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Transfers into/out of level 3	As at 31.12.2019	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2019
Shares and similar interests	0.2						0.2	
Total	**0.2**						**0.2**	

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

NOK millions	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Transfers into/out of level 3	As at 31.12.2018	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2018
Shares and similar interests	758.4					(758.2)	0.2	
Total	**758.4**					**(758.2)**	**0.2**	

Reconciliation of liabilities arising from financing activities 2019

			Non-cash flows			
NOK millions	As at 01.01.2019	Cash flows	Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2019
Subordinated debt	299.7				0.1	299.8

Reconciliation of liabilities arising from financing activities 2018

			Non-cash flows			
NOK millions	As at 01.01.2018	Cash flows	Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2018
Subordinated debt	299.6				0.1	299.7

13. Net income from investments

NOK millions	2019	2018
Net income from associated companies	73.7	74.6
Total net income and gains/(losses) from investments in associated companies	**73.7**	**74.6**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated		
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	20.6	16.6
Unrealised gains/(losses) from bonds and other fixed-income securities	21.0	(10.8)
Realised gains/(losses) from bonds and other fixed-income securities	7.5	5.1
Total net income and gains/(losses) from bonds and other fixed-income securities	**49.1**	**11.0**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated	**49.1**	**11.0**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	0.2	1.8
Total net income and gains/(losses) from bonds held to maturity	**0.2**	**1.8**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	162.5	167.6
Net gains/(losses) from loans and receivables	14.2	6.8
Total net income and gains/(losses) from loans and receivables	**176.8**	**174.5**
Net income and gains/(losses) from financial liabilities at amortised cost		
Net interest income/(expenses) from subordinated debt	(13.4)	(12.1)
Total net income and gains/(losses) from financial liabilities at amortised cost	**(13.4)**	**(12.1)**
Net other financial income/(expenses) [1]	(1.8)	0.1
Total net income from investments	**284.5**	**249.9**
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	164.2	168.8
Interest expenses from financial assets not recognised at fair value through profit or loss	(13.4)	(12.1)

[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 three 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 2019

NOK thousands	Fixed salary/-fee	Earned variable salary	Calculat-ed value of total benefits other than cash	Rights earned in the financial year accord-ing to defined benefit pension plan	Annual vesting share-based payment	Number of shares granted	Number of shares exercised	Number of shares not exercised	Number of shares held	Retire-ment con-ditions
The senior group management										
Torstein Ingebretsen, CEO [4]	2,334.5	284.5	162.3	158.5	233.9	2,318	1,628	4,015	5,234	1
Nils Andreas Brekke, CFO [3]	1,418.0	181.6	162.7	318.3	166.3	1,505	1,145	2,614	4,299	2
Helene Bjørkholt, Director product [4]	1,297.1	166.7	134.8	154.8	142.3	1,229	993	2,216	4,399	1
Lars Ingmar Eng, Director sales [4]	1,293.6	166.8	132.6	153.4	147.3	1,244	1,028	2,220	3,410	1
Steffan Lloyd, Director IKT [4]	1,215.7	159.3	132.4	167.1	160.2	1,271	1,100	2,316	7,637	1
Åge Sætrevik, Chief investement [4]	1,407.9	179.1	163.2	167.7	181.2	1,440	1,247	2,596	7,773	1
Cathrine H. Saxebøl, Director marketing [4]	1,201.6	113.3	132.3	159.3	4.4	758	27	798	536	1
The Board										
Catharina Elisabeth Hellerud, Chairman										
Ida Berild Guldberg, Board member										
Erik Ranberg, Board member										
Kari Østerud, Board member	150.5									

[1] Age 67
[2] Age 65
[3] Pension plan is benefit based
[4] Pension plan is contribution based

Key management personnel compensation 2018

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]	1,842.1	206.0	398.1	150.4	195.5	701	759	1,446	3,944	1
Nils Andreas Brekke, CFO [3]	1,333.8	143.7	312.5	289.8	132.1	471	468	977	3,201	2
Helene Bjørkholt, Director product [4, 6]	1,207.6	139.8	276.5	147.1	123.7	456	456	915	4,416	1
Lars Ingmar Eng, Director sales [4, 7]	1,175.1	136.3	287.7	145.2	124.5	446	495	921	2,750	1
Steffan Lloyd, Director IKT [4]	1,114.4	130.0	287.7	143.7	118.2	424	447	874	6,511	1
Åge Sætrevik, Chief investement [4]	1,307.4	141.0	179.7	158.9	134.4	465	557	994	6,570	1
Cathrine H. Saxebøl, Director marketing [4]	995.3	18.5	108.3	130.0					700	1
The Board										
Mats C. Gottschalk, Chairman										
Ida Berild Guldberg, Board member										
Hans Aasnæs, Board member	146.0									
Kari Østerud, Board member	146.0									

[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 4,442 thousand outstanding. Applicable conditions are 2.19 per cent in interest rate and loan maturity 28.04.2026
[6] Borrower in Gjensidige Bank ASA with NOK 875 thousand outstanding. Applicable conditions are 2.19 per cent in interest rate and loan maturity 28.09.2023
[7] Borrower in Gjensidige Bank ASA with NOK 849 thousand outstanding. Applicable conditions are 1.97 per cent in interest rate and loan maturity 20.08.2026

15. Tax

NOK millions	2019	2018
Specification of tax expense		
Tax payable	58.0	12.5
Change in deferred tax	(9.4)	28.7
Total tax expense	**48.6**	**41.3**
Taxable temporary differences		
Profit and loss account [1]	159.0	199.8
Total taxable temporary differences	**159.0**	**199.8**
Deductible temporary differences		
Shares, bonds and other securities	(1.3)	(4.5)
Total deductible temporary differences	**(1.3)**	**(4.5)**
Net temporary differences	**157.7**	**195.3**
Net deferred tax liabilities/(deferred tax assets)	**39.4**	**48.8**
Reconciliation of tax expense		
Profit before tax	196.9	166.6
Estimated tax of profit before tax expense (25%)	(49.2)	(41.7)
Tax effect of		
Gain of shares not tax exempted	0.6	0.4
Total tax expense	**(48.6)**	**(41.3)**
Effective rate of income tax	24.7 %	24.8 %
Change in deferred tax		
Deferred tax liabilities/assets as at 1 January	(48.8)	(20.5)
Change in deferred tax recognised in profit or loss	9.4	(28.7)
Tax recognised in other comprehensive income		
Tax on other comprehensive income		0.4
Deferred tax liabilities/(deferred tax assets) as at 31 December	**(39.4)**	**(48.8)**

[1] In connection with new tax rules for life insurance companies from the income year 2018, the companies can, according to the transitional rule, transfer profit from the customer portfolio into the gain and loss account. The account is depreciated by 20 per cent each year. The company transferred in 2018 NOK 248.4 millions into this account.

16. Insurance liabilities split by segment

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2019
Premium reserves	1,906.4		1,906.4	3,869.8			1,119.9	4,989.7	6,896.1
Additional statutory reserves	7.2		7.2	261.7			15.2	276.8	284.0
Market value adjustment reserves				21.2				21.2	21.2
Fund for Pension Adjustment							2.9	2.9	2.9
Total insurance obligations in life insurance - the group policy portfolio	**1,913.6**		**1,913.6**	**4,152.7**			**1,138.0**	**5,290.7**	**7,204.2**
Premium reserves		2,243.0	2,243.0		9,797.0	17,803.5		27,600.5	29,843.5
Deposit Fund						287.4		287.4	287.4
Total insurance obligations in life insurance - the investment option portfolio		**2,243.0**	**2,243.0**		**9,797.0**	**18,090.9**		**27,887.8**	**30,130.9**

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2018
Premium reserves	1,583.4		1,583.4	3,853.8			899.0	4,752.8	6,336.2
Additional statutory reserves	4.7		4.7	224.3			12.4	236.8	241.5
Market value adjustment reserves				5.7				5.7	5.7
Fund for Pension Adjustment	0.4		0.4				2.5	2.5	2.9
Total insurance obligations in life insurance - the group policy portfolio	**1,588.6**		**1,588.6**	**4,083.9**			**913.9**	**4,997.8**	**6,586.4**
Premium reserves		2,014.0	2,014.0		7,660.6	14,121.7		21,782.3	23,796.2
Deposit Fund						305.6		305.6	305.6
Total insurance obligations in life insurance - the investment option portfolio		**2,014.0**	**2,014.0**		**7,660.6**	**14,427.2**		**22,087.8**	**24,101.8**

17. Profit/(loss) of technical account

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2019
Premiums for own account	323.4	270.4	593.7	19.5	219.4	4,399.9	325.1	4,963.9	5,557.6
Income from investments in the group policy portfolio	56.2		56.2	191.0			33.0	224.0	280.2
Income from investments in the investment portfolio		224.9	224.9		190.7	3,369.1		3,559.8	3,784.7
Other insurance related income		19.0	19.0		78.9	69.3		148.2	167.2
Claims	(33.5)	(253.4)	(286.9)	(109.6)	(349.8)	(1,897.5)	(116.3)	(2,473.1)	(2,760.0)
Changes in reserves for the group policy portfolio	(249.1)		(249.1)	(44.3)			(213.5)	(257.8)	(506.9)
Changes in reserves for investment portfolio		(230.5)	(230.5)		17.8	(5,816.0)		(5,798.2)	(6,028.7)
Funds allocated to the insurance contracts				(24.5)			(1.5)	(26.0)	(26.0)
Insurance-related operating expenses	(27.1)	(27.8)	(54.9)	(18.5)	(60.8)	(94.2)	(47.1)	(220.7)	(275.6)
Profit/(loss) of technical account	**69.8**	**2.6**	**72.5**	**13.6**	**96.3**	**30.5**	**(20.3)**	**120.1**	**192.6**

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2018
Premiums for own account	300.8	188.7	489.4	20.8	198.4	3,988.8	286.2	4,494.3	4,983.8
Income from investments in the group policy portfolio	51.1		51.1	163.7			29.0	192.7	243.7
Income from investments in the investment portfolio		(73.9)	(73.9)		(75.4)	(1,049.3)		(1,124.7)	(1,198.6)
Other insurance related income		19.4	19.4		69.1	62.1		131.1	150.5
Claims	(38.9)	(223.4)	(262.3)	(71.2)	(63.0)	(1,333.2)	(103.9)	(1,571.3)	(1,833.5)
Changes in reserves for the group policy portfolio	(273.2)		(273.2)	(68.9)			(160.1)	(229.0)	(502.2)
Changes in reserves for investment portfolio		120.5	120.5		10.6	(1,552.3)		(1,541.7)	(1,421.3)
Funds allocated to the insurance contracts				(19.5)			(1.4)	(20.9)	(20.9)
Insurance-related operating expenses	(19.7)	(18.8)	(38.5)	(19.5)	(54.1)	(86.0)	(43.0)	(202.6)	(241.0)
Profit/(loss) of technical account	**20.0**	**12.5**	**32.5**	**5.4**	**85.5**	**30.2**	**6.9**	**128.0**	**160.5**

18. Premium reserves transferred to/from other companies

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2019
Premium reserves transferred from other companies		20.4	20.4	19.5	219.4	1,358.0	66.8	1,663.7	1,684.1
Premium reserves transferred to other companies		(51.4)	(51.4)		(615.5)	(1,430.8)	(46.0)	(2,092.3)	(2,143.7)
Number of contracts from others		92	92	16	2,399	504	504	2,919	3,011
Number of contracts to others		112	112		9,348	1,178	1,178	10,526	10,638

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2018
Premium reserves transferred from other companies		12.8	12.8	20.8	198.4	1,313.8	53.5	1,586.6	1,599.4
Premium reserves transferred to other companies		(14.1)	(14.1)		(264.4)	(969.8)	(18.4)	(1,252.6)	(1,266.8)
Number of contracts from others		74	74	21	2,574	691	691	3,286	3,360
Number of contracts to others		75	75		4,056	602	602	4,658	4,733

19. Claims split by segment

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2019
Gross claims paid	(40.7)	(202.0)	(242.8)	(136.5)	(10.1)	(190.9)	(55.4)	(392.8)	(635.5)
Claims paid - reinsurance	7.3		7.3				12.0	12.0	19.2
Claims for own account	**(33.5)**	**(202.0)**	**(235.5)**	**(136.5)**	**(10.1)**	**(190.9)**	**(43.4)**	**(380.8)**	**(616.3)**

	Individual pension			Occupational pension					
NOK millions	Risk products	Unit Link	Total individual pension	Paid-up policies	Pension capital certificates	Defined contri-bution	Risk products	Total occupational pension	Total 2018
Gross claims paid	(32.1)	(209.2)	(241.3)	(126.2)	(10.3)	(151.7)	(42.7)	(331.0)	(572.3)
Claims paid - reinsurance	(6.9)		(6.9)				12.3	12.3	5.5
Claims for own account	**(38.9)**	**(209.2)**	**(248.1)**	**(126.2)**	**(10.3)**	**(151.7)**	**(30.4)**	**(318.7)**	**(566.8)**

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

NOK millions	Individual pension: Risk products	Individual pension: Unit Link	Individual pension: Total individual pension	Occupational pension: Paid-up policies	Occupational pension: Pension capital certificates	Occupational pension: Defined contri-bution	Occupational pension: Total occupational pension	Total 2019
Administration income	62.0	28.8	90.8	8.9	157.1	135.0	300.9	391.7
Administration costs	(27.1)	(27.8)	(54.9)	(18.5)	(60.8)	(141.3)	(220.7)	(275.6)
Administration result I	**34.9**	**1.0**	**36.0**	**(9.7)**	**96.3**	**(6.4)**	**80.2**	**116.2**
Premium for guaranteed interest						4.5	4.5	4.5
Premium for risk profit						1.5	1.5	1.5
Administration result II	**34.9**	**1.0**	**36.0**	**(9.7)**	**96.3**	**(0.3)**	**86.2**	**122.2**
Risk premium	259.2	9.0	268.2	5.0		308.8	313.9	582.0
Claims	(249.9)	(7.4)	(257.4)	39.2		(309.2)	(270.1)	(527.4)
Risk result	**9.2**	**1.6**	**10.8**	**44.2**		**(0.4)**	**43.8**	**54.6**
Financial income	56.2		56.2	191.0		33.0	224.0	280.2
Guaranteed return	(28.4)		(28.4)	(126.1)		(18.5)	(144.6)	(173.0)
Market value adjustment				(15.5)			(15.5)	(15.5)
Financial result	**27.7**		**27.7**	**49.5**		**14.5**	**64.0**	**91.7**
Total	**71.9**	**2.6**	**74.5**	**84.0**	**96.3**	**13.8**	**194.0**	**268.5**
Allocated to customer								
Risk result				22.1			22.1	22.1
Financial result	2.0		2.0	48.3		3.5	51.8	53.8
Total	**2.0**		**2.0**	**70.4**		**3.5**	**73.9**	**75.9**
Allocated to owner								
Administration result	34.9	1.0	36.0	(9.7)	96.3	(0.3)	86.2	122.2
Risk result	9.2	1.6	10.8	22.1		(0.4)	21.7	32.5
Financial result	25.7		25.7	1.2		11.0	12.2	37.9
Profit of technical account	**69.8**	**2.6**	**72.5**	**13.6**	**96.3**	**10.3**	**120.1**	**192.6**

NOK millions	Individual pension: Risk products	Individual pension: Unit Link	Individual pension: Total individual pension	Occupational pension: Paid-up policies	Occupational pension: Pension capital certificates	Occupational pension: Defined contri-bution	Occupational pension: Total occupational pension	Total 2018
Administration income	56.2	30.0	86.2	8.7	139.5	127.3	275.5	361.7
Administration costs	(19.7)	(18.8)	(38.5)	(19.5)	(54.1)	(129.0)	(202.6)	(241.0)
Administration result I	**36.5**	**11.3**	**47.7**	**(10.8)**	**85.4**	**(1.7)**	**73.0**	**120.7**
Premium for guaranteed interest						2.1	2.1	2.1
Premium for risk profit						0.8	0.8	0.8
Administration result II	**36.5**	**11.3**	**47.7**	**(10.8)**	**85.4**	**1.1**	**75.8**	**123.5**
Risk premium	242.0	10.3	252.3	7.2		272.7	279.9	532.2
Claims	(281.2)	(9.0)	(290.2)	23.9	0.1	(247.2)	(223.2)	(513.4)
Risk result	**(39.2)**	**1.2**	**(38.0)**	**31.1**	**0.1**	**25.5**	**56.7**	**18.8**
Financial income	51.1		51.1	163.7		29.0	192.7	243.7
Guaranteed return	(27.3)		(27.3)	(123.9)		(16.2)	(140.1)	(167.4)
Market value adjustment				49.0			49.0	49.0
Financial result	**23.7**		**23.7**	**88.8**		**12.8**	**101.6**	**125.3**
Total	**21.0**	**12.5**	**33.5**	**109.1**	**85.5**	**39.5**	**234.1**	**267.6**
Allocated to customer								
Risk result				15.8			15.8	15.8
Financial result	1.0		1.0	87.7		2.4	90.1	91.2
Additional reserve contribution				0.1			0.1	0.1
Total	**1.0**		**1.0**	**103.7**		**2.4**	**106.1**	**107.2**
Allocated to owner								
Administration result	36.5	11.3	47.7	(10.8)	85.4	1.1	75.8	123.5
Risk result	(39.2)	1.2	(38.0)	15.3	0.1	25.5	40.9	2.9
Financial result	22.7		22.7	1.0		10.4	11.4	34.1
Owners net contribution				(0.1)			(0.1)	(0.1)
Profit of technical account	**20.0**	**12.5**	**32.5**	**5.4**	**85.5**	**37.1**	**128.0**	**160.5**

21. New contracts

NOK millions	Year	Individual pension: Risk products	Individual pension: Unit Link	Individual pension: Total individual pension	Occupational pension: Paid-up policies	Occupational pension: Pension capital certificates	Occupational pension: Defined contri-bution	Occupational pension: Total occupational pension	Total
Reserve/yearly instalment									
	2019		132.8	132.8	19.6	1,737.2	238.8	1,995.6	2,128.4
	2018		52.3	52.3	20.7	1,359.5	283.5	1,663.7	1,716.1
Risk premium									
	2019	44.0		44.0			16.9	16.9	60.9
	2018	21.8		21.8			20.4	20.4	42.3

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	2019	4.34%	3.74%	4.14%	4.46%	1.38%
Value-adjusted return	2019	4.72%	3.75%	4.38%	15.70%	2.08%
Recognised return	2018	5.61%	4.77%	5.20%	3.84%	1.35%
Value-adjusted return	2018	4.30%	3.61%	3.95%	-5.28%	1.31%
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%

[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 millions	2019	2018
Premium reserve		
As at 1 January	6,336.2	5,784.9
Changes in insurance obligations recognised in the profit and loss account	513.5	487.0
Profit on investment result	2.4	5.6
Risk profit allocated to the insurance agreements	22.1	15.3
Adjustment of insurance obligations from comprehensive income	21.9	43.5
As at 31 December	**6,896.1**	**6,336.2**
Additional statutory reserves		
As at 1 January	241.5	176.6
Changes in insurance obligations recognised in the profit and loss account	42.5	64.8
As at 31 December	**284.0**	**241.5**
Premium Fund, Deposit Fund and Fund for Pension Adjustment		
As at 1 January	2.9	2.2
Changes in insurance obligations recognised in the profit and loss account	(1.5)	(0.6)
Profit on investment result	1.5	1.4
As at 31 December	**2.9**	**2.9**
Market value adjustment reserve		
As at 1 January	5.7	54.7
Changes in insurance obligations recognised in the profit and loss account	15.5	(49.0)
As at 31 December	**21.2**	**5.7**

24. Changes insurance obligations - investment choice portfolio separately

NOK millions	2019	2018
Premium reserve		
As at 1 January	23,796.2	22,361.6
Changes in insurance obligations recognised in the profilt andlLoss account	7,455.2	2,325.6
Total changes in insurance obligations recognised in the profit and loss account	31,251.4	24,687.2
Transfers between funds	(1,407.9)	(891.0)
As at 31 December	**29,843.5**	**23,796.2**
Premium Fund, Deposit Fund and Fund for Pension Adjustment		
As at 1 January	305.6	319.0
Changes in insurance obligations recognised in the profilt and loss account	(1,426.5)	(904.4)
Total changes in insurance obligations recognised in the profilt and loss account	(1,120.9)	(585.4)
Transfers between funds	1,408.3	891.0
As at 31 December	**287.4**	**305.6**

25. Share-based payment

Description of the share-based payment arrangements

As at 31 December 2019 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 and other remuneration in note 8, half of the variable remuneration is paid in the form of shares in Gjensidige Forsikring ASA, one third of which can be sold in each of the following three years. Of this, rather on the big side 50 per cent is distributed as equity and only just 50 per cent is distributed as cash in order to pay tax liabilities (net of tax settlement).

The fair value at the grant date is measured based on the market price. The amount is recognised as payroll expenses at grant date with a corresponding increase in other paid-in equity, both for the part that is settled in equity and for the part that is settled in cash to cover the tax obligations. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a reassessment if subsequent results and development suggest that the bonus was based on incorrect assumptions. The expected allocation is set to 100 per cent. No adjustment is made to the value of the cash-settled share based on the share price at the reporting date. The number of shares is adjusted for dividend paid.

Equity-settled share savings program for employees
Gjensidige has established a share savings programme for employees of the Group with the exception of employees of Gjensidige Baltic. All employees are given an opportunity to save an annual amount of up to NOK 75,000. Saving take the form of fixed deductions from salary that is used to buy shares four times a year. The employees are offered a discount in the form of a contribution of 20 per cent, limited upwards to NOK 3,000 kroner per year, which corresponds to the maximum tax-exempt discount. Employees will receive one bonus share for every four shares they have owned for more than two years, provided that they are still employed by the Company or have become retired. No other vesting conditions exists in this arrangement.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation with a corresponding increase in other paid-in equity. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years, with a corresponding increase in other paid-in equity.

Fair value measurement

The fair value of the shares allocated through the share-based payment for executive personnel and the cash to cover the tax obligations is calculated on the basis of the share price at grant date. The amount is recognised immediately.

Fair value of the bonus shares allocated through the share savings program is calculated on the basis of the share price at grant date, taking into account the likelihood of the employee still being employed after two years and that he/she has not sold his/her shares during the same two-year period. The amount is recognised during the vesting period which is two years.

The following assumptions were used in the calculation of fair value at the time of calculation

	Remuneration scheme		Share savings programme	
	2019	2018	2019	2018
Weighted average share price (NOK)	143.00	149.10	163.02	130.55
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]	10.92	4.50	10.92	4.50

[1] The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 70 per cent of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

Payroll expenses

NOK millions	2019	2018
Share-based remuneration for key personnel	1.2	0.7
Share savings programme for employees	0.3	0.2
Total expenses	**1.5**	**1.0**

Share savings programme

	2019	2018
The number of bonus shares		
Outstanding 1 January	2,812	1,924
Granted during the period	1,536	1,687
Forfeited during the periode	-	(50)
Released during the period	(1,304)	(699)
Movement to/(from) during the period	380	(50)
Outstanding 31 December	**3,359**	**2,812**
Exercisable 31 December		
Average remaining life of outstanding bonus shares	1.02	1.02
Weighted average fair value of bonus shares granted	135.53	115.89
Weighted average share price of bonus shares released during the period	163.02	130.55

Weighted average exercise price will always be 0, since the scheme comprises bonus shares and not options.

Remuneration scheme

	Number of shares 2019	Number of cash-settled shares 2019	Number of shares 2018	Number of cash-settled shares 2018
The number of shares				
Outstanding 1 January	6,912	6,127	7,076	6,346
Granted during the period	4,545	3,972	3,040	2,659
Exercised during the period	(3,543)	(3,162)	(3,528)	(3,182)
Modification dividend during the period	349	330	324	304
Outstanding 31 December	**8,263**	**7,267**	**6,912**	**6,127**
Exercisable 31 December				
Average remaining life of outstanding shares	0.73	0.73	0.71	0.71

	2019	2018
Weighted average fair value of shares granted [2]	143.00	149.10
Weighted average share price of shares released during the period	143.00	147.91
Fair value of shares granted that are to be settled in cash	135.53	135.20

[2] The fair value is calculated based on the market value of the share at the time of allocation.

Weighted average exercise price will always be 0, since the scheme comprises shares and not options.

26. Interests in associates

NOK millions	Registered office	Interest held	Cost 31.12.2019	Carrying amount 31.12.2019	Cost 31.12.2018	Carrying amount 31.12.2018
Associates						
Malling & Co Eiendomsfond IS - group policy portfolio	Oslo, Norway	26.9 %	792.3	958.2	792.3	908.5
Malling & Co Eiendomsfond IS - investment option portfolio	Oslo, Norway	36.2 %	1,116.6	1,290.3	686.6	815.7
Total interests in associates		**63.1 %**	**1,908.9**	**2,248.5**	**1,478.9**	**1,724.1**

NOK millions	Assets	Equity	Liabilities	Revenues	Profit/(loss)	Profit/(loss) recognised
For the whole company 2019						
Associates - additional information						
Malling & Co Eiendomsfond IS	3,208.3	3,162.2	46.2	75.9	71.0	
For the whole company 2018						
Associates - additional information						
Malling & Co Eiendomsfond IS	2,505.4	2,432.2	73.3	60.1	56.0	

27. Right to use property and leasing liability

NOK millions	2019
Right to use property	
Cost	
Implementation of IFRS 16	27.7
Disposals	(14.6)
As at 31 December	**13.1**
Depreciation and impairment losses	
Depreciation	(2.8)
As at 31 December	**(2.8)**
Carrying amount as at 31 December	**10.3**
Depreciation method	Straight-line
Useful life (years)	4
Lease liability 31. december 2018	
Operational lease liability 31.1 december 2018	31.9
Effect of discounting of the lease liability	(4.2)
Lease liability recognized 1. january 2019	**27.7**
Summary of the lease liability in the financial statements	
At initial application 1.1.	27.7
Change in lease liability	(15.0)
New lease liabilities recognized in the year	12.8
Paid installment (Cash flow)	(3.1)
Paid interest (Cash flow)	0.7
As at 31 December	**10.3**
Undiscounted lease liability and maturity of cash flows	
Less than 1 year	2.9
1-2 years	2.9
2-3 years	2.9
3-4 years	2.2
Total undiscounted lease liability as at 31 December	**10.9**
Interest rate	3.03%

To determine whether a contract contains a lease, it is considered whether the contract conveys the right to control the use of an identified asset. This is for Gjensidige Pensjonsforsikring considered to only be the case for office leases. However, the main part of the latter group is exempted for recognition due to low value

The rental period is calculated based on the duration of the agreement plus any option periods if these with reasonable certainty will be exercised. Joint expenses etc. are not recognised in the lease liability for the rental contracts.

The discount rate for the rental contracts is determined by looking at observable borrowing rates in the bond market. The interest rates are adapted to the actual lease contracts duration.

Payment of interest related to lease liabilities is presented as cash flow from financing activities as this is best in accordance with the objective of the rental agreement.

Gjensidige Pensjonsforsikring AS has recognised its lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability according to the modified retrospective approach.

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 2019 and as of 31 December 2019 (Annual Report 2019).

We declare that, to the best of our knowledge, the financial statements for 2019 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, 13 February 2020

The Board of Gjensidige Pensjonsforsikring AS

Catharian Hellerud Chair	Kari Østerud	Ida Guldberg	Erik Ranberg

Torstein Ingebretsen
CEO

Deloitte.

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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 comprehensive income of MNOK 147.7. The financial statements comprise the balance sheet as at 31 December 2019, 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 2019, 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 information in the annual report, except 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 proposed allocation of the result 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, 13 February 2020
Deloitte AS

Aase Aamdal Lundgaard
State Authorised Public Accountant (Norway)

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 3,700 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer 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 26 billion in 2019, while total assets were NOK 112 billion.

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