Gjensidige

Integrated annual report 2019

We are Gjensidige

We are Gjensidige

It all started with a sense of community.
If there was a fire on the neighbouring farm,
it could be rebuilt with the help of what people
had paid to the mutual fire insurance – jointly.

Today, more than 200 years later, the mutuality principle is more important than ever. No one lives for himself alone. Everyone must do their bit. For the environment, for the sake of balance, for safety, for each other. This is who we are. Mutual, or Gjensidige, as we say in Norwegian.
We are Gjensidige.

The year that passed

Digital services
An increasing number of issues can be resolved digitally. Claims reports for accident and health insurance, offer of pension insurance and medical services were among the new digital services in 2019.

Sale of Gjensidige Bank and cooperation with Nordea
The sale of Gjensidige Bank was completed in the first quarter of 2019 with proceeds of NOK 5.6 billion. At the same time we entered into a cooperation with Nordea on the distribution of banking and insurance services in Norway.

Simplified structure
The subsidiaries Nykredit Forsikring and Mølholm Forsikring were merged with Gjensidige Forsikring ASA, and are part of the Company's Danish branch.

Sharing is a choice
For the tenth year in a row, Gjensidige's customers received customer dividends. Customers received NOK 2.2 billion, corresponding to 14 per cent of the premiums paid the year before.

Main sponsor of Tre kronor
Gjensidige became the main sponsor of the Swedish national men's ice hockey team, nicknamed 'Tre kronor'.

Summer tour to prevent traffic accidents
Gjensidige went on a summer tour in Norway, in cooperation with Trafikksikkerhets-foreningen (The road safety association), for the purpose of reducing the number of traffic accidents.

New climate model

Gjensidige entered into an agreement with the Norwegian Computing Centre on the development of new precipitation prediction models. The models are expected to provide a better basis for pricing of risk and prevention of damage.

1 of 3 travel claims fully automated

An increasing number of claims reports are processed digitally, by robots or algorithms in our core system. All windscreen and car window claims are processed digitally, and in summer 2019, 1 out of 3 travel claims were digital.

New agreement with the farmers' association

Gjensidige and Norges Bondelag renewed their cooperation agreement for another 5 years. As part of the agreement, the parties will establish a sustainability fund to help develop future-oriented agriculture in Norway.

Best reputation in the industry

According to the Ipsos Reputation Survey, Gjensidige had the best reputation in the Norwegian financial sector. According to the Sustainable Brand Index, Gjensidige also has the strongest reputation in terms of sustainability in the Norwegian financial sector.

Diversity Day at Gjensidige

The HR Department organised a Diversity Day event with contributions from internal and external parties on diversity and inclusion in working life.
The event was made available to all employees via webcast.

43 percent return

Gjensidige's owners had a return of 43 percent in 2019, as a consequence of dividends and a soaring share price.

Cooperation with Karsten Warholm

Gjensidige entered into a sponsoring agreement with Karsten Warholm, who, among other achievements in 2019, became a world champion in hurdles race and was named the European athlete of the year by det European Athletes Association.

About this report

The 2019 annual report is an integrated report based on the framework of IIRC – the International Integrated Reporting Council. The report was prepared in accordance with the Global Reporting Initiative's - GRI's - core principles and Oslo Børs's recommendation for sustainability reporting. In the report, you can read about how we work to create value in the short and long term for our customers, owners, employees and society at large, and how sustainability is integrated in our operations. We have chosen to use the integrated reporting framework because we believe it gives a good presentation of Gjensidige and our value creation. The report is published in digital format only and is available at www.gjensidige.no.

The requirements of the Board's report are covered in various chapters throughout the integrated report. For complete overview, see "Appendix 1 - Checklist GRI and the Board's report".

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

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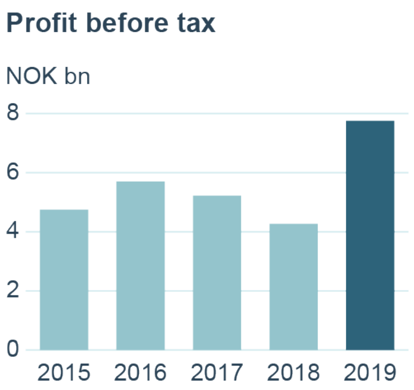
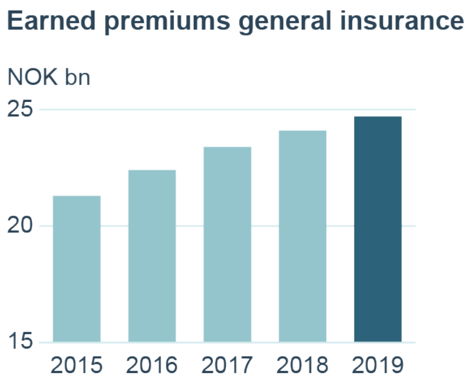
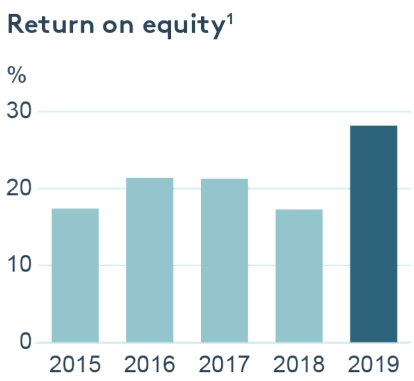
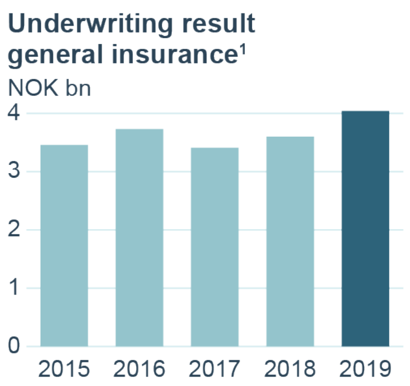
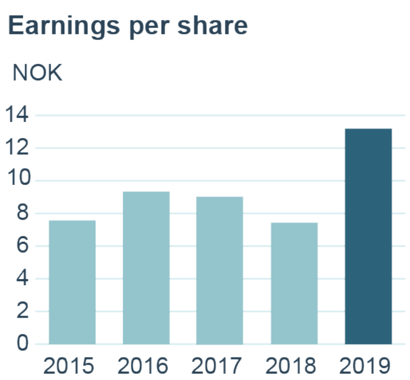
Key figures and alternative performance measures

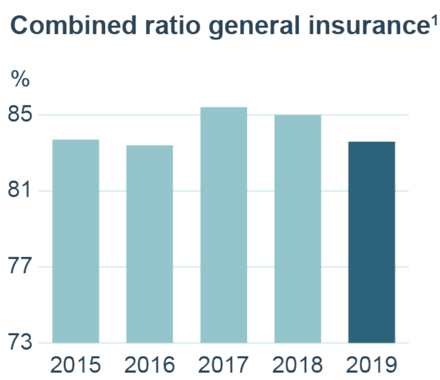












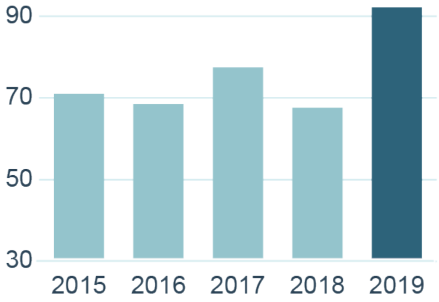
[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

12.25..

…NOK per share in proposed dividend

Market value as at 31.12.

NOK billion



Dividend per share

	Based on profit for the year	Distribution of excess capital
2019[1]	7.25	5.00
2018	7.10	
2017	7.10	
2016	6.80	
2015	6.40	6.00

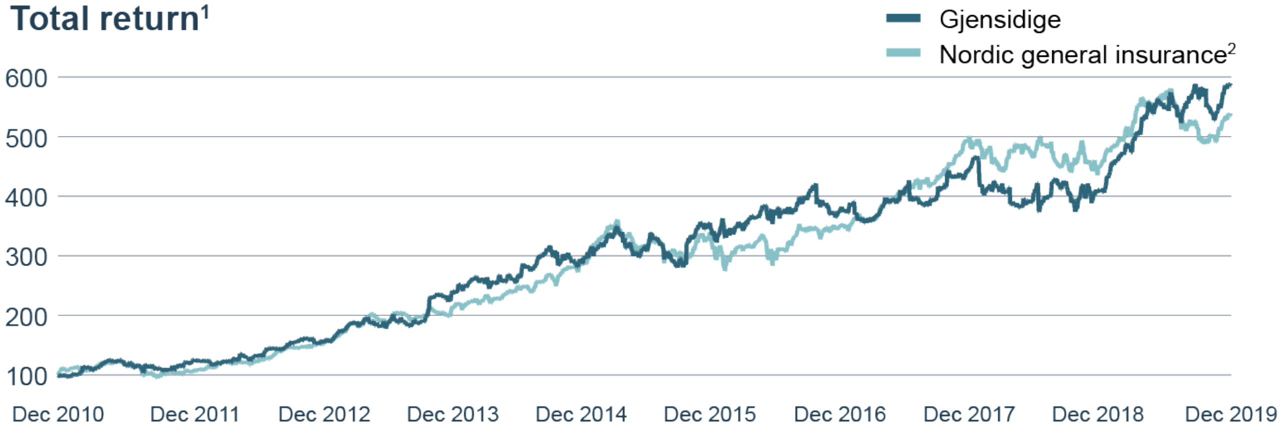
[1] Proposed

Total return[1]

	Last year	Last two years	Since IPO 10.12.2010
Gjensidige	43 %	31 %	486 %
Nordic general insurance[2]	19 %	7 %	435 %

[1] Dividend reinvested
[2] Non-weighted average in local currency for Tryg, Topdanmark, Sampo and Alm. Brand

Total return[1]



[1] Dividend reinvested
[2] Non-weighted average in local currency for Tryg, Topdanmark, Sampo and Alm.Brand

Key figures and alternative performance measures (APM)

		2019	2018	2017	2016	2015
Earned premiums, general insurance	NOK Millions	24,650.4	24,052.8	23,398.3	22,441.9	21,272.0
Other operating income	NOK Millions	1,051.5	942.0	736.6	677.6	572.9
Net income from investments	NOK Millions	3,860.3	830.2	2,002.2	2,152.6	1,488.2
Claims incurred, general insurance	NOK Millions	(16,978.6)	(16,791.1)	(16,401.7)	(15,515.9)	(14,597.5)
Claims incurred etc. from pension	NOK Millions	(616.3)	(566.8)	(430.6)	(391.3)	(295.2)
Operating expenses, general insurance	NOK Millions	(3,635.4)	(3,655.9)	(3,586.5)	(3,191.4)	(3,217.6)
Other operating expenses	NOK Millions	(578.2)	(546.2)	(501.6)	(470.1)	(476.7)
Tax expense	NOK Millions	(1,197.6)	(883.5)	(1,156.6)	(1,363.0)	(1,184.5)
Profit/(loss) from continuing operations	NOK Millions	6,556.1	3,381.6	4,060.2	4,340.5	3,561.6
Profit/(loss) from discontinued operations	NOK Millions	37.6	334.9	459.1	325.4	223.1
Profit/(loss) from continuing and discontinued operations	NOK Millions	6,593.8	3,716.4	4,519.3	4,665.9	3,784.7
Earnings per share from continuing and discontinued operations	NOK	13.19	7.44	9.05	9.34	7.57
Regular dividend per share	NOK	7.25	7.10	7.10	6.80	6.40
Special dividend per share	NOK	5.00				6.00
Main figures general insurance						
Underwriting result [1]	NOK Millions	4,036.4	3,605.8	3,410.1	3,734.6	3,456.9
Large losses [1]	NOK Millions	635.0	954.7	577.4	871.8	880.3
Run-off results [1]	NOK Millions	1,363.2	2,356.9	1,030.3	1,023.4	724.8
Combined ratio [1]	Per cent	83.6	85.0	85.4	83.4	83.7
Loss ratio [1]	Per cent	68.9	69.8	70.1	69.1	68.6
Underlying frequency loss ratio [1]	Per cent	71.8	75.6	72.0	69.8	67.9
Cost ratio [1]	Per cent	14.7	15.2	15.3	14.2	15.1
Financial position						
Investment portfolio [2]	NOK Millions	59,054.4	52,816.0	54,860.2	53,957.7	57,173.9
Equity	NOK Millions	26,192.2	23,845.2	23,703.1	22,326.0	23,330.6
Total equity and liabilities	NOK Millions	112,405.9	156,762.9	149,072.4	135,926.6	129,264.4
Return						
Return on financial assets [1]	Per cent	4.1	1.5	3.7	3.9	2.6
Return on equity [1]	Per cent	28.2	17.3	21.3	21.4	17.4
The environment						
Energy consumption	MWh	10,172	12,671	12,773	11,988	11,131
CO_2-emissions, scope 1 and 2 [3]	Tonnes CO_2e	1,059	5,426	5,354	5,150	5,456
CO_2-emissions, scope 3 travel and transport [4]	Tonnes CO_2e	1,915	1,475			
CO_2-emissions, scope 3 claims processes [4]	Tonnes CO_2e	41,782				
CO_2-intensity [5]	Share	1.7				
Employees						
Number of employees in the Group	Persons	3,674	3,893	3,834	4,005	3,908
Gender distribution men/women	Per cent	53/ 47	52/ 48	52/ 48	53/ 47	52/ 48
Gender distribution men/women in executive positions	Per cent	62/ 38	63/ 37	63/ 37	64/ 36	63/ 37
Number of course days	Days	5,255	5,982	6,960	7,487	5,524
Turnover of employees, Gjensidige Forsikring	Per cent	11.1	12.4	15.3	9.7	9.6
Sickness absence, Gjensidige Forsikring	Per cent	3.9	3.8	3.9	3.9	4.1
Ratio between average pay and executive mgmt. pay [6]	Per cent	22	22			
Customers						
Digital customers [7]	Per cent	77	73	70	65	60
Digital claims settlements [8]	Per cent	73	63			
Customer satisfaction (CSI)	Point	78	78			
Socially responsible investments						
Companies excluded	Number	103	91	89	85	80

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.
[2] The investment portfolio includes all assets in the Group, except Pension.
[3] Scope 1: Direct emissions from company cars. Scope 2: Emissions from energy consumption see page 95.
[4] Scope 3: Emissions from travel and transport,
[5] Scope 3: Emissions from claims processes, material consumption and waste, see page 93
[5] CO_2-intensity: CO_2-emissions in tonnes from claims handling processes, divided by earned premiums in NOK million from general insurance.
[6] Norway, Sweden and Denmark.
[7] The private segment.
[8] The private and commercial segment.

Sustainability and capacity for change

For more than 200 years, Gjensidige has played an important role in the development of society as we know it today. Gjensidige has not only survived but become a leading company in our part of the world. The key to this development has been its capacity for change; the capacity to change the business in step with new external requirements, and the capacity to influence societal developments.

Our ability to create value for our customers, employees, owners and society at large is dependent on our ability to maintain and strengthen this capacity. Technology, customer behaviour and regulations have changed significantly in recent years, and the development will probably continue unabated.

Best today, best tomorrow

The core of Gjensidige's competitive advantage is to offer the best customer experiences in the industry. This requires both a strong customer orientation throughout the organisation and efficient operations, which is reflected in the Company's strategic platform.

Preconditions for being able to deliver this are a strong brand, the right technology and an organisation characterised by good leadership, capabilities and culture. Sustainability and corporate social responsibility must be integrated into the Company's operations and are a foundation for our entire business. The board believes that the sustainability efforts are important to the Company's value creation.

Therefore, these qualities must be further developed to ensure strong competitiveness and value creation going forward. In the short term, we do not expect radical changes in the market or competitive situation. In the long term, there is greater uncertainty, and scenario analyses show a wide range of potential outcomes. Gjensidige must therefore have sufficient flexibility to be able to rapidly seize opportunities and respond to threats.

A sustainable strategy

Sustainable operations are a precondition for long-term value creation. Sustainability is therefore an integral part of our strategy. Gjensidige has endorsed the UN Global Compact's principles for sustainable operations, and we endeavour to run our business in accordance with the UN's precautionary approach. We have singled out 5 of the 17 Sustainable Development Goals as particularly relevant for Gjensidige, but our operations support most of the goals. By working to achieve these goals, we will contribute to the green transition, in line with Finance Norway's 'Roadmap for green competitiveness in the financial sector'.

Gjensidige's sustainability work includes both financial, environmental and social factors as well as corporate governance. Gjensidige's operations shall make a difference in three main areas in particular: We shall contribute to a safer society, reduced carbon intensity and socially responsible investments.

Value creation for our customers, employees, owners and society at large

Gjensidige shall offer first-class products and solutions that provide a sense of security for our customers and that there is high willingness to pay for. Good cost control shall ensure that the Company uses as little of society's resources as possible, and good risk and capital management shall ensure that the Company does not accumulate more capital than it needs in order to be a sound, stable and predictable insurance provider.

This way, Gjensidige will achieve an attractive return for its owners, the best solutions for its customers, a developing workplace for its employees and a more sustainable society.

Gisele Marchand
Chair

– Gjensidige's sustainability work includes both financial, environmental and social factors as well as corporate governance.

Good. Better. Sustainable.

The result achieved in 2019 is our best result ever. There are several reasons for the strong improvement from 2018.

Among other things, we have adjusted our prices and terms for products that have generated too low profitability. In addition, the weather in 2019 was more normal than the extreme weather we had in 2018.

I am pleased with the profitability measures we have implemented, and the effect we have achieved. We have succeeded in carrying out repricing without material losses of volume. The quality of the portfolio has also improved, because churn was lowest in the customer groups with good profitability.

Outside Norway, efforts to strengthen profitability have continued for several years. The trend is positive, but most of the effect of our efforts still lies ahead of us. Price measures have been implemented here, as in Norway, and we have managed to cut costs by rationalising our processes in Denmark, Sweden and the Baltics.

Strategic priorities

In order to maintain and strengthen Gjensidige's competitiveness, it is decisive that we manage to further develop the Group's analytical capacity and expertise. We have therefore started work on implementing a new core system and new technological infrastructure as well as more sophisticated tariffs and CRM. This will lead to better processes, increased efficiency and greater flexibility, which will allow us to respond to market changes and ensure the best possible products and services for our customers at all times. It will also create opportunities for a broader value proposition, alone or in alliance with other insurance providers, thereby further enabling us to help our customers lead safe, problem-free lives.

Gjensidige Bank and Nordea

In March 2019, Nordea took over Gjensidige Bank. As part of the agreement with Nordea, we entered into cooperation on the cross distribution of services in Norway. This will give Nordea's customers access to Gjensidige's wide range of insurance services, and our customers access to Nordea's banking services. The distribution agreement initially applied to private customers only but was quickly expanded to include commercial customers. Gjensidige and Nordea's offices have now been co-located several places in the country, to the benefit of our customers. The partnership has got off to a highly promising start, characterised by mutual loyalty and a commitment to apply a flexible approach to meeting challenges. I am certain that we will reap even greater benefits from the partnership going forward.

One step ahead with climate accounts

We will look back at 2019 as the year when sustainability truly went mainstream, especially relating to the climate. Gjensidige has been calculating and reporting greenhouse gas emissions from its own operations for several years. This year, Gjensidige will lead the way in the general insurance industry by also launching climate accounts for parts of its supply chain. We have started by calculating greenhouse gas emissions based on the consumption of materials in the Motor and Property claims processes. This is the first step on the way towards achieving more sustainable claims settlements with lower climate footprint. This will require new thinking in our own operations, among our suppliers and among our customers. We know that it can take time to change established methods, but I sense great enthusiasm among those involved in the work. I am convinced that we will achieve the targets set by the Board for reduced carbon intensity.

As a general insurance company, however, damage prevention is our single most important contribution to the green transition. Gjensidige has been committed to damage prevention for more than 200 years, and will give even higher priority to this work going forward.

Good. Better. Sustainable.

Gjensidige was ranked as one of the most well-liked insurance companies in our biggest market, Norway, again in 2019. According to the Sustainable Brand Index and Ipsos Reputation Survey, we also have the strongest reputation in the insurance industry in terms of corporate social responsibility and sustainability. We aim to maintain this position by cultivating and developing good values, offering our customers even better advice and solutions and contributing to the green transition with sustainable initiatives.

We will safeguard our customers' lives, health and assets in a sustainable manner.

Helge Leiro Baastad
CEO

– The result achieved in 2019 is our best result ever.

Our mission and vision – goals and strategies

Our goals are based on ambitions to achieve good financial results and as sustainable operations as possible. Strategic priorities are aimed at efficiency in the short run, development in the longer run – with sustainable value creation as a long-term priority.

Gjensidige shall be a leading general insurance company with business in the Nordic and Baltics. A high degree of customer orientation shall be combined with cost efficient operations. Sustainable choices and solutions are a precondition for long term value creation. Mergers, acquisitions and strategic alliances will complement organic growth and help the Group deliver on strategic goals. Profitability shall still be prioritised ahead of growth.

Who we are

Gjensidige's core activity is to offer general insurance and risk-based accident and health insurance. We also offer pension services that naturally support our core activity in Norway. We will also to an increasing extent, alone or together with others, develop and offer value-adding additional services aimed at making life easier for and increasing our customers' sense of security and well-being. Gjensidige's head office is in Oslo, Norway.

For more than 200 years, Gjensidige has sought to create a sense of security for our customers by safeguarding life, health and assets. That's our mission. We have continuously implemented damage prevention measures, and provided help when the damage was done. Our experience and expertise shall benefit society at large. Gjensidige shall maintain a stronger focus on sustainability and thereby help to implement the Paris Agreement and the UN Sustainable Development Goals.

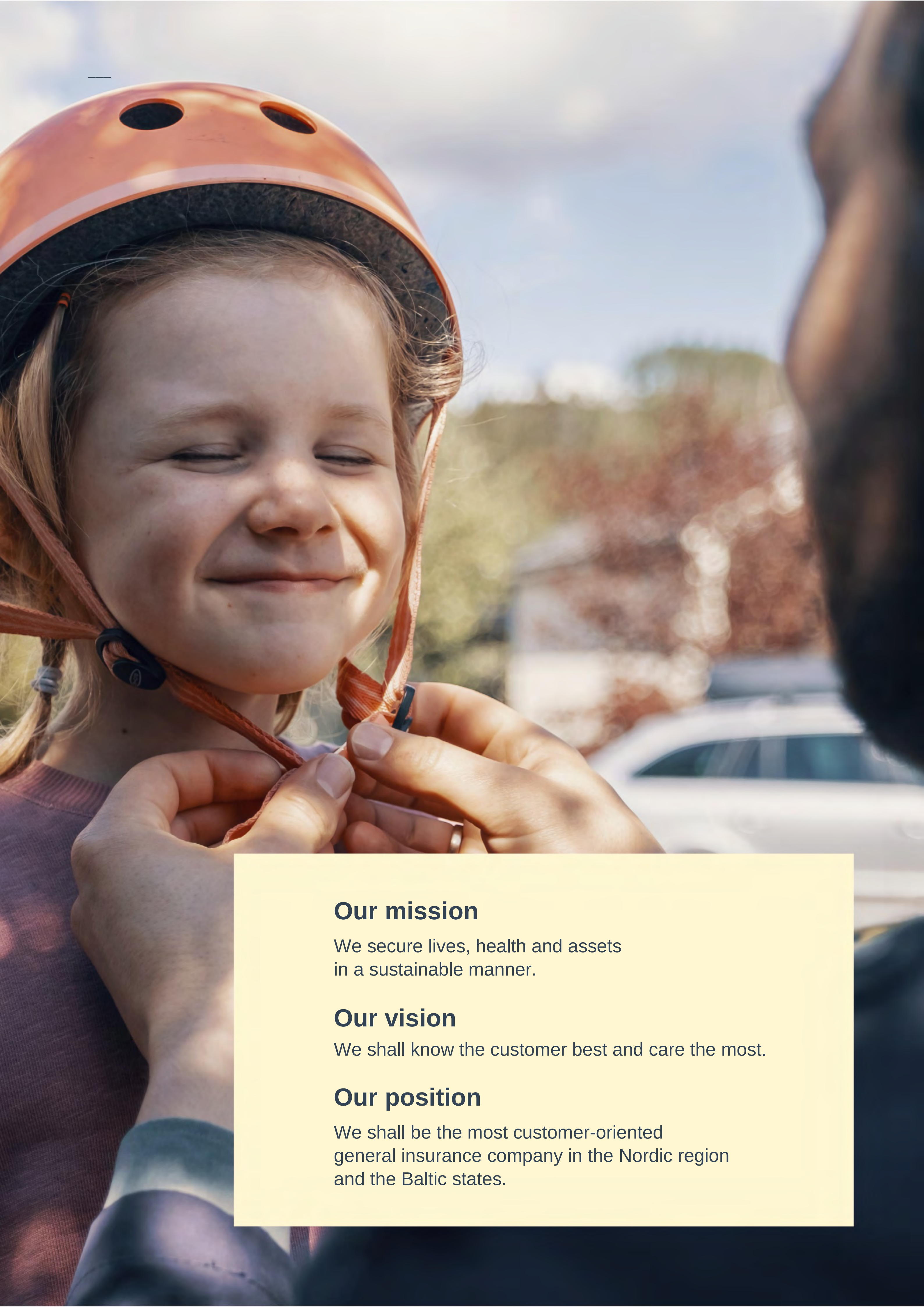
Climate and environmental challenges give rise to new risks and opportunities for the insurance industry. Integrating sustainable solutions into our core activities and strategy is vital to value creation in the long term.

Gjensidige defines sustainability in line with the UN Sustainable Development Goals. This means that Gjensidige's activities shall help to strike a balance between climate and environmental considerations, social conditions, good corporate governance and finances, to ensure that future generations have the same ability to meet their needs as we do today.

The customer in focus

Gjensidige's vision is to know the customer best, and care the most. We aim to be the most customer-oriented general insurance company in the Nordic and Baltic area. This goal shall permeate the Company's solutions and development agenda and characterise Gjensidige as a brand. The modern-day Gjensidige carries on a more than 200-year tradition of helping customers during the most difficult moments of their lives.

Our social mission and responsibility have been key factors in the emergence of the modern welfare society. It is only natural that we continue and further develop our role now that society is facing new, far-reaching challenges. A consequence of this is that helping our customers and society to prevent losses and make sustainable choices will be a key part of our customer orientation.



Our mission

We secure lives, health and assets
in a sustainable manner.

Our vision

We shall know the customer best and care the most.

Our position

We shall be the most customer-oriented
general insurance company in the Nordic region
and the Baltic states.

Gjensidige’s targets

The Board has adopted targets to ensure that Gjensidige meets its obligations to the Company’s stakeholders. The board has adopted both sustainability targets and financial targets.

In order to support these targets, the management has adopted operational targets.

Sustainability targets

Gjensidige shall contribute to the attainment of the 17 UN Sustainable Development Goals. The Group shall help to promote five of the goals in particular: Good Health and Well-being, Decent Work and Economic Growth, Sustainable Cities and Communities, Responsible Consumption and Production, and Climate Action. The background for this is described in more detail on page 32.

Gjensidige’s sustainability targets (see **Value created in 2019** on page 85-97) focus on three areas: a safer society, reduced carbon intensity and socially responsible investments. Some of the targets support more than one focus area. For example, our work on damage prevention contributes towards both a safer society and reduced carbon intensity by reducing the number of losses.

A safer society

The most important thing we can do to contribute to a safer society is to work on damage prevention activities. Sustainable products shall reflect customer needs, and we shall use our know-how and expertise to put the right price on insurable risks. We shall be a problem-solver that provides our customers with relevant services. We shall utilise the damage prevention opportunities technology and digitalisation present. Insurance is very important to society and therefore subject to strict regulation. Good corporate governance is decisive to achieving our goals.

We need committed employees to be able to run an efficient business and achieve our goals. Taking social responsibility and supporting underprivileged people in different ways are important ways of creating social commitment and a meaningful workplace.

Reducing carbon intensity

We have ambitious goals of reducing our carbon intensity – meaning greenhouse gas emissions relative to earned premiums – for both our own operations and claims settlements.

For our own operations, our ambition is to be climate neutral by 2030.

Our most important measure to reduce CO_2-intensity is damage prevention. When a damage has occurred, our greatest opportunity to reduce our carbon intensity is to motivate customers and suppliers to make more environmentally friendly choices in connection with claims payments. We see great opportunities for encouraging more reuse and promoting the circular economy. We will contribute to this in the way we design our products and through collaboration with suppliers and other partners. Using the resources where they generate the greatest effect is essential, which is why we implement climate accounts as the basis for decisions going forward.

Socially responsible investments

Gjensidige shall help to ensure that the transition to a zero emission-society is a smooth as possible. Our investments shall be in accordance with the Board’s ESG policy (our policy for sustainable operations, of which investments are a part). Furthermore, the investments shall comply with the company’s SRI-policy and strategy to ensure that the investments are in accordance with Gjensidige’s ethical profile, and as far as possible in accordance with the UN Principles for Responsible Investments (PRI).

A safer society

- Damage prevention measures
- Sustainable products
- Engaged employees
- Social commitment
- Good corporate governance

Reducing carbon intensity

- Sustainable claims settlements
- Digital transformation
- Reducing our own climate footprint

Socially responsible investments

- SRI policy
- UN Global Compact principles
- Follow-up of external managers

Financial and operational targets 2019–2022

The Board has adopted financial targets that apply to each year from 2019 up to and including 2022.

Financial targets:

Metric	Target
Combined ratio [1]	86-89 % [2]
Cost ratio [1]	<15 %
Solvency margin (PIM)	150-200 %
ROE after tax [1]	>20 % [3]
UW result outside Norway	NOK 750 million (in 2022) [4]
Dividends	Nominal high and stable and payout ratio >80 % over time

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group Q4 2019.
[2] Assuming annual run-off gains ~NOK 1 billion through 2022. Corresponds to 90-93 per cent given zero run-off gains post 2022.
[3] Corresponds to >16 per cent given zero run-off gains post 2022
[4] Excluding run-off

The following operational targets shall underpin the Group's financial targets.

Operational targets

Metric	Target 2022
Customer satisfaction (CSI)	> 78, Group
Customer retention	> 90 per cent, Norway > 85 per cent, outside Norway
Sales effectiveness	+ 10 per cent, Group
Automated tariffs	100 per cent, Group
Digital claims reporting	80 per cent, Norway
Claims straight-through processing	64 per cent, Norway
Claims cost	Reduce by NOK 500 million, Group

Our operational targets towards 2022 are based on the following priorities:

- Maintaining customer satisfaction at a very high level
- Maintaining the very high customer loyalty in Norway and increasing loyalty significantly outside Norway.
- Increasing sales efficiency, among other things through a larger proportion of digital sales and more analytical CRM. When customers receive more targeted advice and information about products, it saves time for them and our customer advisers. It also increases the likelihood of customers buying a product that meets their need. We will also increase sales efficiency by optimising our channel mix through the use of internal distribution channels and optimal use of our channels.
- Development of a process for automating development, monitoring and updating of tariff models. This presupposes increased analytical capacity, standardisation and automation of pricing processes and a gradual development of more sophisticated tariff models. The new tariff models can be updated significantly quicker than before.
- Increasing the proportion of digital claims reports and straight-through claims processing in Norway and, in the longer term, in Denmark, Sweden and the Baltics. This will be made possible with the help of standardisation, digital claims forms and algorithms built into our core system. Digitalisation and automation of claims handling processes contribute to good customer experiences and increased cost efficiency.
- Reducing claims incurred through better control of repair methods and selection of suppliers, and reducing fraud, as well as cutting costs through increased automation.

Gjensidige's strategy

The board has determined Gjensidige's group strategy for the coming years. The group strategy guides the business strategies of each business segment.

Global megatrends towards 2030

Global megatrends relating to demographics, health, digitalisation, urbanisation and climate and environmental change give rise to opportunities and threats for the insurance industry, that we need to understand.

- The growing elderly population challenges the Scandinavian welfare model, but also creates opportunities for new products, services and partnerships.
- Digital user habits have spillover effects across industries, giving rise to expectations of good, personal digital services – also in insurance.
- Increased urbanisation provides opportunities for new value propositions, but also leads to environmental threats and changed insurance needs.
- Climate risks have consequences for life, health and environment, and will influence products and value propositions.
- EU Sustainable Finance has launched several initiatives that can give rise to new regulation that will affect products, claims settlement (e.g. the choice of material) and investments.

In the strategy period, we will pay special attention to and be alert to the development of new business models, for example related to open platforms and sharing of data, vertical integration, and more comprehensive risk relief.

		Opportunities	Threats
Demographics and health	Growing elderly population, and more complex health challenges	• An increasing need for private health- and safety solutions	• Increased risk of disability and anti-selection and new risks
Technology and new business models	New data sources, digital tools	• Possibilities of new insight based on combination of structured and unstructured data • New digital solutions	• Unable to gain access to and/or capitalise on new data sources • Must give up direct customer contact, and loss of margins
Urbanisation	An increasing number of people live in cities and towns	• Stronger and broader value propositions • More B2B in cities	• Increased concentration risk • Increased problems with urban flooding due to rain • Reduced private car ownership
Climate and environmental change	Increased climate and environmental risk	• Need for new risk products and damage prevention services	• Increased claims payments due to more weather-related claims and new health-related challenges
Regulation	New requirements and regulations, especially in terms of data protection and sustainability (climate, environment, health, diversity etc.)	• Need for new products and services	• Complex and unpredictable framework conditions

Strategic platform

In order to ensure competitiveness, and to succeed with long term value creation, we will have to balance customer orientation with efficient operations. Both must be based on an analytical approach through the entire value chain, and key girders to succeed are a strong brand, technology/ infrastructure that underpins flexibility, and relevant competencies and culture. Sustainable choices and solutions are a fundamental precondition for long term value creation.

Customer orientation

Gjensidige shall be characterised by having the best customer experiences in the industry. Customer needs shall form the basis for Gjensidige's development of products, services and solutions, and relevance shall characterise all contact with customers.

Efficient operations

Continuous improvement and rationalisation of all processes creates room for investment to ensure future flexibility, agility and competitiveness. Efficient omni/multi-channel distribution and digital solutions are fundamental preconditions for succeeding and are given high priority. A proactive approach to climate and environmental challenges, including through more damage prevention and more reuse/circular economy in claims processes, combined with a higher degree of automation, shall help us to achieve our goals of higher profitability and lower carbon intensity.

Analytics-driven business processes

If we are to succeed in maintaining customer orientation and efficient operations, we need good analytics-driven business processes throughout the value chain. This primarily concerns analyses of customer behaviour for the purpose of prediction and increased relevance in our contact with customers – whether in connection with sales, advice or claims settlement – and more automated tariffs and analytics for the purpose of optimal risk selection and pricing and prevention of fraud. The climate and environmental challenges society is facing require us to use our expertise and insight to contribute with analytics and activities to reduce the risk of climate-related damages.

Brand platform

Gjensidige operates in a trust-based industry where the importance of a strong brand is expected to increase further. Customer orientation shall be a clearly differentiating advantage of the Gjensidige brand. Solutions will be developed based on the customer perspective, with the focus on simplification and increased value for the customer.

Technology platform

Scenario analytics confirm the need for continuing to give priority to investments in technology and data. This will not only reduce the costs of today's core system, but also ensure improved functionality and agility to provide for a more flexible partner integration and product modularity. To achieve this, we need to continuously improve our core processes and make investments to ensure future flexibility and agility. The launch of next generation tariffs and CRM and investments in a new core system and IT infrastructure are important in order to succeed in becoming an analytics-driven company.

Leadership, expertise and culture

Gjensidige has demonstrated a willingness and ability to change for more than 200 years. To succeed in the future, diversity, inclusion and trust – both vertically and horizontally – must underpin increased flexibility and our ability to adapt to developments even quicker than before. This requires managers who are able to strike a balance between sound operations and smooth development and the ability to attract, develop and retain relevant expertise at all times, and ensure a flat organisation structure and short decision-making paths. Gjensidige's core values – create a sense of security, apply new thinking, and go for it – shall drive the organisation.

Further developing the Group's analytical capacity and expertise will be especially important. Not only regarding CRM, dynamic pricing and risk selection, but also with a view to achieving a more comprehensive customer orientation and partner/alliance development when faced with new customer channels and far more open and dynamic business models. The management must have broad expertise to be able to recognise opportunities, make the right choices and lead capable employees in a manner that generates value creation. Job rotation as a means of building expertise across business areas and staff entities, along with the recruitment and development of employees, is an important strategic tool.

Corporate social responsibility/sustainability

Sustainable choices and solutions are a precondition for long-term value creation. Gjensidige's business model is based on relevant expertise and efficient risk assessment systems that permeate all our activities, from optimal risk selection and pricing to capital and asset management. Sales, advisory and claims processes shall be characterised by a focus on damage prevention and sustainable solutions in products and claims processes that contribute to reuse and the circular economy. The investment portfolio shall be managed responsibly in accordance with the UN Global Compact principles, monitored in accordance with recognised ESG requirements and, as far as expedient, comply with the UN Principles for Responsible Investments.

Strategy towards 2025

We expect that the business model and the market players will be broadly the same in the period up until 2025. Gjensidige has different positions and preconditions for further growth and development in the segments. We will implement best practices across segments where natural and expedient. Profitability will be prioritised over growth.

A problem-solver for customers

The core of Gjensidige's more than 200-year long success story is that we have always been there for and played an important role in our customers' lives. Through a fully integrated value chain and direct contact with customers, Gjensidige has gained strong customer insight that has contributed to efficient sales and customer loyalty, and the development of a strong brand.

Our corporate strategy is about maintaining and cultivating our close relationship to the customers through direct contact. We aim to achieve greater relevance and create sales opportunities by offering our customers a broader value proposition than ever before – in terms of both services and products, alone or in partnership with other providers. Our goal is to become an even better and more relevant partner for our customers – a problem-solver with a stronger focus on damage prevention – and thereby further strengthening ownership of the customer relationship.

Improvement and development agendas

Going forward, Gjensidige must safeguard and strengthen its current business model, market position and profitability level, at the same time as the Group develops its strategic flexibility and manoeuvrability to be able to meet future challenges and possibilities. We must create room for development, testing and learning. This must take place through continuous improvement and more efficient operations.

<u>Improvement agenda</u>

We will continuously develop and rationalise our core processes based on our customers' needs, behaviour and expectations, and make investments to ensure future flexibility and agility. Investing in a modern, flexible technology platform and next generation tariffs and analytical CRM are crucial focus areas. The investments on the improvement agenda will make heavy demands on the Group's ability to follow through, especially at the start of the strategy period. Combined with good cost discipline, however, this will gradually allow the Group to free up resources for new and other development ambitions towards the end of the strategy period.

<u>Learning and development agenda</u>

In the period towards 2025, we will engage in continuous development, testing and learning to be able to meet the needs of future customers. We will pay close attention to developments in the markets and explore more innovative concepts. We will position ourselves for the future through new damage-preventing customer concepts and by participating in relevant ecosystems. This will ensure greater relevance in relation to customers and make us more attractive to potential alliance partners.

Segment strategies

We shall maintain our strong and unique position in Norway, and ensure continued profitability. We shall adjust our prices quickly, and make sure that they reflect expected claims inflation. We continuously work on major and minor efficiency measures that generate cost savings, better customer experiences and greater competitiveness.

Our overriding goal for the Private segment is to exceed expectations through customer-oriented development and by refining our role as a damage-preventing problem-solver. Deep insight, stronger value propositions and partnerships are important preconditions for achieving this goal.

For the Commercial segment the market is expected to remain a relationship-based market where expertise is an important competitive factor. Our overriding goal for the Commercial segment in the upcoming strategy period is to maintain our market-leading position while strengthening customer relationships. We will achieve this by building digital service solutions, refining our role as a damage-preventing problem-solver, exploring new growth industries and developing preparedness strategies for important product areas for the Group.

We will continue to improve profitability and growth in the markets outside Norway. Important drivers will be a new core system and/or more sophisticated price models, a wider product range among our customers, and efficiency measures.

In Denmark, the focus will be on continued growth and a stronger market position, especially for home insurance in the private market and health insurance in the commercial market. In the Baltics, we will continue to focus on more efficient operations combined with growth in a market that is expected to grow more than the Nordic market. In Sweden, measures to achieve improved profitability and a stronger market position will continue.

Capital strategy

Capital discipline will continue to be given high priority, and our capital strategy will support our attractive dividend policy and contribute to ensuring high and stable nominal dividends on a regular basis.

Gjensidige's capitalisation must be adapted at all times to the Group's strategic goals and appetite for risk. The Group shall maintain its financial flexibility, while exercising strict capital discipline that supports the return on equity target and dividend policy.

The capitalisation of the Group will be based on a solvency margin target of 150–200 per cent for the Partial Internal Model (PIM). This applies to both the regulatory approved model (legal perspective) and the calibrated model (own partial internal model). The solvency margin level should support an 'A' rating from Standard & Poor's, stable regular dividends over time, financial flexibility for smaller acquisitions and organic growth not financed through retained earnings, as well as providing a buffer for regulatory changes.

All subsidiaries will be capitalised in line with the respective statutory requirements, while capital in excess of the requirements will, as far as possible, be retained in the parent company Gjensidige Forsikring ASA.

The Group will make use of all forms of subordinated loans and other external financing, in a responsible and value-optimising manner and within the limits set by authorities and rating agencies.

Structural growth

Gjensidige shall take a proactive and disciplined approach to structural growth opportunities through acquisitions/mergers/strategic alliances that complement its core activities and contribute to its ability to follow through. The Group's growth matrix remains in place: increased scale in general insurance in the Nordic region and the Baltics, and a broad range of services in the financial sector in Norway. At the same time, we must develop strategic alliances with providers who can give us further insight into security-related needs, changes in customer behaviour and new technological opportunities.

Our business model – this is how we create value

We understand what insurances and services our customers need to feel safe – and we aim to calculate the right tariffs based on the risks we accept. Efficient distribution and loyal customers are important preconditions for good operations. Damage prevention and sustainability are key drivers in all our undertakings.

Gjensidige's business model

Financial capital – secures customers and operations

We use financial capital, including equity and capital market financing, to finance the Group's operations. The Group shall maintain its financial flexibility while exercising strict capital discipline that supports the return on equity target and dividend policy.

Human capital and structural capital – people and the system

Our employees' expertise, combined with data and technology, is used to develop products and services, give customers advice and help them when they need us. We develop systems and processes to be able to model and assess risk and to provide more relevant and efficient customer service.

Relational capital – no one lives for himself alone

Lasting customer relationships and an outstanding reputation are dependent on good relations with both customers and society at large. Strong relationships with suppliers and partners are also essential to ensure sustainable decisions and claims settlements.

Financial capital

Financial capital is spent on claims payments to customers and suppliers after a loss event. The employees receive a salary, and the taxes we pay benefit society. We generate a return on the equity through profitable operations. In addition, we pay dividends to our owners and indirectly to our customers via the customer dividend model. Gjensidige's robustness creates a sense of security for its customers and owners.

- Return on equity: 28.2 per cent (22.6 per cent excluding gain on sale of Gjensidige Bank)
- Proposed share dividend for 2019 to our owners: NOK 6,125.0 million
- Solvency margin based on approved partial internal model as of 31 Dec. 2019: 206 per cent

Human capital and structural capital

We gain engaged, motivated employees who create good customer experiences with relevant products and services. Our systems and processes lead to good risk assessment and pricing, based on relevant data. We share claims data with public authorities to reduce the risk of loss.

- Employee engagement score: 8.0
- Number of course hours: 5,255
- Digital sales Private: 16 per cent
- Claims reported online: 73 per cent

Relational capital

The focus on relationships shall contribute to customers feeling that they get the help they need and choosing to stay with us. We aim to create local jobs through close cooperation with our suppliers. We work to increase the share of reuse and to reduce waste in connection with claims and settlements.

- Customer loyalty (customer retention): 90 per cent in Norway, 80 per cent outside Norway
- Share of suppliers with ESG evaluation: 20 per cent
- Share of reuse (Motor repairs): 1-38 per cent

Gjensidige has an integrated business model, where direct contact with the customers is a key element. Sustainability is a key element in all core processes.

Gjensidige creates value by understanding its customers' need for insurance products and services that create a sense of security. We do this by understanding the risk customers face and by calculating how much to charge for taking over this risk. Gjensidige's business model is based on a good understanding of society, and of what can be insured. Over a long period of time, we have built relevant expertise and efficient risk assessment systems, covering everything from risk selection and pricing to capital and asset management. Our sales, advice and claims processes shall contribute to claims prevention and sustainable solutions in the event of claims settlement. Utilising opportunities for reuse and the circular economy will be given greater focus. The investment portfolio shall be managed responsibly in accordance with the UN Global Compact principles.

Our core processes

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

The ability to analyse large quantities of customer data and translate the analysis into insight is vital to competitiveness in general insurance. We use advanced data analytics in all areas of the insurance operation, including product development, pricing and underwriting, marketing and sales and claims processing. We have made efforts to strengthen and improve analysis in all these areas in recent years. New tools, such as artificial intelligence and machine learning, are important aspects in this work.

Our core processes are exercised within the framework of the Company's strategy, Code of Conduct and compliance, and aim to create value for our stakeholders. Each element of the core processes is described below, with a reference to the SDGs considered in each process:

Risk management

Risk assessment and correct pricing are a fundamental condition for sustainable insurance operations. Thanks to our long history and large customer base, we can use our extensive experience to calculate the risk of different losses. Risk analyses are based on large quantities of data, highly competent employees and system values built over a long period. This forms the basis for rational use of capital, the design of competitive products and advice that contributes to claims prevention for both our customers and society at large. By their nature, losses have a negative impact on the environment, since resources are needed to repair or replace the loss. Gjensidige therefore has a strong focus on claims prevention work and thereby helps to prevent insurance events and reduce the impact on the environment. Read more about overarching risk management in the chapter "Risk - the core of the business".

Product and service development

Gjensidige offers a large selection of insurance products that give customers comprehensive protection against financial losses in connection with different claims events. It is very important to us that customers find these products easy to understand, that they provide effective protection against relevant losses and that their coverage and price are adapted to the customers' risk profile, while also reducing consumption as far as possible. We are introducing more and more automation and standardisation in pricing, so that we can update tariffs more quickly than before. Processes that previously took months can now be completed in the course of a few days.

Customer orientation is an essential part of our service development, and knowing the customer best shall also enable us to offer relevant services. This is at the core of the Group's strategy. Our most important products are motor insurance, property insurance, and accident and health insurance.

Distribution and sales

Gjensidige serves the customers through a combination of telephone, digital solutions and sales offices. This is often called a multi-channel distribution model. Digital touchpoints make up an ever growing share, but the customers still prefer, to a large extent, a combination of digital and telephone touchpoints.

Sales and advisory services in Norway are mostly offered via our own distribution network, but we also use agents and brokers in some cases. We also cooperate with several local mutual fire insurers. Gjensidige has cooperation agreements with several large national trade unions and interest organisations in Norway.

In Denmark, Gjensidige distributes general insurance products through its own sales network and in cooperation with the Nykredit group. In addition, private insurance products are sold through a number of partners, especially travel agents, car dealers and estate agents. A considerable share of sales in the Danish commercial market take place in collaboration with brokers. The market for small and medium-sized customers and agricultural customers is served via the phone and through dedicated underwriters. Distribution in the municipal market takes place either directly or through brokers.

In Sweden, general insurance products for private customers are largely distributed through our own sales system, but also digitally through aggregators and insurance mediators such as partners. In the commercial market, distribution mainly takes place through insurance brokers and partners, but the proportion of direct sales is also increasing.

In the Baltics, distribution takes place through our own distribution channels, partnerships and brokers. The tendency is that direct sales are increasing.

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

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

Claims settlement

Customers shall receive the right amount of compensation as quickly as possible. We facilitate simple reporting of claims, digitally or manually, and automated processing of claims reports to the greatest possible extent.

A focus area during the claims process is to reduce the environmental impact. Where possible, we work to promote reuse of materials and contribute to the circular economy. We have initiated work to measure greenhouse gas emissions from our suppliers' use of materials and work in connection with repairs. We have defined targets for reducing our carbon intensity and will work with our suppliers to reduce greenhouse gas emissions.

Our purchasing policy applies to the whole Group and requires that deliveries are sustainable. We use our purchasing power to exert influence, and, in continuous dialogue with our most important suppliers, we seek to ensure that sustainable solutions are chosen.

All procurements over a certain size must be quality-assured by the Corporate Procurement department. Most purchasing agreements are the result of competitive tendering carried out in accordance with adopted guidelines. All our suppliers must sign a self-declaration on corporate social responsibility. By signing this declaration, they undertake to comply with our requirements relating to the environment, social responsibility and corporate governance.

Read more about our follow-up of suppliers in chapter "Our commitment to our suppliers" and climate accounts for claims processes in the chapter "Our climate and environmental commitment".

Investments

Customers pay their insurance premiums in advance. This gives us a considerable amount of capital that needs to be managed in order to cover actuarial liabilities when a loss arises. The investments shall also help the Group to achieve its return on equity target.

The Group's investment portfolio includes all investment funds in the Group, except investment funds in the Pension segment. Gjensidige's asset management is based on the 10 UN Global Compact principles.

Creating value for our stakeholders

Gjensidige has operations in six different countries, is one of the biggest companies on the Oslo Stock Exchange and has many different stakeholders. Customers, employees, suppliers, investors/owners and society at large are our most important stakeholders. By stakeholder is meant those who influence or are influenced by the Company. We engage in dialogue with our stakeholders as necessary, and the process is illustrated below.

Customers

Dialogue with our customers is an important means of reaching our ambition to become the most customer-oriented general insurance company in the Nordic countries. We communicate with our customers and create value through:

- Damage prevention measures
- Relevant products/services
- Efficient claims settlements
- Digital solutions

Employees

Engaged and motivated employees are important to our profitability, and we have different forums that give us an insight into their ideas and concerns. Value is created through dialogue on:

- Labour rights
- Competence and career development
- HSE
- Data protection
- Diversity
- Employee surveys

Suppliers

Good cooperation with our suppliers is decisive if we are to reach our goals. We create value by exercising transparency in connection with competitive tenders, setting requirements and following up compliance:

- Fair competition
- Waste handling
- Corruption/money laundering
- HSE
- Reuse

Investors/owners

We communicate with our investors/owners in different arenas, and enable them to make informed decisions based on:

- Investor meetings
- Interim presentations
- Interim and annual reports
- Website
- Analyst and capital markets days

Society at large

Insurance is an important social benefit and significant factor in safeguarding economic stability. We safeguard the interests of society through:

- Paying direct and indirect taxes
- Damage prevention
- Influencing the authorities
- Environmental and climate measures
- Anti-corruption and money laundering
- Sponsorship and donations

Risk and materiality assessment for Gjensidige's stakeholders

The assessment of relevant topics is based on what topics the stakeholders consider important and the consequences for Gjensidige if we fail to meet their expectations in regard to the environment, social issues and economy. The results of the risk and materiality assessment to our sustainability efforts have been compiled in the table below, where topics of great significance to both stakeholders and Gjensidige are placed in the top right-hand corner. Topics that are less important to Gjensidige and the stakeholders are placed in the bottom left-hand corner.

The most important focus areas in the table are explained in more detail in the chapter "Value created in 2019", including why they are considered important, as well as sustainability targets adopted by the Board, the status of measures and, if applicable, their effect.

Significant focus areas for the sustainability efforts

Value for society	Important focus areas	High management focus	Top priority
Very high		Good corporate governance	Damage prevention Sustainable compensations (reduced CO_2 in claims handling process) Socially responsible investments
		Sustainable products Digital transformation	Engaged employees
High	Social commitment	Own climate footprint (eg claims handling process)	
Value for Gjensidige	High		Very high

How Gjensidige contributes to the UN Sustainable Development Goals

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

Gjensidige's activities shall particularly promote five of the SDGs: Good Health and Well-being, Decent Work and Economic Growth, Sustainable Cities and Communities, Responsible Consumption and Production, and Climate Action. A brief review of the SDG targets that are particularly relevant to Gjensidige, and how we shall help to ensure they are met, follow below.

3 Good Health and Well-being, targets 3.6 and 3.8

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

Gjensidige will also help to achieve financial risk protection, and universal access to quality essential health-care services.

8 Decent Work and Economic Growth, targets 8.2, 8.3, 8.4 and 8.8

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

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

11 Sustainable Cities and Communities, targets 11.5, 11a, and 11b

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

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

Gjensidige shall also support adaptation to climate change and strengthen society's resilience to and ability to handle disasters, and develop and implement holistic and comprehensive disaster risk management at all levels.

13 Climate Action, targets 13.1, 13.2 and 13.3

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

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

12 Responsible Consumption and Production, targets 12.1, 12.2 and 12.3

Gjensidige shall contribute to sustainable management and efficient use of natural resources, and contribute to reducing food waste and overconsumption of resources and materials in its insurance operations. Gjensidige is concerned with greater facilitation of the circular economy, and its goal towards 2030 is to progressively improve global resource efficiency in consumption and production, and endeavour to increase awareness of the need for a circular economy, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns.

Damage prevention – the most sustainable approach

As an insurance company, our social mission is to take over our customers' risk of losses. Reducing the risk of losses is sustainability in practice. It contributes to protecting lives, health and assets, is good for the climate and the environment, and benefits the economy.

Gjensidige has a long-standing tradition of damage prevention work, and raises awareness of risks in the social debate through press releases and articles, as well as through more direct measures targeting customers to inform them about and collaborate on measures to reduce the risk of loss.

Natural disaster claims

With the help of weather data, we send text messages to customers who are likely to be affected by bad weather. The messages are based on official weather data and our customer data, so that we avoid distributing false alarms. Every year, we receive feedback from grateful customers who have had time to secure their assets thanks to these messages. We have contributed to increased flood preparedness by deploying pumping equipment in areas prone to flooding before the spring thaw. The intention is to reduce the risk of major losses, and to provide the quickest possible help to as many customers as possible affected by the flood.

Road safety

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

Fire prevention

Together with the Norwegian Fire Protection Association, the Directorate for Civil Protection and Emergency Planning (DSB) and local fire brigades, we organise Røykvarslerdagen – the smoke detector awareness day – on 1 December each year. The goal of the campaign is to raise awareness about how important an early warning is in the event of fire. An important message is that people should change the batteries in their smoke detectors on a set date every year.

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

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

Risk management for commercial and agriculture

Each year Gjensidige carries out risk checks of a great number of commercial customers, including in agriculture, in order to, among other things, uncover whether maintenance is adequate, and to reduce risk of damages resulting from fire, water, weather and other environmental causes. Checking electrical systems using a thermal imaging camera is an important part of the risk check. Our experience shows that 7 of 10 fires are linked to faults in electrical systems. In addition, a follow up is made as to whether customers have satisfactory systems to safeguard employees' health, working environment and safety. Customers receive feedback about scope for improvement after completed risk check. Risk management is also crucial for the pricing of the insurance contract. Properties are picked out for risk checks in cooperation with customers, We assess the properties and go through the results with the customers, and help them improve internal control in order to ensure necessary focus on damage prevention. Risk checks are important to ensure customer loyalty.

Health

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

Mental health is an important focus area for Gjensidige. An increasing number of young people have mental health challenges that lead to their exclusion from the labour market. By offering low-threshold services, we can prevent mental health problems at an early stage. Among other things we offer digital self-help programmes for mental health and an online psychologist who provides advice, guidance and help to young people.

In 2019, Gjensidige entered into a Nordic agreement with the fitness chain SATS. Exercise has a number of positive effects on physical and mental health, and is one of the most important preventive measures we have identified. Together, we will develop products and services that contribute to a healthier society.

Research collaborations

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

We have entered into collaborations with the construction company Norgesbygg and the research institute SINTEF Community on the development of construction systems and processes that will enable climate adaptation of residential buildings. The aim is to understand the need for making people's houses more robust to withstand the changes in weather that are predicted.

Solid position in an attractive market – we have loyal customers

The general insurance market is relatively mature in the Nordic countries, and in a growth phase in the Baltics. Gjensidige is a market leader in Norway, and we have a good platform for growth in Denmark, Sweden and the Baltics.

Gjensidige's brand and long history contribute to a high degree of loyalty in our home market, and ability to grow outside of Norway. Our operations are organised in six segments, as well as the investment area.

Our markets

Gjensidige is a leading general insurance provider in the Nordic countries and the Baltic states. The Company is the biggest player in the Nordic land-based general insurance market, with a market share somewhat above 25 per cent in 2019 of a total market worth more than NOK 60 billion, according to statistics from Finance Norway. The Company's operations outside Norway are based on a number of small and medium-sized acquisitions over the past 15 years. Gjensidige is a well-established player in the Danish market, coming in fifth by market share. We are the eighth biggest general insurance company in Sweden by market share. In the Baltic states, Gjensidige is the sixth biggest.

The general insurance market in the Nordic countries is mature. The Baltic general insurance market is slightly less mature, with a potential for strong growth as the standard of living improves. The high level of prosperity in the Nordic region means that people have substantial assets to insure. For private customers, the biggest products are home insurance and motor insurance. Travel, leisure boats and valuables also represent a significant volume of insurance.

The Scandinavian welfare model entails universal access to public health services and comprehensive social security schemes. Private accident and health insurance serves as a supplement to these schemes.

Also in the commercial market, property and motor insurance are the biggest products, in addition to workers compensation insurance and group life insurance for employees. Commercial customers also request a number of insurance policies tailored to their activities.

The Nordic general insurance market is characterised by high customer loyalty to companies with well-established brands and strong partnership structures. A high degree of direct distribution combined with high customer loyalty and efficient operations lead to low cost ratios and create entry barriers for new players.

There is considerable competition in all countries in the region. The competitive situation has been relatively stable the last few years. The markets are relatively consolidated, except in Denmark, where the competitive situation is more fragmented. We face competition mainly from large traditional general insurance companies and bancassurance companies. Most of the large players are companies with general insurance as their core activity, and they are largely based on integrated value chains. The smaller companies include banks, life insurance companies and pure general insurance companies.

In most of the countries, the private market consists of four or five large players and a number of small or medium-sized companies. The commercial market is generally more concentrated than the private market. Size and scale are becoming increasingly important in order to succeed in the insurance industry. This is driven by the need for meeting increased regulatory complexity, creating room for strategic investments and investments in technology, attracting the best qualified candidates, increased diversification and positioning to be the preferred alliance partner.

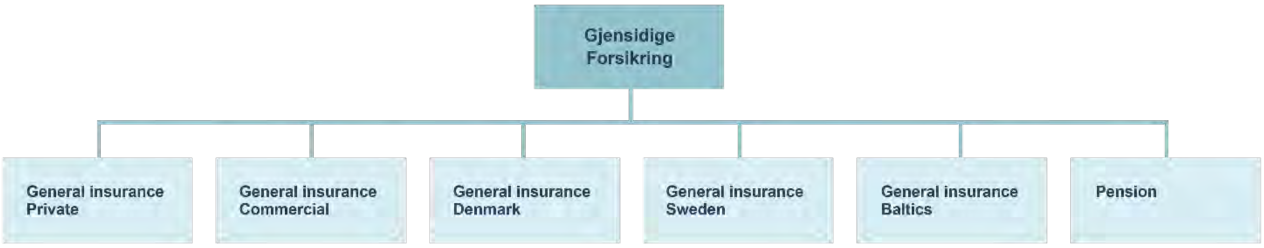
We have seen a few attempts in recent years to establish non-traditional business models. The number of such initiatives is expected to increase going forward. New regulation and technology may usher in new business models that have the potential to challenge existing models. Our response is to maintain and strengthen the close relationship we have with our customers through good customer orientation, at the same time as we test, learn and develop new products, solutions and business models. Efficient operations are a precondition for creating room and flexibility for investments in future competitiveness.

Our insurance segments

Gjensidige Forsikring ASA is the parent company of the Gjensidige Group, and its head office is in Oslo, Norway. The Company has general insurance operations in Norway, Denmark, Sweden and the Baltic states, in addition to pension operations in Norway.

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

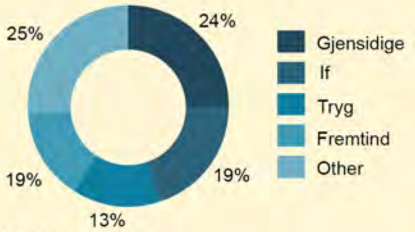
Operations outside Norway primarily take place through branches. In the Baltic states Gjensidige has a subsidiary in Lithuania with branches in Estonia and Latvia. In 2019, Gjensidige's business has been organised in six operational segments:



General insurance Private

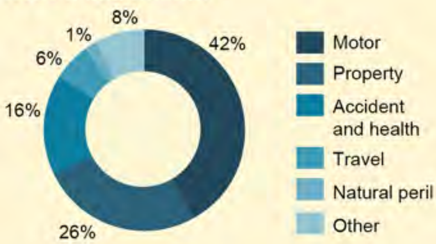
The Private segment offers a wide range of general insurance products and services to private customers, and handles sales, customer service and claims settlement.

Market shares[1]



[1] As at third quarter 2019

Gross earned premiums 2019 NOK 8 930 million



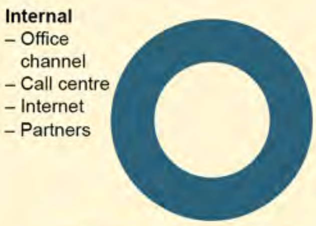
Number of employees

772

Number of customers

770 000

Distribution channels



77.2 %[2] Combined ratio

89 % Customer retention

[2] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

Brands

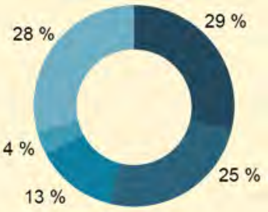
Gjensidige

Gouda

General insurance Commercial

The Commercial segment offers a wide range of claims insurance products for commercial customers, agricultural customers and the public sector. The segment handles sales, customer service and claims settlement.

Market shares[1]



- Gjensidige
- If
- Tryg
- Fremtind
- Other

[1] As at third quarter 2019

Gross earned premiums 2019
NOK 8 473 million

- Motor
- Property
- Accident and health
- Liability
- Marine/transport
- Natural peril
- Other

Number of employees

573

Number of customers

150 000

Distribution channels

Internal
- Office channel
- Call centre
- Internet
- Partners

External
- Brokers

78.8 %[2] Combined ratio

92 % Customer retention

[2] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

Brands

Gjensidige

Gouda

General insurance Denmark

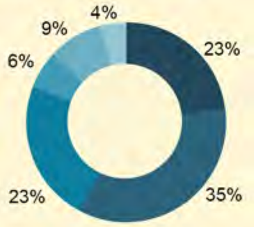
The Danish segment includes the Group's general insurance operations in the private, commercial and municipal markets in Denmark. The segment handles sales, customer service and claims settlement.

Market shares[1]

- Gjensidige
- Tryg
- Topdanmark
- Codan
- Alm. Brand
- Other

[1] As at fourth quarter 2018

Gross earned premiums 2019
NOK 5 238 million



- Motorvogn
- Eiendom
- Person
- Landbruk
- Reise
- Annet

Number of employees

724

Brands

Gjensidige

Gouda

Nykredit forsikring

MOLHOLM FORSIKRING

Distribution channels

Internal
- Office channel
- Call centre
- Internet
- Partners

External
- Brokers

87.9 %[2] Combined ratio

83 % Customer retention

[2] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

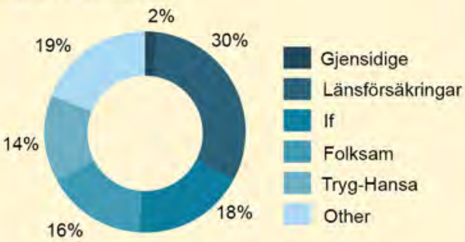
Number of customers

580 000

General insurance Sweden

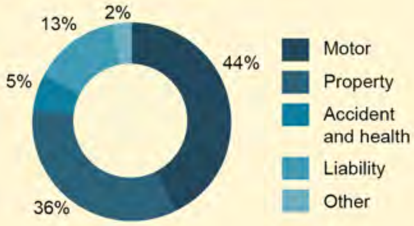
The Swedish segment includes the Group's general insurance operations in the private and commercial markets in Sweden. The segment handles sales, customer service and claims settlement.

Market shares[1]



[1] As at third quarter 2019

Gross earned premiums 2019 NOK 1 452 million



Number of employees

265

Brands

Gjensidige

Gouda

Vardia

Norrlands-försäkring

Distribution channels

Internal
– Call centre
– Internet
– Partners

External
– Brokers

94.6 %[2] Combined ratio

76 % Customer retention

[2] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

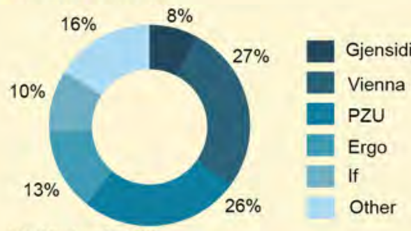
Number of customers

150 000

General insurance Baltics

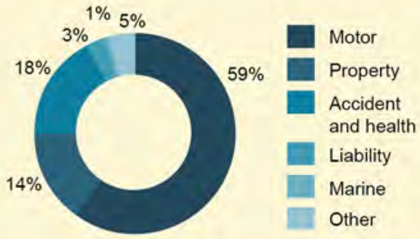
The Baltics segment includes the Group's general insurance operations in Lithuania, Latvia and Estonia, aimed at the private and commercial markets.

Market shares[1]



[1] As at third quarter 2019

Gross earned premiums 2019 NOK 1 160 million



Number of employees

740

Number of customers

450 000

Distribution channels

Internal
– Office channel
– Call centre
– Internet
– Partners

External
– Brokers

94.6 %[2] Combined ratio

69 % Customer retention

[2] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

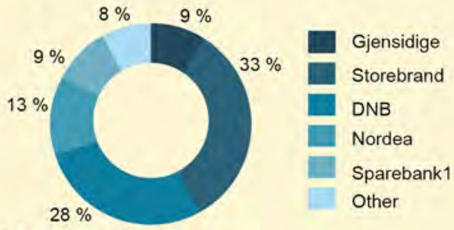
Brands

Gjensidige

Pension

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

Market shares[1]



[1] As at third quarter 2019

Number of employees

Assets under management

Brands

Gjensidige

Number of customers

170 000

Our asset management

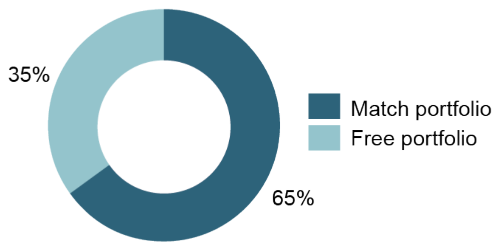
The purpose of the investment portfolio is primarily to cover our actuarial liabilities and to help the Group to achieve its return on equity target. Gjensidige's risk appetite in asset management is limited, however.

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

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

The free portfolio consists of various assets. The allocation of assets in this portfolio must be seen in connection with the Group's capitalisation and risk capacity, and the Group's risk appetite at all times.

Investment portfolio as at 31.12.2019

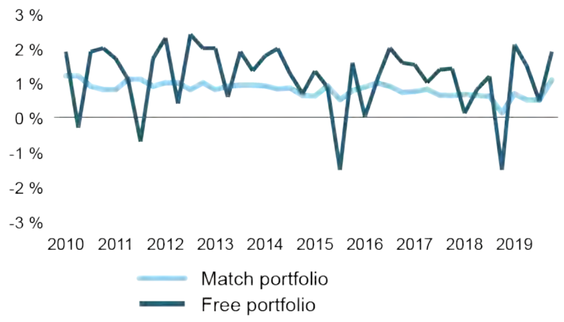


Socially responsible investments

Socially responsible investments is a collective term for investment strategies that entail the incorporation of environmental, social and governance criteria (ESG) in investment decisions and in the investor's role during the investment period. Gjensidige's investment horizon indicates that an understanding of the connection between sustainable development, risk and return is important in order to succeed.

There are several different approaches to socially responsible investments, and this chapter describes Gjensidige's approach in more detail. Gjensidige believes that companies that incorporate ESG in their investment strategy have better prospects of profitability because they have a better understanding of risk management and market developments than other companies.

Quarterly return



How we choose and follow up our investments

Gjensidige endorses and has signed

- The UN Global Compact: a framework that guides Gjensidige's assessments in relation to SRI and CSR in the investment area.
- The Carbon Disclosure Project (CDP) as an Investor Signatory to support companies' reporting of their environmental impact and the strategies and measures they use to reduce carbon emissions.
- We are a member of the Norwegian Forum for Responsible and Sustainable Investments (NORSIF), and support the work on developing and promoting sustainable investments as a dedicated field in Norway, and share experience and knowledge across the Norwegian financial community.
- Our asset management is based on the 10 UN Global Compact principles, which promote human rights, labour standards, the environment and anti-corruption work. This is enshrined in Gjensidige's SRI policy (policy for socially responsible investments) and its appendices, which are available at gjensidige.no.

The Group's Chief Investment Officer (CIO) is responsible for ensuring compliance with the policy and guidelines. Gjensidige demands that all investments comply with conventions on human rights, environmental harm and economic crime. We have hired the consultancy firm Sustainalytics to carry out ethical screening of companies. Sustainalytics' findings, together with information from other external sources, form the basis for the exclusion of and dialogue with companies in Gjensidige's investment universe.

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

When a company has been excluded, it must be immediately removed from the internally managed portfolio, unless the company has substantiated a plan to rectify the circumstances leading to exclusion. If excluded companies are part of externally managed portfolios, we will enter into dialogue with the manager about exclusion and/or follow-up of the company. We only enter into agreements with investment managers who have appropriate guidelines and an investment history based on ESG. This is a very important criteria in the selection of external managers.

If excluded companies nonetheless appear in externally managed funds, the manager will be asked to explain the situation. Managers who are unable to provide a satisfactory explanation within a reasonable time or who fail to demonstrate willingness to satisfy Gjensidige's Code of Conduct criteria will not be given new investment mandates. Gjensidige's CIO decides in each case whether the violation is severe enough for existing investments to be terminated. Gjensidige considers good relations with external managers to be very important, as this can give us greater influence on underlying companies than we can achieve directly. This must be seen in light of the structure of the investment portfolio, where the majority of the funds are under external management and only a small proportion are direct investments. The SRI work is summed up by the table below.

The work carried is proportionate to the share of our investments that largely entail following up external fund managers, bond investments in the match portfolio and real estate investments in Oslo Areal.

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

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Emissions from investment activities

In line with our own internal sustainability targets and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Environmental Programme Financial Initiative (UNEP FI), Gjensidige wishes to measure and report on greenhouse gas emissions from its investment portfolio. Measurement and reporting of emissions will give us information about the source of the emissions and where Gjensidige can direct efforts to reduce its climate footprint. In the long term, this can be used to evaluate the effect of Gjensidige's internal work in the ESG area.

At year-end 2019, there are still large gaps in our greenhouse gas emission data. Fewer than 58 per cent of the companies in Gjensidige's equity portfolio report their own emissions, and data are not available for a sufficient number of companies in the portfolio. This is especially challenging for bonds and unlisted investments. Gjensidige does not wish to disclose information about a narrow, unrepresentative portion of the portfolio only, and will therefore wait until 75per cent of each respective asset class is covered. For 2019, this only applies to the property portfolio in Oslo Areal.

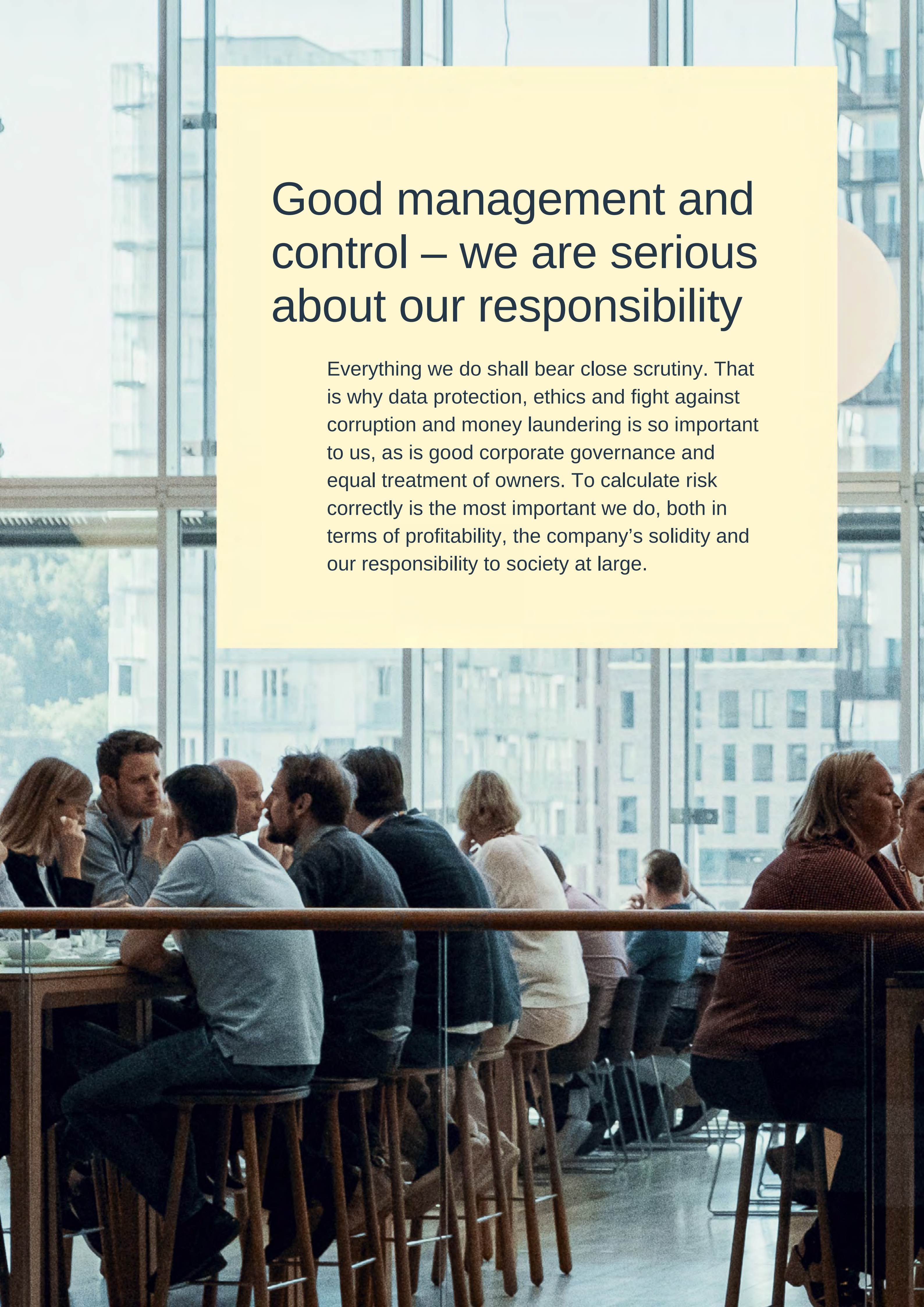
Gjensidige makes active efforts to encourage investment managers and companies to improve their reporting of emissions. The goal is to be able to disclose emission data for the whole portfolio in the 2020 annual report.

Financial consequences of climate risk

Financial climate risk is about how climate change can lead to unforeseen changes in financial assets. In its reports, the TCFD encourages financial institutions to report on climate risk. The task force has drawn up a framework that identifies three risk categories in which Gjensidige will follow up its exposure.

The biggest financial climate risk for Gjensidige's investment portfolio is assumed to arise in the transition to a low-emission society where climate regulation, more stringent emission requirements, a different cost situation and changes in market preferences can affect the value of investments. The breakdown of sector exposure is described in the chapter "Socially responsible investments".

Physical risks	Transition risks	Liability risks
Changes in value arising from physical damage/injury as a result of climate change, both acute and chronic. May arise as a result of natural disasters or long-term developments rendering areas unsuitable for their original use. Property and business owners may also experience negative changes in value.	Financial risk arising from the transition to a low-emission society. Sectors with high greenhouse gas emissions may face challenges relating to policies and regulation, for example from higher emission costs. At the same time, support may be granted for competing technologies. This will represent a risk for owners of fossil energy, among others.	Financial risk relating to financial liability / claims for compensation for losses due to climate change. An underlying company that is held accountable for its negative environmental impact, for example through a climate lawsuit, may face major claims for compensation, which may negatively affect the value of the company.



Good management and control – we are serious about our responsibility

Everything we do shall bear close scrutiny. That is why data protection, ethics and fight against corruption and money laundering is so important to us, as is good corporate governance and equal treatment of owners. To calculate risk correctly is the most important we do, both in terms of profitability, the company's solidity and our responsibility to society at large.

The handling of risk is at the core of our business. We have robust frameworks and routines to ensure that we only accept risk that we understand, at a scale that we can handle. Our ethical guidelines shall ensure that we keep well within the norms that the society expect.

Good risk understanding and management are vital to long-term value creation

The Board is elected by an independent Nomination Committee and has overall responsibility for ensuring that the Group is managed responsibly, including responsibility for finances, the environment, social conditions and compliance with laws and regulations. This entails ensuring that the work on risk management and internal control is organised, documented and reported on in an expedient manner. The Board has appointed three sub-committees, and all board members are dedicated to one of these committees. The board committees are preparatory and are tasked with exploring matters in depth and enabling the Board to monitor the financial reporting process and the systems for internal control and risk management. In addition, a remuneration committee assists the Board on matters relating to remuneration.

The Board has adopted the Company's strategy with sustainability as the foundation for all activities. The Board has also adopted policies to be able to monitor goal attainment and compliance with internal rules and external legislation, and the management reports on the status of this on a quarterly basis.

The established governance structure applies to finances, the environment, social conditions and compliance with laws and regulations. The governance structure is described in more detail in the chapter "Corporate governance", in Note 3 to the accounts and in the chapter "Risk – the core of the business".

The remuneration of executive personnel is linked to value creation over time, reflects responsibilities and expertise and is based on measureable outcomes. This is described in more detail in Note 8 to the accounts and in the Board of Directors' statement on corporate governance.

Gjensidige's Board of Directors comprises broad expertise

Gisele Marchand

Chair

Gisele Marchand (1958) was elected Chair of the Board in 2018 and has been a member of Gjensidige's Board of Directors since 2010. She is Chair of the Remuneration Committee and a member of the Risk Committee.

Marchand holds an MBA from Copenhagen Business School. Marchand is a board member and Chair of the Audit Committee in Norgesgruppen ASA and Chair of the Board of Norgesgruppen Finans Holding AS. She is also member of the Board of Selvaag Bolig ASA, where she is a member of the Remuneration Committee. She is a board member of Eiendomsspar AS, Victoria Eiendom AS, Scatec Solar ASA and Chair of the Board of Boligbygg Oslo KF. She is a member of the Nomination committee of Entra Eiendom AS. She has also previously been a member of a number of other boards, including in Norske Skog ASA and Oslo Børs AS.

Marchand has previously been CEO of the law firm Haavind AS, Eksportfinans ASA, the Norwegian Public Service Pension Fund, Bates Group and Executive Vice President at Den norske Bank, with responsibility for retail and commercial customers in Norway. Marchand has considerable management experience from the finance industry, as well as good insurance competencies due to her serving at the board of Gjensidige for a number of years.

Gisele Marchand is independent of key employees, main business partners and the major shareholder. Marchand is up for re-election to the Board in 2020. Number of shares in Gjensidige: See Note 8.

Eivind Elnan

Board member

Eivind Elnan (1974) has been a member of Gjensidige's Board of Directors since 2017. Elnan has a master's degree (sivilingeniør) in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU).

He is chair of the board in Ax Innovation AS, Industrivegen 10 Verdal AS, FPS Holding AS and Braxi AS. He is a board member of Gjensidigestiftelsen, Securo AS and Scuti AS. Elnan has founded and built up a number of technology companies, including Securo AS and Hypoxic Technologies AS, which in 2017 became part of the German Wagner Group GmbH, and where he is now general manager. Elnan has previous work experience from Securo AS, Innherred Vekst AS and Accenture and other firms. Elnan has considerable experience as a manager and from establishing and developing technology companies.

Eivind Elnan is independent of key employees and main business partners.

Elnan is up for re-election to the Board in 2020. Number of shares in Gjensidige: See Note 8.

John Giverholt

Board member

John Giverholt (1952) has been a member of Gjensidige's Board of Directors since 2016. He holds an MBA from the University of Manchester and the exam for state-authorised public accountants from the Norwegian School of Economics (NHH).

Giverholt is Chair of the Board of Ortomedic AS and Lillevold og Partners AS. He is a member of the board of Aars AS, A Wilhelmsen AS, CEK Holding AS, Fredensborg AS, Scatec Solar ASA and GammelNok AS. He has previously been CEO of Ferd AS, and CFO of the same company, Executive Vice President at DNB and Deputy Finance Director at Norsk Hydro.

Giverholt has considerable management experience from the finance industry, as well as considerable experience within economic management, and qualifications within auditing and accounting.

Giverholt is up for re-election to the Board in 2020.
Number of shares in Gjensidige: See Note 8.

Per Arne Bjørge

Board member

Per Arne Bjørge (1950) has been a member of Gjensidige's Board of Directors since 2011. He holds a bachelor's degree in Economics and Business Administration and the exam for state authorised public accountants.

He is Chair of the Board and General Manager of PAB Consulting AS and Chair of the Board of Borgund Invest AS, Havskjer AS and Havskår AS. Bjørge is a member of the board of Gjensidige-stiftelsen, 3D Perception AS, Sørsida Utvikling AS and Tafjord Kraft AS. Bjørge's previous experience includes a period as bank manager at Kreditkassen (Nordea) and work as an auditor.

Bjørge has considerable experience from the finance industry, auditing competencies, as well as good insurance competencies due to his serving at the board of Gjensidige for a number of years.

Per Arne Bjørge is independent of key employees and main business partners.

Bjørge is up for re-election to the Board in 2020.
Number of shares in Gjensidige: See Note 8.

Vibeke Krag

Board member

Vibeke Krag (1962) has been a member of Gjensidige's Board of Directors since 2018. Krag holds a Master's degree in law (cand.jur.) from the University of Copenhagen, and a Board Leadership Masterclass from Copenhagen Business School.

She is a member of the board of Nykredit A/S, Nykredit Realkredit A/S, Forenet Kredit and Konkurrencerådet (the Danish competition authority, appointed by the Danish government). She is also a member of the Nomination Committee for the University of Copenhagen.In addition, Krag has considerable experience from boards in a number of companies within insurance, finance, energy as well as public boards and committees. Krag has broad experience as a manager, juridical competencies and thorough competencies and experience from insurance.

Vibeke Krag is independent of key employees, main business partners and the major shareholder.

Krag is up for re-election in 2020.
Number of shares in Gjensidige: See Note 8.

Hilde Merete Nafstad

Board member

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

Nafstad holds a degree in economics and business administration (Siviløkonom) from BI Norwegian Business School. She holds several directorships in Equinor's international subsidiaries. In 2017 she was elected deputy member of Gjensidige-stiftelsen's General Meeting. Nafstad is the VP of Finance and Control at Equinor. She has previously held several senior positions at Equinor (formerly Statoil), Norsk Hydro, Saga Petroleum and the Ministry of Petroleum and Energy. Nafstad has broad experience from the oil and energy industry, as well as financial competencies and thorough experience as a manager.

Hilde Merete Nafstad is independent of key employees and main business partners.

Nafstad is up for re-election to the Board in 2020. Number of shares in Gjensidige: See Note 8.

Terje Seljeseth

Board member

Terje Seljeseth (1960) has been a member of Gjensidige's Board of Directors since 2018.

Seljeseth is an ADB candidate/IT from Oslo Computer College (Datahøgskolen i Oslo) and holds a degree in mathematics/informatics from the University of Oslo. Seljeseth is chair of the board of GnT AS, and a member of the board of Headhunter, Adevinta ASA, TX Markets and Videocation.NO AS. He works on analytics for the Tinius Foundation, and has previously been EVP for Products and Technology and Marketplaces at Schibsted. He has also been CEO of FINN.no and held various positions at Aftenposten AS and Telenor Media AS. Seljeseth has considerable experience and competencies within technology and digitilisation.

Terje Seljeseth is independent of key employees, main business partners and the major shareholder.

Seljeseth is up for re-election in 2020. Number of shares in Gjensidige: See Note 8.

Gunnar Mjåtvedt

Board member

Gunnar Mjåtvedt (1960) has been an employee representative of Gjensidige's Board of Directors since 2007.

Mjåtvedt took the natural science specialisation at upper secondary school, and is a certified insurance adviser in life insurance and pension. Mjåtvedt is the Group's chief union representative.Mjåtvedt has previously been head of sales and marketing, an insurance agent and a senior consultant, and has almost 30 years' experience from the insurance industry.

Mjåtvedt is up for re-election to the Board in 2020. Number of shares in Gjensidige: See Note 8.

Anne Marie Nyhammer

Board member

Anne Marie Nyhammer (1964) joined Gjensidige's Board of Directors as an employee representative in 2016. She is a technical manager at Gjensidige and a union representative.

Nyhammer has previously worked at DnB and with Norsk Hydro/Leirvik Sveis.

Nyhammer is up for re-election to the Board in 2020.

Number of shares in Gjensidige: See Note 8.

Lotte Kronholm Sjøberg

Board member

Lotte Kronholm Sjøber (1972) joined Gjensidige's Board of Directors as an employee representative in 2015. She is the union representative for Forsikringsforbundet at Gjensidige Forsikring in Denmark.

Kronholm Sjøberg has studied at Copenhagen Business School, among other places, and has a master's degree in Mediation and Conflict Management from Copenhagen University's Faculty of Law.Kronholm Sjøberg previously held various positions in the Group, including as a consultant in Nykredit Forsikring's ownership transfer department.

Kronholm Sjøberg is up for re-election to the Board in 2021.Number of shares in Gjensidige: See Note 8.

Code of Conduct

Gjensidiges Code of Conduct

Gjensidige is completely dependent on the trust of our surroundings to carry out our social mission, namely safeguarding lives, health and assets. Ethics are essential in this context.

Read more at www.gjensidige.no

We depend on the trust of our customers, suppliers, the authorities, shareholders and society at large to be able to run our business. The Company's Code of Conduct shall ensure that all employees act in a way that maintains trust in the Company. All Gjensidige's activities must stand up to public scrutiny.

Areas subject to strict follow-up of compliance

Data protection (GDPR)

Gjensidige processes personal data in accordance with the laws and regulations that regulate our collection, storage and use of such data. The group policy and instructions for the processing of personal data provide more detailed requirements to be implemented throughout the organisation. Gjensidige's employees are bound by a statutory duty of secrecy about all matters relating to our customers. Data protection training is mandatory for all employees and is also a part of the introductory programme for new employees. Access to personal customer data shall only be granted to employees who need it in the course of their work. The Company shall not obtain other personal data than it needs to serve the individual customer. Personal data shall only be used and stored for as long as this is necessary, and must then be erased, unless special exemptions are authorised by law.

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

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

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

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

Information security

At Gjensidige, information security is about how we work together to minimise the risk associated with data leakages and personal data breaches. The Board and management use Gjensidige's security policy to define overarching requirements for security management in the Group.

The policy guides the groups control system for information security, which is based on the ISO/IEC 2700x standard. The purpose is to protect the company's information values and information about customers against unauthorised and unintended use, to maintain customer trust company reputation and competitiveness in the best way possible. The Group Security department is organised under Organisation, HR and Security, and is the premise setter and checkpoint for information security. The operational IT-security administration is conducted by an IT-security department. The security policy is available to all employees on the intranet, and checks are carried out to ensure that all employees have read and understood the requirements.

Insurance Distribution Directive (IDD)

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

Ethical and customer-friendly business operations

Gjensidige shall have a corporate culture where each individual employee exercises good judgement. Our value creation shall take place in accordance with our Code of Conduct, which is described in a number of policy documents that are adopted by the Board.

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

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

The risk of criminal offences and violations of our Code of Conduct is monitored as part of our internal control system. The Board has chief responsibility for risk management and internal control, and the CEO is responsible for the implementation. Our most important risk areas and internal control are reviewed annually by the Board. Risk management and internal control are described in more detail on pages 44 and 56 and in Note 3.

Complaints handling

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

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

Notification channel

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

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

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

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

Whistleblowers are protected by law and the Company's internal regulations, and employees who report such matters shall not be subjected to reprisals. Notifications addressed to the external mailbox are in principle anonymous, unless the whistleblower chooses to give their name. Employees may submit notifications to this mailbox anonymously, as may customers, suppliers and other external stakeholders.

Notifications of irregularities or malpractices are dealt with by Gjensidige's Internal Investigation Unit. The department carries out a preliminary investigation or assessment based on the content of the notification. If the assessment uncovers matters that warrant criticism, the HR department will take over the case, assess it and decide which sanctions to impose. The CEO will decide whether to report employees to the police.

Anti-corruption

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

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

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

Our anti-corruption programme consists of three main elements:

1. Preventive activities
2. Control and detection
3. Follow-up and sanctions

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

Control and detection include audits, compliance, notification/whistleblowing, reporting and internal investigation. Follow-up and sanctions take place in accordance with policies and instructions, and are decided by HR and, ultimately, the CEO. The programme gives a detailed description of what is meant by corruption, examples of acceptable and unacceptable behaviour, and assignments intended to contribute to reflection on difficult situations.

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

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

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

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

Money laundering and financing of terrorism

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

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

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

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

Corporate governance

Good corporate governance is important to ensure value creation over time, and to increase people's trust in the Company. Our statement on corporate governance is based on the Norwegian Code of Practice for Corporate Governance, adopted by the Norwegian Corporate Governance Board (NUES). This section is structured in accordance with the Code of Practice.

1. Statement on corporate governance

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

2. The business

The Articles of Association describe the object of the business and set clear limits for its content. Gjensidige is a financial services group, and is subject to the restrictions and rules set out in the Financial Undertakings Act. Within this framework, Gjensidige primarily operates as a general insurance group in the Nordic countries and the Baltic states. In Norway, the Group is also engaged in life and pension insurance.

The Board sets clear objectives for the business with a view to creating value for shareholders. The objectives take society at large into account; see the separate section on objectives on pages 18-19. The objectives are revised and adopted annually.

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

3. Equity and dividends

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

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

It is considered expedient for the Board to be authorised by the General Meeting to make decisions concerning the distribution of dividends throughout the year if there are financial grounds for doing so. Such decisions must be formally based on the approved accounts for 2019, and will, if relevant, come in addition to the dividend adopted by the General Meeting. Such

authorisation must be decided by the General Meeting, and it will apply until the next annual general meeting, no longer, however, than until 30 June the following year.

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

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

Furthermore, the Board believes it is expedient for the Board to be given limited authority to increase the share capital through subscription for new shares. Such authorisation must be decided by the General Meeting and will apply until 30 June the following year. Reference is made to the items to be considered by the General Meeting for more information and for the conditions that are set.

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

4. Equal treatment of shareholders and transactions with related parties

Shareholders' pre-emption rights in connection with an increase in share capital is an important and fundamental right in a good, harmonious shareholder community, and the pre-emption right can only be waived in exceptional circumstances. Waiving of this right will be based on the Company's and shareholders' mutual interests. In such case, there will be full openness about the matter, and the shareholders will receive identical information simultaneously through a stock exchange announcement and subsequently on our website. This also applies if the Board utilises the authorisations it has been granted. The Board's transactions in own shares must always comply with the arm's length principle and be on ordinary market terms. Transactions between related parties and group companies must take place on commercial terms, and on the basis of an independent evaluation if the transaction is not immaterial.

5. Shares and negotiability

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

6. General meetings

The Board considers the General Meeting to be an important arena for all shareholders.

Because there are so many shareholders in Gjensidige, it is not possible in practice to hold a physical meeting where they can all participate. A considerable amount of work is therefore put into preparing items and facilitating powers of attorney and the possibility to vote without attending the physical meeting. The meeting is streamed live on the Company's website.

Prior to the meeting, the shareholders have ample opportunity to contact the Company to clarify matters or to get help to raise items at the meeting. More information is available on our website.

The Board has noted that the Code of Practice recommends that it should be made possible to vote for individual candidates to the Board and Nomination Committee. Elections are demanding in financial undertakings, partly because of official suitability requirements and partly because of the requirements of the Board's combined expertise, i.e. to ensure a functioning board with broad expertise. For Gjensidige, where one shareholder owns more than 60% of the shares, it is not the formal election itself at the general meeting that represents a challenge, but the preparations for the election. The Board has noted that elections require an extensive process. All shareholders can submit proposals for candidates, and the Nomination Committee contacts the biggest shareholders in writing. All submitted views are taken into account. The Board considers this work to be very important to the Company's business, position and further development.

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

7. Nomination Committee

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

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

The Nomination Committee's duties include proposing candidates for the Board and the Nomination Committee and proposing the remuneration of the members of these bodies, as well as the remuneration of the boards working committees. In financial undertakings, the General Meeting elects the Chair of the Board. The Chair is elected from among the shareholder-elected board members. One of the board members elected from among the employees therefore takes part in discussions and decisions on the recommendation for Chair of the Board. This is by our own choice, and it is in accordance with the principle of workplace democracy that generally prevails in Norway.

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

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

8. Board of Directors

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

At least two of the shareholder-elected members are independent of the Company's main shareholder. The Company's main shareholder, Gjensidigestiftelsen, assumes that the Chair of the Board shall be independent of Gjensidigestiftelsen and have the same relationship to all shareholders. No executive personnel or representatives of business associates are members of the Board. The shareholder-elected board members are elected, in accordance with the Articles of Association, for one year at a time. The employee representatives are elected for two years at a time. The Nomination Committee encourages board members to own shares in the Company.

9. The work of the Board

The Board plans nine pre-arranged board meetings per year, including at least one two-day strategy seminar. One extraordinary meeting was also held electronically in 2019. Good and efficient procedures have been established for extraordinary board meetings.

In accordance with the law, the Board has established three board committees comprising board members – the Remuneration Committee, the Audit Committee and the Risk Committee. The committees' mandates are based on a Group perspective. The board committees are preparatory committees and do not have the power to make decisions. In line with the Code of Practice, the majority of the Audit Committee's members are independent of the Company. In the Board's experience, the introduction of board committees has improved its work, and has led to deeper and stronger involvement in the business's challenges and initiatives.

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

The Board has adopted rules of procedure for its work, and works on the basis of an annual plan. Transparency and room for input to the Board are given emphasis. The board members have effective access to material relevant to their board work through the Admincontrol portal.

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

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

10. Risk management and internal control

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

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

The accounting department has established processes for good internal control, and focuses on having the right expertise and sufficient resources to be able to prepare the accounts and other statutory reporting in accordance with the applicable laws and regulations. The reporting of deviations and other established systematic reporting gives the Board insight into the processes and status.

In the Board's opinion, the control environment is good and functions as intended. The framework for the assessment of risk – identification and qualification of risks – is continuously quantified and evaluated.

Control activities and the coordination of the different control environments are adopted annually by and in consultation with the Board. The Board's Audit Committee is responsible for information, communication and risk monitoring.

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

The Board's report on CSR and sustainability is integrated in this report. Consideration for society at large is an integral part of Gjensidige's strategy and a precondition for long-term value creation.

11. Remuneration of the Board

The remuneration of the Board is determined by the general assembly by proposal from the nomination committee and is described in Note 8.

None of the board members have share options or other incentives issued by the Company. Reference is made to the Nomination Committee's presentation, assessment and proposal, available at www.gjensidige.no.

12. Remuneration of executive personnel

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

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

13. Information and communications

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

14. Corporate takeovers

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

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

15. The external auditor

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

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

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

Risk – the core of the business

Sharing of risk is the basic principle of insurance. When many people are exposed to the same type of risk of financial loss, they can divide the losses between them and in that way equalise the risk. In a modern society, this type of risk pooling takes place through an insurance company that takes over its customers' risk and compensates the financial losses of those affected. Good risk selection and the right pricing of risk is decisive for insurance companies' financial strength and profitability.

Management and control of different types of risk

Gjensidige has three lines of defence as protection against the negative consequences of risk.

The first line of defence consists of each individual employee and manager, who are responsible for risk assessment, risk management and risk reduction measures in their day-to-day work, in addition to maintaining internal control.

The second line of defence consists of centralised control functions: the Risk Management, Group Security, Compliance and Actuarial functions. The functions organise and follow up the implementation of expedient risk management principles in the first line of defence.

These control functions are also responsible for organising and ensuring comprehensive and ongoing risk assessments and follow-up. The Group's second-line functions are independent of its operational activities and submit their reports directly to the CEO and the Board or sub committees of the Board.

The third line of defence is the Internal Audit function, which is responsible for monitoring and checking the Group's processes for risk management, internal control and corporate governance. The Internal Audit function reports directly to the Board of Gjensidige Forsikring ASA.

Read more about the governance structure in Note 3 to the financial accounts.

Risk strategy and risk management

Gjensidige is exposed to different types of risk:

- Strategic risk / business risk: the risk of loss due to the inability to establish or carry out business plans and strategies, make decisions, allocate resources or respond to external changes.
- Insurance risk: risk relating to insurance contracts, which means the risk of lower insurance premiums or higher claims expenses than expected.
- Financial risk: risk of loss relating to changes in macroeconomic conditions and/or changes in financial assets and liabilities as a result of exposure to interest rates, inflation, exchange rates, credit margins, real estate and share prices. Liquidity risk is also part of financial risk, and is defined as the inability to make payments when they fall due or the need to realise investments at a high cost or lower value to make payments.
- Operational risk: the risk of potential incidents or events that may arise and have financial consequences and/or negative consequences for reputation. Operational risk can be due to human error, weaknesses in systems, faults in processes or external events. This also includes the risk of non-compliance with external and internal regulations.
- Climate risk: Climate risk is risk relating to climate change. Climate risk may have an impact on, and is part of, insurance risk, financial risk, operational risk and business and strategic risk.

Climate risks (See note 3 for further information on risk management)

Physical risks	Transition risks	Liability risks
Increased probability of damage to nature, infrastructure, property and the potential to destroy the basis for business activity	More stringent climate-related requirements and new technology can lead to big changes in demand for a number of products and services, and companies that are unable to adapt to requirements and needs risk losing value.	Climate change can give grounds for lawsuits against decision-makers in countries and companies responsible for major greenhouse gas emissions. Lack of willingness to predict financial losses due to more stringent climate-related requirements and new technology can also lead to lawsuits from affected investors.

Risk	Strategy	Risk management	Objectives and methods
Strategic risk / business risk	The overriding objective of Gjensidige's management of strategic and business risk is to ensure that the Group's risk level is within the approved risk appetite.	Risk is managed by identifying, assessing and handling the most important strategic and business risks. Global trends and scenarios are identified and assessed in terms of how they might impact competition and framework conditions, as a part of the company's strategy process. An emerging risk-process is carried out, in order to identify and monitor potentially emerging risk.	Risk assessment process for strategic and business risk and measures are monitored and reported to the management and board.
Insurance risk	The overriding objective of Gjensidige's insurance risk management is to ensure that the Group's risk level is within the adopted risk appetite. Gjensidige has a high risk appetite in the core area of general insurance in the Nordic countries and the Baltic states. The risk appetite shall be highest in areas where we have a high level of expertise and access to relevant data. Other business areas shall contribute to the Group's total growth and profitability, but with limited risk appetite.	The underwriting policy adopted by the Board sets out guidelines for the basic principles and responsibility for product and tariff development, risk selection and the stipulation of terms and conditions and pricing of individual risks. The policy for technical provisions adopted by the Board sets out the overriding principles for stipulating such provisions. A retention limit specifies the maximum loss the Gjensidige Insurance Group is willing to take, and stipulates the level of Gjensidige's reinsurance programme. The maximum retention limit is specified in the capital management policy and is approved by the Board. Reinsurance is purchased to protect the Company against major individual events such as natural disasters and large individual losses.	Monitoring and assessments of underwriting results and insurance risk, seen in relation to prognoses, are a vital, integrated part of the day-to-day management of the business. Reporting of results and prognoses, as well as separate risk reporting, regularly takes place to the management and Board. The Chief Actuary prepares reports on the technical provisions. The independent Actuarial function carries out control tasks in relation to technical provisions. The Actuarial function also carries out an assessment of insurance contracts taken out and issues a statement on the reinsurance programme. The assessments are documented in the independent Actuarial function's report.
Financial risk	The primary purpose of the investment operations is to support the insurance business by securing the value of insurance liabilities against fluctuations in market variables. Free assets are invested to contribute to the Group's overall profitability goals, with a controlled downside risk.	The investment strategy is approved by the Board and sets limits for the allocation of investment assets. The investment strategy defines several risk limitations, both at the aggregate level and by different types of risks and investments, for the purpose of achieving a diversified investment portfolio. The investment portfolio consists of two parts: a match portfolio and a free portfolio. The match portfolio, which is intended to correspond to the Group's technical provisions, is invested in fixed-income instruments whose duration and currency are adapted to match the technical provisions. A dynamic risk management model has been established that provides the necessary framework for adapting risk in the event of changes in market conditions and/or a weak development in financial income. The investments are also subject to continuous monitoring in accordance with our SRI policy. The liquidity policy sets limits for necessary access to liquid assets.	Daily reports are prepared for the purpose of follow-up and monitoring of Gjensidige's investments to ensure that they are within the limits at all times. The reporting is carried out by a dedicated department to ensure independent follow-up. Monitoring of risk also takes place through stress tests, where the buffer capital must be sufficient at all times to be able to withstand the risk of a sharp simultaneous fall in the value of all asset classes.
Operational risk	The overriding objective of Gjensidige's management of operational risk is to ensure that the Group's risk level is within the adopted risk appetite adopted by the board as well as ensuring that operational incidents are acted upon to improve governance of the business. Gjensidige has low tolerance for operational risk.	Organisation in the form of well-defined, clear lines of reporting and a clear division of responsibility. Set procedures and processes for carrying out risk assessments throughout the organisation.	The risk assessment process for operational risk and measures are followed up on a continuous basis and reported to the management and Board.

Climate-related financial disclosures (TCFD)

Gjensidige will help to ensure that we, our partners and customers work to reach the environmental and climate goals of the Paris Agreement. Gjensidige considers climate change to represent a major challenge for society as a whole and has set clear goals in its sustainability strategy for how the Company shall contribute to a reduction in greenhouse gas emissions, both directly and indirectly, through damage prevention, claims settlement processes, socially responsible investments and own emissions. As an insurance company, risk relating to weather and climate-related events is a natural part of the risk we cover for our customers. In a broader, more long-term perspective, climate risk also has the potential to affect insurance risk, financial risk, operational risk and business and strategic risk.

Strategy

Climate risk is a central part of Gjensidige's sustainability strategy. The climate strategy comprises the following focus areas:

- Increasing our knowledge about the consequences of climate change for our private and commercial customers, suppliers and society at large, and using our knowledge to develop targeted damage prevention measures.
- Cooperating with customers and suppliers/partners on the delivery of sustainable solutions, and monitoring our own carbon footprint through continuous follow-up.
- Investing in knowledge and competence-building for our staff and customers and ensuring that our financial investments are socially responsible.

Risk management

The expected increase in the scope of natural disasters as a result of environmental and climate change is addressed in our activities, such as the development of products, financial planning, pricing, rebuilding and damage prevention measures. Environmental and climate change affects risk assessments and the pricing of insurance, and the effects of extreme weather and changes in risk exposure are assessed on a continuous basis, based on experience, expert assessments and prognoses. Good risk selection and the right pricing is decisive for financial strength and profitability.

Gjensidige has a strong focus on damage prevention work to prevent insurance events and reduce the impact on the environment. Gjensidige contributes to increased knowledge about losses and climate-related consequences by sharing claims data relating to weather events, including with Finance Norway, so that a joint Norwegian database can be established to help local authorities plan developments and regulations.

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

Gjensidige shall help its customers to make sustainable low-risk choices, for example the construction of new buildings. This means lower insurance premiums for our customers and beneficial consequences for the environment, customers and Gjensidige.

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

One example of this is a project conducted in cooperation with the Norwegian Computing Centre that aims to analyse and generate greater knowledge about water damage relating to the weather and climate.

Targets and methodology

Insurance is a knowledge business that does not directly affect the environment to any extent. However, we can help to achieve a more sustainable society by reducing our own climate footprint and use our market power in relation to our suppliers and in our investments.

The Board has adopted an ambition to reduce our own and claims-related carbon intensity relative to earned premiums, year by year.

Gjensidige has been certified as an Eco-Lighthouse since 2008 and works continuously on measures to reduce the environmental and climate-related consequences of its own operations. Most of the carbon footprint for Gjensidige's own operations comes from energy consumption (Scope 2) and air travel by own employees (Scope 3). The climate accounts for Gjensidige's *own operations* are described on page 98.

In 2019, Gjensidige has for the first time prepared climate accounts for the consumption of material and energy in the claims process (Scope 1, 2 and 3) and been able to measure carbon intensity. We would like to initially assess different initiatives to boost increased reuse and the circular economy, for example more repairs, reuse, reduced waste and different measures for reducing transport costs and more climate and environmentally friendly reconstruction. The climate accounts for Gjensidige's *claims process* are described on page 96.

The climate risk in our investment portfolio is described in the chapters “Our asset management” and “Socially responsible investments”.

In accordance with the Task Force on Climate-related Financial Disclosures (TCFD) we distinguish between physical risks, transition risks and liability risks.

Physical risks – Threats and opportunities

- *Threat*: 'If insurance contracts fail to reflect increased climate risk, this can have negative consequences for the underwriting result. Different risks can become so great that they are no longer insurable, so that we lose business and customers must carry the risk themselves.'
- *Opportunity*: 'The right risk pricing and terms and conditions of subscription can increase Gjensidige's business volume and earnings. With the use of data and expertise, Gjensidige can prevent losses.'

In the countries where Gjensidige has operations, more precipitation is expected in the form of rain, and rising sea levels in the long term, which will increase the risk of damage. Higher temperatures will mean less snow and ice. On the one hand, this will lead to fewer losses from freeze and the weight of snow on buildings, and probably less damage to motor vehicles as a result of fewer days of slippery roads due to snow and ice. Changes in the composition and scope of precipitation (less snow, more rain) will probably increase the risk of flooding driven by heavy rain, especially in autumn and winter. Increased temperatures are also expected to lead to increased precipitation, and probably more frequent episodes of heavy rain. Combined with densification and inadequate dimensioning of water and sewage networks, this gives rise to expectations of increased claims payments for damage relating to torrential rain. As regards storms and wind, the consequences of climate change are more uncertain, as different mechanisms pull in opposite directions concerning the intensity, frequency and movement patterns of such weather.

Insurance largely consists of one-year contracts that enable the Company to change prices and coverage as the need arises. In simplified terms, one could say that increased insurance risk as a result of climate change is not necessarily problematic, since increased claims payments will be compensated by higher premiums or changes in coverage. In a longer-term perspective and not least from a societal perspective, significantly higher claims payments as a result of climate change will be problematic, as it may ultimately lead to insurance premiums simply becoming too expensive or to certain areas not being insurable in practice.

Reinsurance limits Gjensidige's losses relating to major weather-related events. Gjensidige's internal model is used to assess the effect of different natural disasters and climate-related losses. Analyses have been conducted that show that Gjensidige's financial losses in one of 200 years will be limited, even if more conservative assumptions about the frequency of such claims are applied.

A special arrangement in Norway is the Norwegian Natural Perils Pool, which is regulated by the Natural Perils Insurance Act. Membership of the Pool is compulsory for all insurance companies that sell property insurance (fire insurance) in Norway. The Pool is an equalisation mechanism whereby claims and costs are distributed between the member companies in proportion to their share of the market. The following natural perils are covered by the Pool: storms, landslides/avalanches, floods, storm surges, earthquakes and volcanic eruptions. In accordance with the pertaining regulations, each natural disaster claim will only be covered up to a certain amount, which limits Gjensidige's losses relating to such claims. As of 1 January 2020, the insurance companies' total liability for an individual natural disaster claim is limited upwards to NOK 16 billion. Because Gjensidige will only be charged corresponding to its share of the market and the Company has taken out reinsurance for natural disaster claims, Gjensidige's losses relating to such claims will be very limited.

The effects in terms of both expected claims payments and volatility are expected to materialise gradually over a longer time period and be different for different types of climate-related natural disaster claims. Gjensidige will make ongoing efforts to analyse and adapt to the changes, including through risk selection, price differentiation and coverage, and considers that increased physical risks also provide opportunities for offering increased risk relief and advisory services to insurance customers.

Transition risks – threats and opportunities

- *Threat*: New risks arise as a result of the green transition, and because it is difficult to identify more long-term consequences of the green transition
- *Opportunity*: We understand the consequences of the green transition and price new risks correctly, and act as a driving force in the green transition.

Gjensidige can be both directly and indirectly affected by transition risk. Gjensidige can be directly affected through changed insurance risk, for example if customers make material changes to internal processes relating to energy efficiency, the use of materials or more environmentally friendly means of transport. Indirectly, Gjensidige can be affected through official regulations or consumer demands that lead to material changes in certain industries.

In the longer term, Gjensidige expects transition risk to impact all segments of insurance. We believe that people's awareness and attitudes can change, and that this can mean that Gjensidige must adapt its operations accordingly. Sustainable alternatives to all our main products will therefore be developed by 2025. This type of development is expected to be gradual, allowing Gjensidige to adapt its products and services to the market over time. Significant transition risk may arise in the Commercial segment, and probably also on the investment side, but major changes are expected to take place further in the future, and we also expect to have time to adapt to new framework conditions. In the Commercial segment, an analytics process has been initiated to take a closer look at trends and developments for Norwegian business and industry in a ten-year perspective. The purpose of this work is to assess how global trends and industry development will affect insurance needs going forward, including the consequences of climate risk.

A potential example of a type of transition risk that can have a direct impact on insurance is the introduction of far more stringent technical requirements and regulations for the erection of buildings, for example relating to energy efficiency. This will raise the level of compensation relating to reinstatement of buildings. Experience of previous changes in regulations indicates that this takes place over time, enabling the Company to consider and take this into account in its pricing and design of insurance policies.

Transition risk on the investment side can mean a lower return on non-environmentally friendly investments in certain areas. New regulatory requirements may also be introduced. For many years, the Company has had a strategy for excluding companies that violate environmental requirements, and the Company's investment decisions are increasingly based on concrete assessments of climate risk and other ESG factors.

How Gjensidige's investment strategy is followed up is described in the chapter "Our asset management".

Going forward, the circular economy is expected to become a more important principle in society. It is assumed that it is desirable for resources to remain a part of the economy for as long as possible. This will be achieved by reducing the use of raw materials, waste, emissions and energy consumption to a minimum. Gjensidige will contribute to the circular economy by reducing its carbon footprint, both its own footprint and the footprint generated by the claims settlement processes. One example is the increased use of used parts in connection with the repair of vehicles.

Liability risks – threats and opportunities

- *Threat*: 'Risk of more lawsuits as a consequence of product liability or directors and officers' liability'
- *Opportunity*: 'We understand risks and adapt our terms and conditions to ensure that the insurance risk is acceptable.'

The risk of liability insurance, in the form of liability in damages for inadequate climate measures, is deemed to be somewhat lower than transition risks and physical risks. In its core activities, Gjensidige contributes to direct greenhouse gas emissions to a very limited degree. Given Gjensidige's exposure in the Commercial segment, including through relatively limited sums insured, it is considered less probable that our liability risk portfolio will be materially affected in the foreseeable future. In capital management liability risk is considered as part of investment analysis.

Most important policies and governing documents

Governing documents that ensure that Gjensidige as a company acts in accordance with society's requirements, important stakeholders' expectations and the Board and management's ambitions. Selected documents are published in their entirety at www.gjensidige.no, in addition to some internal documents that are relevant to be able to understand Gjensidige's CSR and sustainability framework.

Document	Status
Risk management	
Group policy for risk management and internal control	Internal
Information security policy	Internal
Underwriting policy	Internal
Capital management policy	Internal
Sustainability policy	Public
Data protection	
Privacy statement	Public
Group policy for the processing of personal data	Internal
Instructions for the processing of personal data	Internal
Instructions for employees' processing of personal data	Internal
Security	
Group security policy	Internal
Security requirements for specific target groups (including HR, Corporate Procurement, Technology and Infrastructure, Sales and Claims, Investor Relations, M&A, Capital Management)	Internal

Document	Status
Investment management	
Group policy for SRI – ethical investments	Public
Instructions for SRI – ethical investments	Public
Investment policy	Internal
Investment strategy	Internal
Complaints handling	
Guidelines for the companies' and customer ombudsman's complaints handling	Internal
Procurements	
Group policy for procurements	Public
Guidelines for procurements	Internal
Ethics	
Code of Conduct for Gjensidige	Public
Specification of Code of Conduct	Internal
Policy on prohibited restriction of competition	Internal
Corruption	
Anti-corruption manual	Public
Group policy for handling irregularities and malpractices, including corruption	Internal
Instructions for handling irregularities and malpractices, including corruption	Internal
Money laundering	
Group policy for money laundering	Internal

Our customer promise – It's all about the Gjensidige experience

Our commitment to each customer is among the defining elements of our business, and so it has been for more than 200 years. By keeping our promises, making things simple, and ensuring that the customer is happy, we deliver the Gjensidige experience over and over again – so that the customer keeps choosing us.

Customer orientation is key to Gjensidige's strategy, and characterizes all parts of the company's organisation. Our goal is to create the best customer experiences in the industry.

Customer Promise

Read more about what we achieved in 2019, in the chapter "Safer society".

The Gjensidige Experience

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

Our starting point is strong. We have unusually satisfied customers and high customer loyalty, especially in Norway, where our reputation is number one in the industry, and among the strongest independent of industry. We keep currently record of the company and our sales people, and improvement measures are carried through on the basis of feedback from the customers. Gjensidige has defined clear goals for customer satisfaction. Achievement of goals impacts bonus to key employees, and collective bonus to all coworkers.

Going forward we will work on measures to further strengthen customer satisfaction and loyalty, and to attract new customers. User friendly self-service solutions has become an ever more important precondition for delivering good customer experiences. Both private and commercial customers prefer to an increasing degree to buy insurances and make claims digitally. The development of market leading self-service solutions that require digitalisation, standardisation and automation therefore have, and will have, very high priority.

Gjensidige is founded on a genuine customer orientation. The Company was established by and for the customers. This is our history and our present and future competitive advantage. Our commitment to the customer has contributed to fantastic customer experiences and sound results, and forms the basis for the Company's more than 200-year success story. This is a key characteristic of Gjensidige and a distinctive feature of the organisation and the Company's culture.

Do you have a problem we can solve?

All points of contact between us and our customers shall be refined so that all enquiries and claims, whether great or small, are dealt with in a simple, problem-free way. Analysis of customer data, and alliances with other players, will be key measures to develop market leading solutions to our customers.

In the years ahead, we will endeavour to take customer orientation one step further. Going forward, we will have a stronger focus on delivering products, services and solutions that prevent losses from occurring. New technology and partnerships will enable us to be one step ahead in loss situations. This is an attractive, strong value proposition based on the Company's customer orientation. Knowing that that damage prevention is the measure with the single greatest climate benefit/effect by far, we see how we can better meet customer needs while at the same time maintaining our role as a responsible member of society. Even with this focus, however, we know that losses will continue to occur, and when they do, Gjensidige will do what we have always done: not only compensate customer' financial losses, but do so in a way that causes them the least possible inconvenience.

The Gjensidige experience

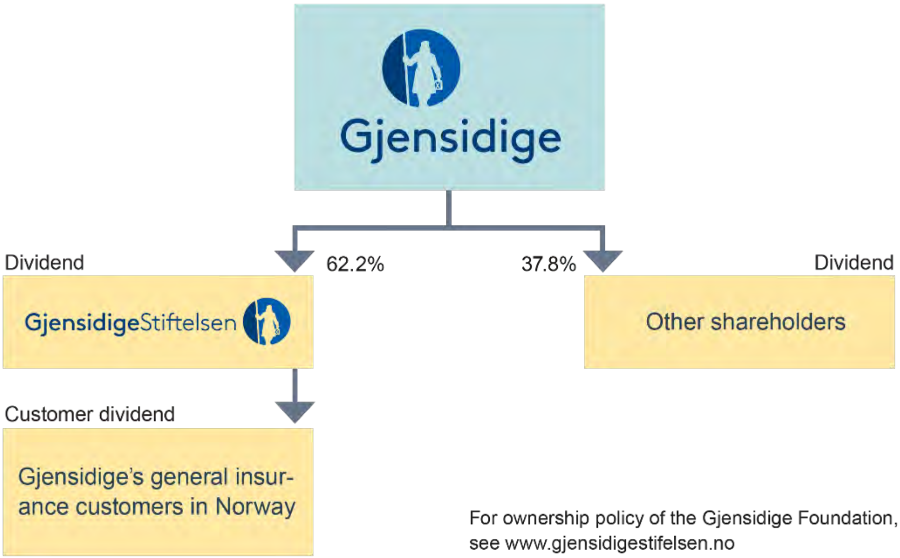
We keep our promises	We always deliver quality	We make things simple	We ensure that the customer is happy

The Gjensidige Experience has been established as a framework for Gjensidige's customer orientation.
It is intended to be a guiding principle for the Company's customer-oriented value creation and development.
By means of systematic and continuous improvement of our current practice in accordance with the principles of the Gjensidige Experience, Gjensidige shall steer towards the Company's vision and deliver the best customer experiences in the industry.

Sharing is a choice – Gjensidigestiftelsen shares

Every year since Gjensidige was listed on Oslo Børs, the general insurance customers in Norway have received a customer dividend. Over the years, they have received almost NOK 19 billion, which corresponds to 11-15 per cent of the premium paid in each year.

The background for the model is that Gjensidige was established as a company owned by customers. Today, the customers' interests are safeguarded by Gjensidigestiftelsen, the largest shareholder in Gjensidige with an ownership interest of 62.2 per cent. The Foundation passes on its share dividend from Gjensidige's profit for the year to Gjensidige's general insurance customers in Norway who were still customers at the time of the Foundation's annual general meeting. The Foundation is managed by customers in that representatives to the Annual general meeting are elected by and from among the Gjensidige customers. This gives customers a chance to influence Gjensidigestiftelsen's substantial distribution of donations to contribute to a safer society. Since 2010, the foundation has distributed NOK 2.5 billion to causes within safety and health.



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

Our organisation – we create safety to foster new thinking

We do all we can to create true involvement among our employees, so that we can secure lives, health and assets for our customers in a sustainable manner – every day. A sound, generous and safe company culture shapes solidarity, and provides fertile soil for good ideas and results.


FELLES OMRÅDE
MAN
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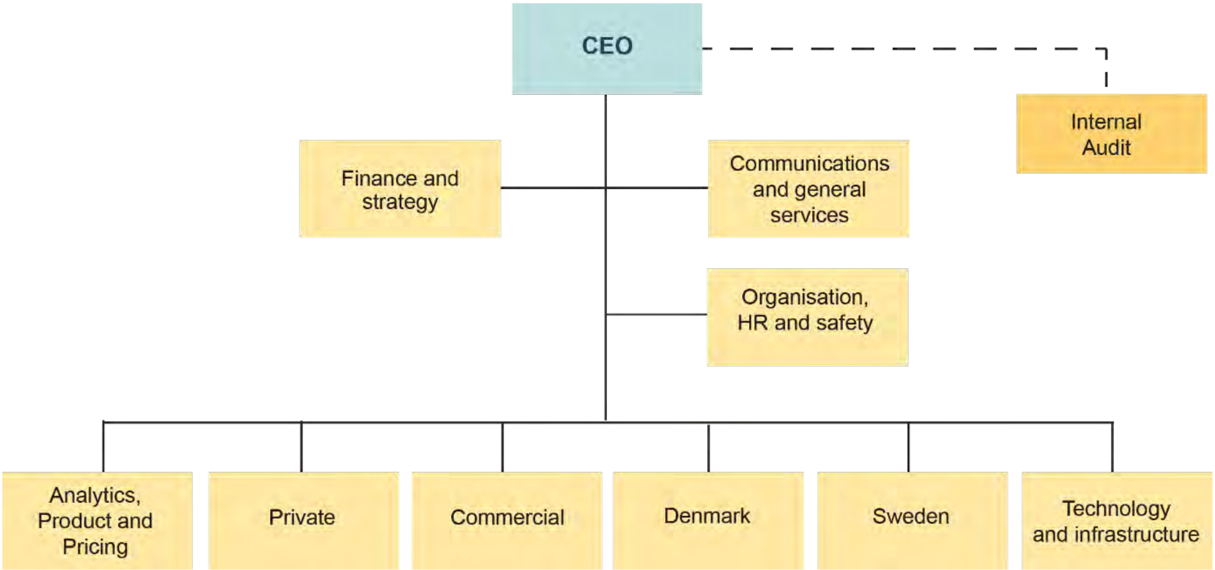
Our core values are: Create a sense of security. Apply new thinking. Go for it. The core values are meant to aid us in shaping a culture that lets us face the future proactively.

Senior Group Management



Helge Leiro Baastad
CEO

Helge Leiro Baastad (1960) has been CEO of Gjensidige since 2003. He is a member of the board of Finance Norway, Ungt Entreprenørskap, Nykredit Holding A/S and Nykredit Realkredit A/S.

Baastad joined Gjensidige in 1998 as manager of the Private segment, and in 2000, he was appointed Executive Vice President responsible for group marketing and support functions. He has previously held various senior management positions with Jordan AS and Denofa Lilleborg Fabrikker. Baastad holds an MSc EBA degree (siviløkonom) from the Norwegian School of Economics (NHH).

Jostein Amdal

EVP, CFO

Jostein Amdal (1965) took over as CFO and Executive Vice President for Finance on 1 October 2016.

Amdal joined Gjensidige as Finance Director in 2002, and has since served as Chief Risk Officer and Head of Capital Management and M&A. Before joining Gjensidige, he held various management positions with If, Storebrand and Kværner. Amdal holds an MSc EBA degree (siviløkonom) from the Norwegian School of Economics (NHH).

Lars G. Bjerklund

EVP Commercial

Lars G Bjerklund (1971) has been Executive Vice President of the Commercial division since 1 September 2018.

He joined Gjensidige in 2003 and has held various senior management positions in the Group. In the last few years, he has been COO of General Insurance Sweden, claims director with responsibility for motor and travel claims, and managed the SME and agriculture segment of the Commercial division for several years.

Bjerklund holds a Master of Marketing and Management from the Norwegian School of Marketing (NMH), and an MBA degree from the Norwegian School of Economics (NHH).

Janne Flessum

EVP Communication and Shared Services

Janne Flessum (1971) has been Executive Vice President of Communication and Shared Services since 1 March 2018. She joined Gjensidige as Head of Investor Relations in 2011, and took over responsibility for M&A and Capital Management in 2016.

She has previously served as an investment analyst and portfolio manager with Orkla, corporate finance adviser with Kreditkassen, and as an auditor with Coopers & Lybrand.

Flessum holds an MBA degree (siviløkonom) from BI Norwegian Business School.

Sigurd Austin

EVP Private

Sigurd Austin (1971) has been Executive Vice President of the Private segment since 1 September 2018.

He joined Gjensidige in 2003 and has held various senior management positions in the Group, most recently as head of Commercial, Claims and the Swedish division. He has previously held various leading positions in the Norwegian Armed Forces. Austin studied at the Norwegian Military Academy, holds a Master of Science (MSc) degree from BI Norwegian Business School and an MBA from the Norwegian School of Economics (NHH).

Austin is a member of the board of SOS International.

Aysegül Cin

EVP Sweden

Aysegül Cin (1981) has been Executive Vice President of the Swedish segment since 1 September 2018.

Cin joined Gjensidige in 2006 as a trainee. She has previously held several senior positions in the Group in the Private, Corporate Development, Strategy and M&A and Claims divisions, and most recently as Director of CRM and Digital Channels in the Commercial division. She holds an MSc in Industrial Economics and Technology Management (sivilingeniør) from the Norwegian University of Science and Technology (NTNU) and Karlsruhe University in Germany.

Catharina Hellerud

EVP Analytics, Product and Price

Catharina Hellerud (1968) has been Executive Vice President of Analytics, Product and Price since 2016. She is also Chair of the Board of Gjensidige Pensjonsforsikring.

Hellerud joined Gjensidige in 2007 as Head of IR and served as CFO from 2011 to 2016. She has previously held positions at Oslo Børs and as an accountant with Ernst & Young. Hellerud is a state authorised public accountant from the Norwegian School of Economics (NHH) and holds an MBA degree (siviløkonom) from BI Norwegian Business School.

Hellerud is a member of the board of Mesta AS.

Mats C. Gottschalk

EVP Denmark

Mats C Gottschalk (1977) has been Executive Vice President of the Danish division since 1 September 2018.

Gottschalk joined Gjensidige in 2011 with responsibility for strategy and M&A. He previously served as head of the Commercial division. He was previously executive director in the Investment Banking Division of Goldman Sachs International, and has held various positions with J.P. Morgan in London.

Gottschalk holds an MSc in Industrial Economics and Technology Management (sivillingeniør) from the Norwegian University of Science and Technology (NTNU) and the University of St. Gallen.

Jørgen Ringdal

EVP of Organisation, HR and Security

Jørgen Ringdal (1960) has been Executive Vice President of Organisation, HR and Security since 1 March 2018.

Ringdal joined Gjensidige in 1996 and has held various executive positions in the Group, including as EVP of Group Staff/Shared Services and Finance. He has previously held senior management positions with Norges Bank and KPMG, among others.

Ringdal holds an MSc EBA degree (siviløkonom) from the Norwegian

School of Economics (NHH) and is a state authorised public accountant.

Kaare Østgaard

EVP Technology and Infrastructure

Kaare Østgaard (1964) has been Executive Vice President of Technology and Infrastructure since 2015. He is also Chair of the Board of Gjensidige Baltic.

Østgaard joined Gjensidige in 2004 as head of strategy and M&A and has held various senior management positions in Gjensidige, most recently as head of Claims and IT. He has previously been Deputy Managing Director and held various executive positions with EVRY (ErgoGroup). Østgaard holds an MBA degree (siviløkonom) from BI Norwegian Business School.

Østgaard is Chair of the Board of Gjensidige Baltic.

Our core values

Our core values shall contribute to forming a common identity and corporate culture throughout the Gjensidige Group. They shall help our employees to work well together, to concentrate their efforts on creating good customer experiences, and on creating innovation and capacity for change.


Gjensidige
CAFFÈ LISCIO

Engaged employees

Our commitment to the customer has created good customer experiences and sound results. This is a key characteristic of Gjensidige and a distinctive feature of the organisation and the Company's culture.

Read more about what we achieved in 2019 in the chapter "A safer society".

In order to be able to give our customers the help they need, our employees undergo thorough training in ethics, data protection, information security, knowledge of our products and management training at our own school. In Gjensidige we treat customers with trust and respect, provide professional and ethically sound advice based on necessary qualifications and knowledge of the customer's situation.

Competence strategy

The right competence in the right place at the right time is vital to maintaining competitiveness. If Gjensidige is to live up to the ambition of knowing the customer best and caring the most, our employees must reflect the diversity of our customers. We work to ensure that all employees feel a sense of security and the freedom to be who they are, and through this help us to deliver on our core values: create a sense of security, apply new thinking, go for it. We need managers who understand the value of diversity and who integrate diversity management into their day-to-day work.

6 dimensions of diversity;

1. demographic
2. cultural
3. values
4. educational background
5. personality
6. physical ability

Competence-building to meet the needs of the future

It is important to Gjensidige that everyone has the opportunity to develop in their job. We facilitate work across national borders in all the countries we operate in. This generates new perspectives, learning and a better result for our customers. Gjensidige has a flat organisational structure, and the Company believes that diversity and cooperation are important preconditions for building a good delivery culture and being attractive in the labour market of the future. We have implemented a development model that highlights that most learning – 70 per cent – takes place in connection with day-to-day tasks. The remaining 30 per cent comes from organised tuition and training. Employees who work in sales and customer advice take part in an extensive course programme leading up to an exam that tests their professional know-how, ethics and the customer dialogue. Advisers targeting the private market are certified in accordance with a national industry scheme for the sale of general insurance. The Gjensidige Customer and Brand School ensures that all employees have the necessary prerequisites for implementing the Group's customer orientation strategy. The school's main focus areas are sales, claims settlement and management. It offers courses and programmes that underpin our group strategy and requirements for certification of customer advisers. All new Gjensidige employees take part in an introduction day where the CEO and other key personnel talk about the Company's strategy, competence-building, culture, brand, ethics and more practical information.

An ever larger part of the learning takes place by use of digital tools combined with physical meetings. The use of podcasts and video meetings helps us reach larger groups more efficiently. The active use of e-learning and global learning portals like for instance Udemy provides targeted competence improvement based on competence needs in each division.

Talent development

It is important to Gjensidige to attract and retain skilled employees. The People Review enables senior managers to follow up developments in the talent pool for experts and managers. Internal mobility is facilitated for the purpose of broadening the employees' range of qualifications and specialised knowledge. We have also established an internal mentoring programme as a supplement to the personal growth and development of individual employees and managers. The programme will help us to retain critical expertise, promote Gjensidige's culture and contribute to internal career development across divisions and business areas. Customised management development programmes have been developed for groups of managers with different experience backgrounds, from newly appointed managers to the senior group management. Gjensidige is highlighted as an attractive employer, both through digital channels and activities at relevant educational institutions, such as stands and presentations to students. In accordance with our employer branding strategy, we have established an internship scheme where students work for us for a whole academic year in order to gain relevant work experience. The work is intended to be relevant for their studies by putting theory into practice. Every year, we organise the Gjensidige Day at Gjensidige's head office, which offers a varied programme for students.

Cooperation with educational institutions

We have entered into a strategic partnership agreement with BI Norwegian Business School that gives us exposure to students and the possibility of participating in different events in BI's locations all over the country. We also sponsor BI's master's degree programme in business analytics. Gjensidige has also entered into an agreement with the Norwegian School of Economics (NHH) to be a strategic partner for NHH's research programme Digital Innovation for Growth, which starts in autumn 2020. The agreement includes an obligation to provide staff who can contribute their expertise.

These cooperation agreements are an important means of showing students the job opportunities available in Gjensidige and in the insurance sector in general. In addition, they give skilled members of staff an opportunity to work with academic research groups on various issues of relevance to Gjensidige's further development.

We are also in the process of completing a management programme at the senior executive level in cooperation with NHH, the Administrative Research Unit AFF and HEC Paris.

Equal opportunity

Gjensidige has had a strong focus on gender balance and increasing the percentage of women in senior positions. There is zero tolerance of all forms of discrimination. Wage growth for women and men is continuously measured and followed up. Any unexplained differences that are identified receive special follow-up.

Gjensidige has an equality and discrimination committee that convenes as necessary. The committee consists of representatives from the HR department and the trade unions. We have established a collaboration with Seema to increase the focus on and understanding of the importance of diversity and diversity management as a sustainable competitive advantage.

My Voice – monthly measurement of engagement

In autumn 2019, the Group started a more dynamic way of following up employees' job satisfaction and their experience of the work situation. A monthly survey, called My Voice, replaces the annual employee survey. Monthly surveys will ensure relevant results at all times and give us a better chance of understanding and following up how employees experience their work situation 'here and now', and how different events and changes affect their job satisfaction. This makes My Voice an even better operational management tool. The increased survey frequency allows us to use the results reported every month to adjust measures as necessary, ensuring the greatest possible improvement effect.

In our experience, improvement measures relating to employee engagement have the greatest effect when employees are closely involved in the work. Going forward, we will focus on ensuring that employees feel that they are listened to now that they give feedback more frequently than before. Special measures are followed up for entities that deviate significantly from the goal of employee engagement and job satisfaction.

Work engagement is included in the follow-up and performance evaluation of all employees, including the senior group management.

People review

Two People reviews are conducted every year, where top managements success in leadership, competence development, diversity (including equal opportunities and equal pay) and strategic staff planning is followed up. Financial and sustainability targets are followed up in the Business review, which is also carried out by the CEO twice a year.

Employee rights (ILO) and cooperation with union representatives

The cooperation between Gjensidige's management and the employees' trade unions is systematic and good, and it is based on a well-established structure with regular meetings of various committees. Rules have been adopted for what processes and decisions union representatives shall be involved in. Union representatives are paid by the Company.

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

Under Norwegian law, employees of the Group are entitled to be represented on the Company's governing bodies. Employee representatives are elected by and from among the employees. The company management maintains a close dialogue with union representatives in connection with restructuring processes. The Company shall attend to those who are affected in the best possible way. This concerns everything from decisions, information, finding alternative positions in the Company, to offering assistance from external advisers and finding new jobs for those who are made redundant.

Health, safety and the environment (HSE)

Systematic health, safety and environmental work is given high priority in Gjensidige. Our goal is not only to prevent sickness absence and injuries, but also to ensure that Gjensidige is a health-promoting workplace. We therefore work on preventing and following up sickness absence and on making adaptations for employees with disabilities. The work stations of all new employees are inspected in terms of ergonomics as soon as possible by a physiotherapist or an occupational therapist, if practically possible. The purpose of this is to adapt the work station to avoid repetitive strain injuries, and to provide information about the prevention of health problems. Special procedures have been adopted for employees who have or wish to prevent such problems arising. The HSE work is monitored through audits and followed up internally by employees with special responsibility for HSE. All incidents that can represent a risk must be reported in the Company's nonconformity system. Independent audits are held in Norway, Sweden and Denmark to ensure that working conditions are satisfactory. Working environment issues are integrated in the annual HSE survey to identify matters requiring special attention. All managers review the survey with their staff in cooperation with the HR department. Each department defines an action plan that is followed up by the respective managers, and departmental HSE risk analyses are carried out.

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

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

IW enterprise

Gjensidige shall be an inclusive workplace for all employees. We are an Inclusive Workplace (IW) enterprise and cooperate with the Norwegian Labour and Welfare Administration (NAV) on job training for people who, for various reasons, have been unemployed. NAV pays subsidies for employees who suffer from chronic illnesses but who still manage to work. Gjensidige has a range of measures and a special programme for entities with a high level of sickness absence. Our 'Focus projects' have had a great impact, leading to reduced sickness absence and greater employee satisfaction. Gjensidige has measures in place that help to ensure that older employees can continue working until they reach retirement age. The measures vary between countries. Examples of measures include the possibility of reduced working hours and extra holidays. All our big office buildings are universally designed in order to accommodate employees with disabilities.

Whistleblowing

Reporting procedures are in place for employees who experience discrimination. Notices are discussed by the equality and discrimination committee.

Our social commitment – the world is more than Gjensidige

We have cooperated with non-profit organisations and sports at different levels for many years, in order to contribute to a safer and more sustainable society. Of course, we also work continuously to reduce our carbon footprint, both in-house and when handling claims, in close cooperation with our suppliers. We also have a strong commitment to our owners and creditors.

Through local community involvement, sponsorships, procurements and return to shareholders and creditors Gjensidige contributes to sustainable value creation. We take responsibility for the climate and environment both as part of our operations and in cooperation with our suppliers.

Our social commitment

Read more about our efforts in 2019 in the chapter “A safer society”.

Sponsorships

Gjensidige is a proud sponsor of sports, and through our cooperation agreements we wish to show the joy and the many positive aspects of taking part in sports. That way we hope to motivate as many as possible to be physically active. We support sports both at the elite level and at ordinary levels, and we work with sponsor objects that have a good reputation and share our values. As part of every sponsor agreement projects with different targets are established. The targets shall be valuable for the society, promote health, or foster activity and recruitment among young people. Sponsorships are important to Gjensidige also in that they ensure valuable profiling and evoke positive associations of the company, as well as help build internal culture and pride among our employees.

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

Cooperation with not-for-profit organisations

Gjensidige collaborates with the Church City Mission on creating a better and safer local community. This involves making a financial contribution to the Church City Mission, and various activities that engage our employees. Employees from several of our offices all over the country contribute to the knitting campaign it runs before Christmas every year. It aims to create ‘a warmer society’ by raising money for a Christmas celebration for disadvantaged people.

In Lithuania, we have cooperated with the aid organisation Food Bank, which distributes food to the poor, since 2007. Gjensidige provides free insurance, supports activities and encourages employees to take part in the distribution of food packages. We are a member of the ‘For a Safe Lithuania’ campaign, the purpose of which is to give children from underprivileged families an increased sense of security and self-esteem. In Latvia, we are doing a tour of the biggest schools, teaching children about safety in the home.

Cooperation with the Norwegian Cancer Society

Our main partnership agreement entails a strategic cooperation with the Norwegian Cancer Society. For Gjensidige, the agreement gives us the possibility to develop unique preventive services together, for example services that help to prevent cancer, or that can ease the situation for those affected and their next of kin. This is important, as cancer is the most widespread disease in Norway. About one in three Norwegians will be diagnosed with cancer before they turn 75.

Gjensidigestiftelsen

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

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

Gjensidigestiftelsen is the largest financial foundation in Norway and has two main purposes. One is to distribute financial support to socially beneficial causes. Another is to be the largest owner of Gjensidige Forsikring ASA. Both purposes come down to help create a safer society.

Our climate and environmental commitment

Insurance is a knowledge business that does not directly affect the environment to a large extent. However, we can contribute to a more sustainable society by reducing our own climate footprint with energy efficient offices and travel for employees and use our market power in relation to our suppliers in claims handling processes and in our investments.

Gjensidige's climate footprint

Read more in the chapter "Reducing carbon intensity".

We have the ambition to be climate neutral by 2030. As a knowledge company, our CO_2 emissions are mainly related to the operation of offices and to travel for employees.

Environment and energy efficient use of offices

Scope 1: Limited use of company cars

We have established a company car policy that entails that CO_2 emissions from company cars cannot exceed 130 grams per kilometre. At our head office, we have three electric cars that employees can use in connection with meetings and private errands, so that we reduce the use of taxis and private cars.

Scope 2: Energy-efficient buildings decisive in the choice of premises

We make systematic efforts to reduce our impact on the natural environment by limiting our consumption of energy. All our premises are rented, and energy efficiency measures have been established, including switching to LED lighting, making industrial control systems more efficient, replacing windows, replacing old electric panel heaters etc. Energy efficiency is a focus area when choosing premises for our operations, and our head office in Schweigaardsgate 21 holds a BREEAM-NOR Excellent certificate.

Certified Eco-Lighthouse

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

Scope 3: Travel and waste

We focus on reducing different types of waste, such as paper, office supplies, electrical appliances and household waste.

Reduced travel through increased use of video conferencing will be vital to reducing CO_2 emissions from our own operations.

The offices that are certified Eco-Lighthouses use an environmental management system for the handling and reduction of materials consumption, waste, energy consumption and transport. An environmental report is prepared annually that documents the status of implemented environmental measures and action plans for the coming year. The offices must be recertified every three years. It is an extensive process that is carried out by an environmental team at the office in question in cooperation with an external adviser certified by the Eco-Lighthouse Foundation. Annual reporting and regular recertification ensure that our offices live up to the highest standards for environmentally friendly operations.

Sustainable claims settlements

Although we are strongly focused on helping customers avoid damage, it is hard to avoid them ever happening. When a damage has occured, Gjensidige shall help reduce the CO_2 footprint annually in the claims handling processes. This entails sustainable terms in our products and good cooperation with our suppliers.

Our purchasing policy applies to the whole Group and requires that deliveries are sustainable. We use our purchasing power to exert influence, and, in continuous dialogue with our most important suppliers, we ensure that sustainable solutions are chosen. Read more about how we cooperate with our suppliers on page 82.

Environmentally friendly building and household contents insurance

When a loss is reported, we make sure that our customers feel safe and well-informed about the choices recommended. Gjensidige also has extensive networks of local assessors in every country, who help to assess the extent of damage. In the repairing of the damage or replacing the loss, materials are chosen based on the environmental requirements, social factors and financial durability. Local assessors and appraisals as well as using web-based reporting including among other things photo, texts and robotics, reduces the need to travel, both for customers and assessors. Gjensidige cooperates with suppliers and industry organisations to find new, sustainable solutions for repairing wet rooms in a manner that is best for the customer and the environment, including reducing waste and transport. In Sweden, we cooperate with Godsinlösen (GIAB). GIAB promotes the circular economy by collecting damaged items from insurance companies and repairing them, thus contributing to reuse. This enables us to contribute to increasing durability and saving the environment.

Environmentally friendly motor insurance

Repairing damage to and covering losses for cars and other vehicles represent a large shar of Gjensidige's claims costs. This is an area in which we can influence and achieve sustainable solutions. Increased repairs and reuse of car parts is a topic in every country we operate in. We also cooperate with car dismantlers so that resources made available by demolition are recycled and used in new products. Gjensidige has participated in a pilot project under the auspices of Finance Norway Insurance Services and Norske Biloppsamleres Forening to test the availability of used parts and prices. The purpose of the pilot has been to:

- reduce the number of vehicles that are scrapped;
- Ensure continued focus on recycling materials in all countries we operate;
- contribute to increased employment in garages;
- reduce the costs of spare parts by using used parts rather than new parts where expedient (Norway has

Europe's most expensive parts and the lowest percentage of reusing of used parts);
- promote greater environmental responsibility by reusing used car parts.

Evaluation of the pilot demonstrates a potential for increased use of second-hand spare parts. Efforts are made to further improve availability, cooperation between suppliers, distribution, and development of an improved system for ordering, where the use of spare parts are possible.

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

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

Gjensidige has also established a cooperation with external partners to realise remaining values from damages. Items we previously discarded are now being taken care of for repair and resale. This applies to, for example, condemned cars, mobile phones, other electrical appliances, and bicycles. We are also looking at cooperation in building damage to see if there can be any residual value in other damage cases such as water or fire damage. In cases where we would usually opt for condemnation, our partners may find value.

Model for calculating the material consumption in claims processes

Gjensidige shall make proactive efforts to reduce the carbon intensity of its claims processes. It requires considerable knowledge of the use of materials in the physical claims handling that Gjensidige compensates.

In order to be able to calculate the materials consumed in claims processes, some of which are fairly complex, with many suppliers/partners, models have been devised based on the material consumption for the most common claims (frequency claims). This is in order to be able to convert material consumption per claim to CO_2 equivalents. Models have been prepared for three types of frequency claims, which will form the basis for a normalised result in the climate accounts for claims processes (own climate accounts for claims processes Scope 3).

Motor

The assumptions that form the basis for this average calculation of consumption of materials are based on car makes and models with a high market share and frequency damages. The reference damage has been estimated with the damage appraisal system DBS run by the Car Damages Office which is a part of Finance Norway Insurance Operations, and shows the actual use of materials for motor cars. Individual assessments of frequency damages have been carried out in Denmark, Sweden and the Baltics.

The following materials are included in the carbon accounts for claims handling:

- Glass
- Steel
- Aluminium
- Plastics
- Batteries
- Reuse of car parts based on estimates
- Use of new car parts produce equivalent amounts of waste to be recycled
- Waste following condemnations assumed to be recycled to materials like glass, aluminium and steel.
- Cars that are condemned are compensated by money. In order to reach a theoretically correct consumption of materials for Gjensidige, we have assumed, based on the public registration system (TFF) that 28 per cent of condemned cars are replaced with new cars.

We have applied 2019 as the base year for the calculations

Property

The following assumptions were used in the calculation of average material consumption and waste produced by fire and water damage frequency claims:

Fire damage:
Replacing floors and walls
Cleaning and painting surfaces
Electronics
Waste, corresponding new materials
Energy consumed
Kilometres driven, repairs

Water damage:
Plain kitchen cabinet fronts
Parquet flooring
Repair as a result of water seeping through the floor
Waste, corresponding consumption new materials
Energy consumed
Kilometres driven, repairs

Materials in the carbon accounts for claims handling include among others:

- Wood
- Gypsum
- Isolation
- Paint
- Plastics
- Electronics

We have applied 2019 as the base year for the calculations

The calculation of total material consumption does not provide an exact figure, but, based on a materiality assessment, we believe it gives the best estimate of current consumption. The material consumption is calculated in kilos/tonnes and converted into carbon equivalents with the help of licensed software for the conversion of material consumption. DEFRA (2019) Greenhouse gas reporting; conversion factors 2019; Depatrment for Business, Energy & Industrial Strategy and NVE (2018) National Electricity Disclosure.

The material consumption models shall be evaluated annually to ensure that they continue to provide the best estimate of material consumption in the claims process.

Our commitment to our suppliers

Gjensidige's requirements for procurement processes are set out in the Group procurement policy, which applies to Gjensidige Forsikring ASA and all its subsidiaries. Gjensidige expects manufacturers and suppliers to conduct their business in accordance with the 10 UN Global Compact principles. The principles cover human and labour rights, requirements for the environment and anti-corruption. Read more at www.gjensidige.no/konsern/om-oss

Read more about our efforts in 2019 in the chapter "Reducing carbon intensity".

All procurements over a certain size must be quality-assured by the Corporate Procurement department. Most purchasing agreements are the result of competitive tendering carried out in accordance with adopted guidelines. All our suppliers must sign a self-declaration on corporate social responsibility. By signing this declaration, they undertake to comply with our requirements relating to the environment, social responsibility and appropriate governance:

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

All procurements shall be as environmentally efficient as possible, meaning that endeavours shall be made to achieve maximum value creation and minimum environmental harm. Suppliers are, to the extent possible, encouraged to make environmentally friendly choices. This applies to all the countries we operate in. There is an increased focus on the circular economy in our claims settlement. This applies to both buildings and motor vehicles. Reuse must never be at the expense of quality and safety, and we make stringent environmental and quality requirements in relation to the choice of materials. This is because quality is sustainable. Companies that provide services in connection with claims payments for damaged buildings in Norway must be certified in Startbank. Startbank is a register of suppliers that is used by purchasers in the fields of building, construction, public administration, insurance and real estate. This ensures that qualified suppliers are law-abiding and that competition takes place on equal terms. All material procurements are ordered electronically. As far as possible, all suppliers shall use electronic invoicing. Competitive tender procedures are carried out with the help of online portals. The use of electronic tools ensures that all processes are documented and verifiable, and this prevents irregularities and reduces the consumption of paper.

Gjensidige has established cooperation with an external certification provider to monitor suppliers' compliance with environmental, social responsibility, ethics and sustainable procurement requirements. The suppliers are required to answer questions about the environment, employment conditions, ethics and requirements of subcontractors. The companies are then given a score and feedback on points for improvement. Gjensidige will use this tool to monitor compliance with supplier requirements. Read more about the follow up of our suppliers on page 97.

Our commitment to our owners and creditors

Gjensidige shall have an open dialogue with all stakeholders in the capital markets, and follows the The Oslo Stock Exchange's Code of Practice for IR. The policy for investor relations, adopted by the board, is available at www.gjensidige.no/investor.

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

We shall arrange for the financial market players to have sufficient basis of information to assess the value of the group by simultaneous access to identical, correct, clear and relevant information at all times. The information shall be consistent and balanced. As a main rule we do not publish concrete guiding for the groups future financial results.

Return on the Gjensidige share

The Gjensidige share yielded a total return for the shareholders of 43 per cent in 2019. The Oslo Stock Exchange recorded a total return of 17 per cent during the same period. Since the Company was listed on the stock exchange in December 2010, the Gjensidige share has yielded a total return of 486 per cent. The average number of shares traded daily on The Oslo Stock Exchange was around 500,000 in 2019, and the share is among the 25 most liquid shares listed on the stock exchange. In addition, a substantial number of shares are traded in other marketplaces.

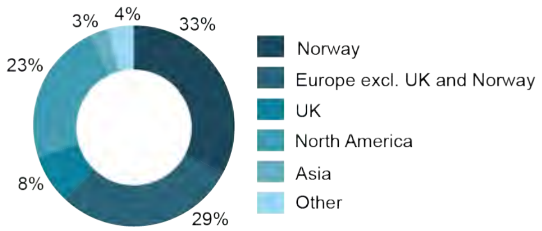
Dividend and dividend policy

Gjensidige pursues a shareholder-friendly capital and dividend policy, and the Gjensidige share is and should be a dividend-paying share. Gjensidige's goal is to distribute high and stable nominal dividends to shareholders, and a pay-out ratio over time of at least 80 per cent of profit after tax expense. The result is adjusted for any gain/loss on the sale of assets. When determining the size of the dividend, consideration will be given to expected future capital needs. Over time, Gjensidige will also pay out excess capital.

The Board has proposed that a dividend of NOK 6,125.0 million be distributed for the 2019 financial year. This corresponds to a NOK 7.25 regular dividend per share and a NOK 5.00 special dividend per share. The dividend for the 2019 financial year will be adopted by the General Meeting on 26 March 2020. The approved dividend will be distributed to those registered as shareholders on the date of the general meeting.

The Gjensidige share will be traded ex dividend on 27 March 2020, the record date will be 30 March 2020 and the dividend will be disbursed on 7 April 2020.

Geographical distribution of shares as at 31.12.2019 (excl. Gjensidigestiftelsen)



Gjensidigestiftelsen's share of the dividend amounts to NOK 3.8 billion. Pursuant to the Foundation's statutes, the regular dividend will be passed on to Gjensidige's general insurance customers in Norway. The customer dividend is adopted by the Foundation's General Meeting in May.

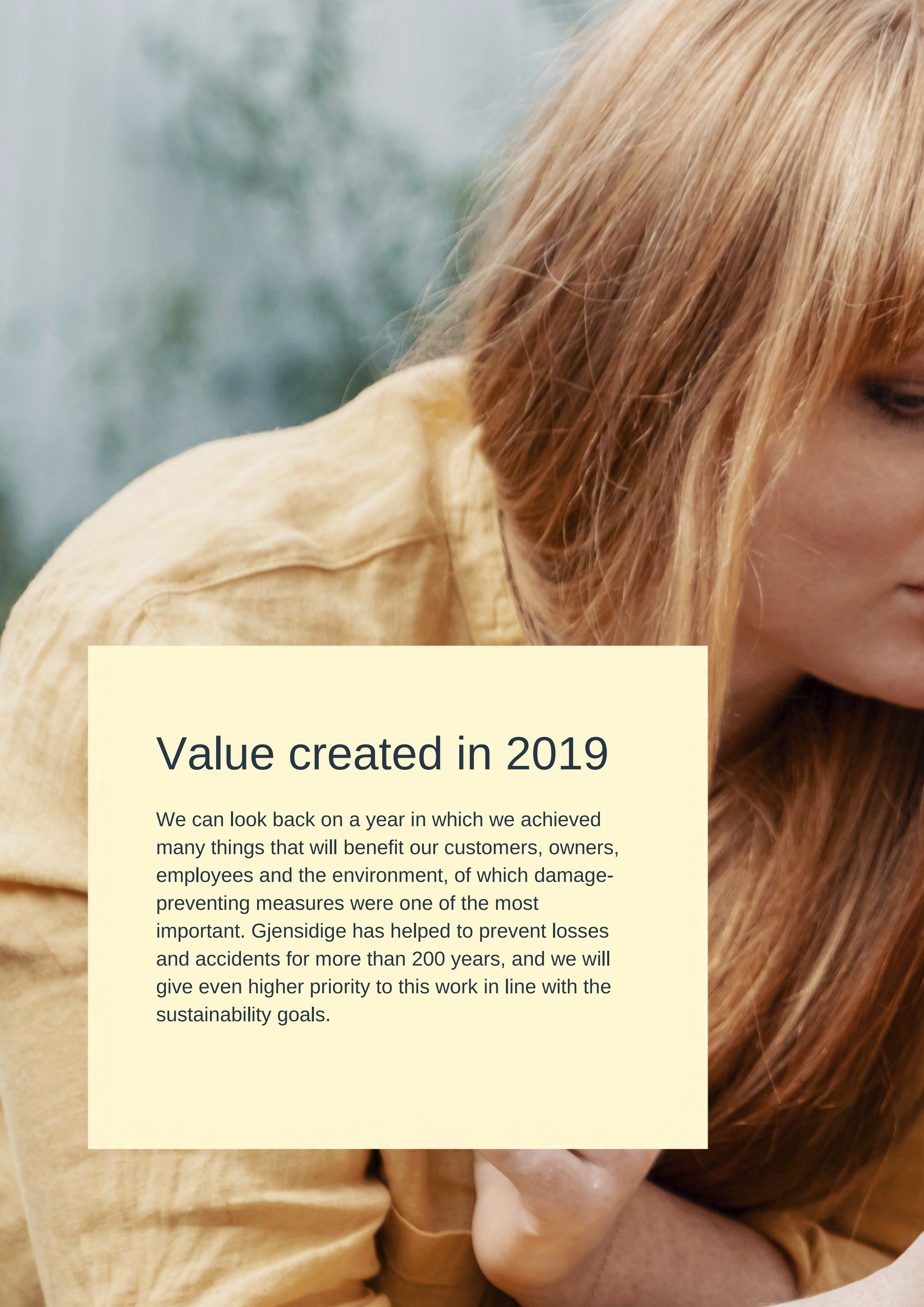
Ownership

At year-end 2019, Gjensidige had approximately 32,000 shareholders. The 20 biggest owners represented a total of 86.8 per cent of the shares in the Company. Gjensidigestiftelsen has laid down in its statutes that its ownership interest in Gjensidige shall amount to at least 60 per cent, which shall contribute to predictability and stable ownership. The Foundation has expressed willingness to consider a reduced ownership fraction in the event of any acquisitions or capital increases that are in accordance with Gjensidige's overall strategy. The Foundation manages ownership of Gjensidige on behalf of Gjensidige's general insurance customers in Norway. It has an ownership policy that focuses on high value creation over time and expects a competitive dividend.

Financial calendar 2020	
26 March 2020	Annual General Meeting
22 April 2020	Q1-result to be published
14 July 2020	Q2-result to be published
20 October 2020	Q3-result to be published

20 largest shareholders 31 December 2019[1]		
1	Gjensidigestiftelsen	62.24%
2	Folketrygdfondet	4.05%
3	Deutsche Bank	3.67%
4	Caisse de Depot et Placement du Quebec	2.99%
5	BlackRock Inc	2.58%
6	Nordea	1.48%
7	Societé Generale	1.13%
8	ORIX Corporation	1.06%
9	State Street Corporation	1.01%
10	The Vanguard Group, Inc	1.00%
11	Danske Bank	1.00%
12	Svenska Handelsbanken Group	0.85%
13	Storebrand Investments	0.74%
14	Government of China	0.58%
15	KLP Kapitalforvaltning	0.51%
16	Scotia Bank	0.42%
17	JP Morgan Chase & Co	0.40%
18	DNB ASA	0.38%
19	Kuwait Investment Office	0.38%
20	Legal & General Group	0.29%

[1] The list of shareholders is based on an analysis of the register of shareholders in the Norwegian Central Depository (VPS) as at 31 December 2019, carried out by Orient Capital Ltd. The analysis maps the owners behind the nominee accounts. There is no guarantee that the list is correct.



Value created in 2019

We can look back on a year in which we achieved many things that will benefit our customers, owners, employees and the environment, of which damage-preventing measures were one of the most important. Gjensidige has helped to prevent losses and accidents for more than 200 years, and we will give even higher priority to this work in line with the sustainability goals.

Sustainable operations are a precondition for long-term value creation. Gjensidige has adopted sustainability goals focusing on three areas: a safer society, reduced carbon intensity, and socially responsible investments.

A safer society

We are working on a number of measures to achieve our ambition of contributing to a safer society, creating an engaging workplace, developing relevant products that ensure our customers financial security, and other measures to promote corporate social responsibility.

Gjensidige's focus areas	SDG	Sustainability goal	Status of measures 2019
Damage-preventing measures Damage-preventing measures have always been a key element of our corporate social responsibility. Providing guidance to customers is the mainstay of our customer dialogue, and we will help customers to reduce their risk of loss.		By providing advice to our customers and society at large, we shall help to increase knowledge about sustainability and damage prevention. • Requirements made of customers in the private and commercial markets to be entitled to discounts. • Contribute to at least 1,000 media reports on damage prevention per year.	**What we have achieved** • Conducted 11,500 risk checks in 2019 • High relevance score at www.gjensidige.no/godtforberedt with a total of 1,803,228 page views. • 2,728 press releases that have created engage-ment and debate about important damage prevention topics such as life, health and assets. • Established new sustainability fund for agriculture in cooperation with the Norwegian Farmers' Union. **New measures going forward** • Further develop our concept "the Gjensidige Experience" to enable our customer advisers to give good, sustainable advice. **Read more below and on page 33**
Sustainable products We monitor the market and wish to offer sustainable products. We develop new products and services that will help change behaviour, and thus reduce greenhouse gas emissions through, among other things, cooperation with our partners.		By the end of 2025, we will have made it possible for customers to make sustainable choices within the established product areas motor, property, leisure, and accident and health.	**What we have achieved** • We have a broad range of products that directly and indirectly have an environmental and social profile included in the terms. • Launched online psychologist service, Lifekeys. • Coverage for bee colonies (bees and bee-hives) under household contents insurance for all customers involved in beekeeping and honey production on a non-professional basis. **New measures going forward** • Further develop products that support sustainability. **Read more below and on page 29**
Engaged employees We wish to develop an organisation in which diversity characterises our activities and generates new ideas and perspectives in the work on a more sustainable society. We want our employees to be engaged and motivated, and we encourage them to give feedback on what works well and what areas could be improved, in our employee satisfaction survey.		Further develop our culture for building expertise and generating new ideas and perspectives, to ensure our employees are also relevant in the future. Have engaged and motivated employees and achieve top quarterly results in the employee satisfaction survey.	**What we have achieved** • The total employee satisfaction score for 2019 was among the top 25 per cent in the financial industry in Peakon's industry benchmark. • Gender balance unchanged from 2018. • Considerable increase in the number of e-learning sessions conducted, slight decrease in the number of other course days. **New measures going forward** • Cooperation with the Norwegian Labour and Welfare Administration (NAV) to help people who have been excluded from the labour market. **Read more below and on page 73**

Gjensidige's focus areas	SDG	Sustainability goal	Status of measures 2019
Social commitment For many years, Gjensidige has collaborated with various non-profit organisations and sports associations to contribute to a safer society.		Collaborations with non-profit organisations in all the countries we operate in to contribute to: • a warmer society. • providing work experience and achieving expedient integration of at least four full-time equivalents/persons per year. • ensuring children and young people have equal opportunities.	**What we have achieved** • New sponsor of Karsten Warholm. • Agreement with the Norwegian Cancer Society to support our focus on healthcare. • Contributed to providing meals, Christmas presents etc. for disadvantaged people in Norway and the Baltics. **New measures going forward** • Further develop sponsorship agreements with sports associations to give disadvantaged children and young people an opportunity to take part in activities. **Read more below and on page 78**
Good corporate governance We are concerned with good risk management because it is essential to an insurance company. It affects everything from product pricing assessment to capital needs. We have established an internal control system that facilitates compliance with laws and regulations. We have a particular focus on data protection compliance (GDPR), corruption and money laundering, and our Code of Conduct.		Our business shall be characterised by propriety and reliability, with effective risk management and good internal control, which also improves products, services and processes. In addition to complying with external and internal rules, decisions and actions shall also be in line with Gjensidige's values and Code of Conduct, in a manner that creates and preserves value for customers, owners, employees and society at large.	**What we have achieved** • The Financial Services Complaints Board received fewer complaints from Gjensidige customers than in 2018 • S&P ERM: strong rating • Score from MSCI: BBB • CDP score in 2019: C (D in 2018) • Established cooperation with the Norwegian Computing Centre to look at climate risk in relation to tariffs. • Conducted four external IT security audits. **New measures going forward** • Further develop risk assessment of customers/objects in relation to climate risk (physical, liability and transition risks) (UW). • Evaluate and carry out scenario testing for physical, liability and transition risks (e.g. in the investment portfolio). • Established research collaboration with Norgeshus to evaluate climate adaptation of residential buildings. **Read more below and on page 46**

Effect of our efforts – damage prevention important to society and to reduce insurance risk

Our most sustainable measure is to help our customers to prevent losses from occurring. In 2019, Gjensidige implemented a considerable number of damage prevention measures, but the direct effect of these measures is difficult to measure. However, we were voted the most sustainable company in the Norwegian financial industry in the Sustainable Brand Index Awards in 2019, and the best financial undertaking in Ipsos's reputation survey.

Damage prevention through risk assessments for our customers
In 2019, we conducted 3,000 risk checks and 1,000 physical inspections for our commercial customers in Norway (excl. agriculture).

We have conducted approximately 15,000 electrical inspections with thermal imaging in the past five years, and rectified thousands of faults and defects in agricultural electrical systems. Electrical inspections are deemed to be our most important instrument for reducing the number of fires in agriculture. Gjensidige has granted considerable funds annually, and has, in cooperation with the Norwegian Famers' Union, reimbursed individual farmers' expenses for documented improvement work.

In Denmark, we have conducted approximately 2,500 inspections per year over the past four years, and in 2020, we plan to conduct approximately 2,600 inspections, broken down as follows: 1,000 in commercial, 220 in the public sector, 600 in agriculture and 800 in part-time farming. In addition, approximately 2,000 desktop reviews were conducted, including feedback about the status to our customers. Thermal imaging and transient protection of electrical installations are conducted for most properties. Reports without remarks result in a discount in price. We have carried out approximately 3,000 measures since 2015, and contributed grants in the amount of DKK 6.6 million. More extensive electrical inspections have also been carried out based on specific risk indicators and requirements for larger units.

In Sweden, risk checks are largely conducted by holding the brokers accountable. Approximately 30 inspections have been carried out at the premises of our biggest customers, concluding in reports with improvement suggestions to the customer.

Focus on loss reduction in the media
Gjensidige has traditionally contributed to many media reports on damage prevention, with the greatest impact in Norway and Denmark.

In 2019, Gjensidige had the largest share of media coverage among insurance companies in Norway, with a share of 33 per cent. Out of a total of 3,977 news pieces, 1,719 included damage prevention topics or social responsibility topics. The comparable figure for 2018 was 1,995.

In Denmark, there were 2,689 pieces about Gjensidige, of which 1,009 included damage prevention topics or social responsibility topics. The comparable figure in 2018 was 576.

Well prepared – digital advice on damage prevention
Gjensidige has a dedicated web page called Godtforberedt.no that produces about 500 articles that are distributed to approximately 1.5 million readers. We get several millions page views and tens of thousands of positive feedback messages from the public on the advice they receive on the page. The total number of views for godtforberedt.no was 1.8 million in 2019. A relevance score of 97 per cent is very high, and indicates that readers consider the content to be of high quality and relevance.

Effect of our efforts – Sustainable products and services

Our products and services give customers the incentive to prevent and limit losses. Safety measures are rewarded by discounts being given when insurance is taken out. Once a claim has arisen, it must be settled, either in the form of cash compensation or repair of the damage. Many sustainability elements are incorporated into the terms of our insurance policies. Some of them are mentioned below.

Property
Gjensidige ensures that demolition and removal after a claims event are carried out in an environmentally sound manner. After a claims event, we cover the upgrade to the applicable technical regulations, which indirectly contributes to less energy consumption and less risk of damage.

Incentives have been established to encourage the use of local, skilled workers who pay taxes. This is also intended to counteract unnecessary repairs and social dumping.

We cover alterations/facilitation for wheelchair users following accidents as standard in our home, cabin and household contents policies. We have also implemented a new and improved method to combat grey silverfish that provides more effective protection.

Motor
We have a number of initiatives that promote road safety and encourage safe and claim-free driving. Our bonus system rewards customers for safe and claim-free driving. We collaborate with the Norwegian Council for Road Safety (Trygg Trafikk) on projects focusing on young people, and Gjensidige's learner driving app enables young people to log their driving practice, and it rewards extensive training. The young people under this agreement receive a pay-out when they turn 23 as a reward for claims-free driving.

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

Some new products in 2019:

- Gjensidige's environmental insurance covers more than ordinary liability insurance. It covers expenses in connection with preventing and limiting losses, and environmental compensation pursuant to the Nature Diversity Act. The Act is intended to safeguard nature, landscapes and biological diversity.
- Drone insurance: Drones can be used more to replace human labour, to enable society to run more efficiently. This also reduces the risk of harm to people in that drones can carry out different types of reconnaissance work, e.g. in connection with fires.
- Insurance for farmed animals and plant cultures. The health of domestic animals and farmed animals in Norway is in a unique position, and the use of antibiotics is lowest in Europe. The World Health Organization has highlighted antibiotic resistance as one of the most serious challenges facing the world's population. Limiting the use of antibiotics is an important health measure, which is supported by the insurance product.

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

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

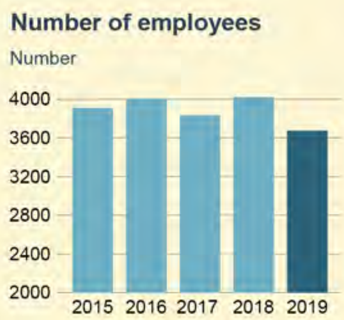
Life and health insurance
Gjensidige will facilitate and encourage better health to increase the quality of life and prevent illness. Customers can use our services without necessarily having sustained a loss that warrants compensation. The services are available 24/7, and make day-to-day life easier for customers. The work is supported by our cooperation with highly skilled suppliers that offer various services:

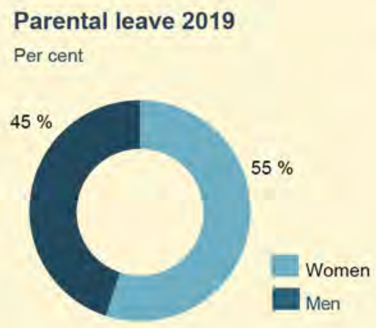
- No Isolation: Children who cannot attend school because of illness can borrow the classroom robot AV1. The robot is the child's eyes and ears in the classroom and enables the child to attend classes via a tablet or mobile phone.
- Braive: Braive is a service developed by psychologists that gives customers the tools to master mental health challenges and thereby improve their mental health. The self-help programmes are adapted to the customer's challenges and needs, and are recommended based on a health check.
- Eyr: Online Doctor is a service whereby customers can receive medical assistance on their mobile phone without having to visit their regular GP.
- Lifekeys: Online service offering video and phone consultations with authorised psychologists.
- SOS International: Round-the-clock service that customers can phone when their public health centre or doctor's surgery is closed.

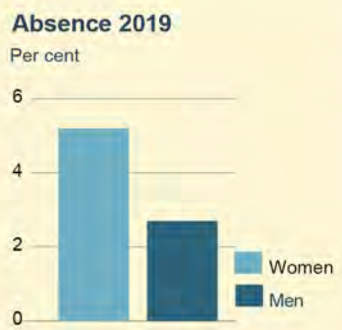
Effect of our efforts – engaged employees

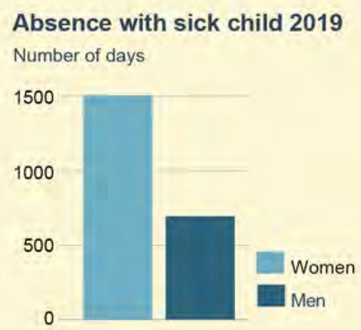
We wish to develop an organisation in which diversity characterises our activities and generates new ideas and perspectives in the work to achieve a more sustainable society. We want our employees to be engaged and motivated, and we encourage them to give feedback on what works well and what areas could be improved, in our annual employee satisfaction survey. Read more about our work in 'Engaged employees'.

Employee satisfaction in 2019 shows an overall engagement score of 8.0 (scale 0-10), which is considered to be very good. Gjensidige is in total score among the 25 percent best in the financial industry in Peakon's benchmark.









There is a strong focus on diversity in Gjensidige, and one of the elements of this work is to achieve a good gender balance overall. In 2019, the total work force included 47 per cent women (unchanged from 2018), and the proportion of women in executive positions was 37.8 per cent at year-end 2019, a decrease of 0.8 percentage points from 2018.

Gender balance Top management in Norway, Sweden and Denmark	**Age** Below 39 years Women/ men	**Age** 40-50 years Women/ men	**Age** Above 50 years Women/ men
Number	4/11	16/23	8/28
Per cent	26.7	41.0	22.2

Gjensidige maintains a strong focus on equal pay for equal work. Ratio of women's salary to men's in 2019:

- Total for all employees: 85.3 per cent.
- On the corporate management team: 94.3 per cent
- Management level 2: 94.2 per cent in Norway, 85.6 per cent in Denmark, 83 per cent in Sweden and 101.2 per cent in the Baltics.

Averge salary employees (NOK)	Women	Men	Womens salary in per cent of mens salary
Group management	2,784,743	2,952,293	94.3 %
Other managers	1,076,864	1,143,235	94.2 %
Employees	537,051	622,804	86.2 %
Average	605,999	710,768	85.3 %

Two meetings of the Diversity and Inclusion committee (formerly Equality committee) were held to give employees an opportunity to influence the work. Other measures to raise awareness of diversity in 2019 included:

- A Diversity Day event to raise awareness among employees and managers about the importance of diversity to value creation.
- We have entered into a cooperation agreement with NAV to ensure that people with gaps in their CVs are considered for vacancies with us. We also have placements and temporary positions for participants on job creation programmes through NAV, and permanent employees who receive subsidies.
- We have initiated a collaboration with the Norwegian Olympic and Paralympic Committee on temporary positions (20 per cent of full-time) for athletes.

Sickness absence in the Group was 3.9 per cent in 2019 (4 per cent in 2018). We give high priority to giving our employees good working conditions, and conducted a total of

- 6 Healtcare, security and environment (HSE) audits in 2019; 2 in Norway, 2 in Sweden and 2 in Denmark
- Number of reported potential occupational injuries: 20
- All new managers took part in courses on HSE in Norway, Sweden and Denmark

Attracting and retaining highly competent employees is important to maintain profitability over time. Effect of measures in 2019:

- Universum ranked Gjensidige as Norway's most attractive employer in the insurance industry in 2019.
- The Gjensidige Customer and Brand School held 5,500 course days in 2019 (5,982 in 2018).
- E-learning plays an increasingly important role in the school's programmes. In 2019, a total of 19,592 e-learning courses were completed in Norway, Sweden and Denmark.
- We had 24 students in the internship scheme in Norway in 2019, compared with 22 in 2018. In Denmark we engaged 100 students as part of their educations and 1 in Sweden.
- A trial project called 'Summertech' was carried out in 2019, which was an employer branding initiative aimed at increasing the attractiveness of technical and analytical positions. Summertech gives 5–7 students an opportunity to prepare a prototype through the Sprint Method, a five-day process for coming up with a solution to a genuine problem in the organisation. The project was a collaboration with the trade union Tekna and the Norwegian Cancer Society, both partners of Gjensidige. The project was a success and will become an annual event.

Freedom of organization is an important principle for Gjensidige. A large proportion of our employees are covered by collective wage agreements.

- In 2019, 96 per cent of the Company's employees in Norway were covered by collective agreements (90 per cent in 2018). In Denmark, 89 per cent of our employees were covered by collective agreements (80 per cent in 2018), and in Sweden 100 per cent.
- The proportion of organised employees was 59 per cent in Norway and 50 per cent in Denmark.

Effect of our efforts – social commitment

The level of activity was also high in 2019 in terms of our social commitment both as a sponsor and in other arenas. Our activities are described in the chapter 'Our social commitment'.

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

In 2019, we entered into an agreement with Karsten Warholm, the World Champion hurdler who was named Men's European Athlete of the Year by European Athletics in 2019. This is Gjensidige's first individual sponsorship agreement.

In Sweden, we are the main sponsor of the Swedish Tennis Association, the Swedish Handball Association and the Swedish Ice Hockey Association, including the men's national ice hockey team, nicknamed 'Tre Kronor'.

In Denmark, we are the title sponsor of the top division in women's football, Gjensidige Kvindeliga.

Gjensidige is the main sponsor of and organises Baltic hiking events in Latvia and Lithuania, and has sponsored the Žalgiris basketball club in Lithuania since 2010.

The employees decided to give the Christmas donation for 2019 to the Norwegian Cancer Society.

A total of 225 employees joined famous athletes in the Holmenkollstafetten running event in support of the fight against cancer in 2019.

Gjensidige has supported the Church City Mission's work through the 'neighbourhood initiative', and employees from all over Norway took part in the knitting campaign for a warmer society.

Gjensidige also cooperates with the City of Oslo to assist in the work integration of refugees, and one person was employed through the scheme in 2019 (one in 2018).

Effect of our efforts – good corporate governance

Gjensidige is concerned with protecting the Company's assets and ensuring correct pricing of risk. Our customer promise is important, and information security was given high priority also in 2019, to ensure that we maintain our customers' trust, the Group's reputation and our competitiveness. See the chapters 'Code of Conduct' and 'Risk – the core of our business' for a description of our activities.

Risk management

Considerable attention has been devoted to the possible consequences of climate risk in 2019. Gjensidige entered into cooperation with the Norwegian Computing Centre to obtain new insight into how climate change can affect the risk situation, and the need for new measures to reduce the risk going forward.

A sustainability council was established in 2019, chaired by the Sustainability Director. The purpose is to ensure that climate risks are understood and monitored throughout the Group.

Local taxes paid (NOK Millions)

Taxes per country	Paid tax	Employer's tax
Norge	720.6	318.3
Danmark	74.6	123.6
Sverige	1.1	52.9
Baltikum	1.6	11.6

Customer complaints

The Financial Services Complaints Board received 259 complaints from Gjensidige customers in the first nine months of the year. This accounted for approximately 9 per cent of the complaints received by the Board. The corresponding figure for the same period in 2018 was 297 complaints, or 12 per cent. By comparison, Gjensidige's market share was approximately 25 per cent.

- Of the cases reported to the Financial Services Complaints Board, the Board found in favour of the customer in whole or in part in 21 per cent of the cases in 2019, compared with 18 per cent in 2018. A high percentage could indicate a high threshold for succeeding with a complaint internally in Gjensidige.
- Comparable statistics are not available for Sweden and Denmark, partly because of different statistics procedures and partly because of low market shares. We consider the number of complaints to be acceptable also in these countries, but constantly work to reduce the number nonetheless.

Reducing carbon intensity

We have set ambitious goals for our sustainability work and are working on measures to reduce our own climate footprint and ensure more sustainable claim settlements.

Gjensidige's focus areas	SDG	Sustainability goal	Status of measures 2019
Sustainable claims settlements Our purchasing policy applies to the whole Group and requires deliveries to be sustainable. We use our purchasing power to exert influence, and, in continuous dialogue with our most important suppliers, we ensure that sustainable solutions are chosen.	3, 8, 11, 12, 13	Gjensidige will help to reduce our customers' climate footprint. Our claims settlements shall be sustainable by 2030. We will achieve this by means of concrete measures, dialogue with customers and by supporting the circular economy.	**What we have achieved:** • Implemented climate accounts in claims processes as the basis for decisions, using the model for measuring material consumption as the basis for following up the carbon intensity in claims processes. • Implemented tools for supplier follow-up of sustainability requirements and compliance with the Global Compact principles. • Contributes with 3,183 tonnes of aluminium and 6,487 tonnes of steel for recycling following condemnations • Reviews of the 20 biggest suppliers representing 36 per cent of total procurements. **New measures going forward** • Increased focus on reuse and the circular economy and reducing waste in cooperation with suppliers. • Further developing our carbon emissions model and contributing to reducing carbon emissions. • Increased focus on reuse and the circular economy in product development and claims processes to reduce carbon intensity. **Read more below and on page 80**
Reduce our own climate footprint Insurance is a knowledge business that does not directly affect the environment to any extent. However, we can help to achieve a more sustainable society by reducing our own climate footprint and use our market power in relation to our suppliers and in our investments.	11, 12, 13	We will keep reducing our climate footprint and aim to become a climate neutral business by 2030.	**What we have achieved:** • Certified as an Eco-Lighthouse in Norway. • Partnership with food waste initiative ('Kutt matsvinn') in our canteens. • Reduced air travel for employees in Denmark and Sweden, while slight increase in Norway. • Recycling of 80 per cent of computers in accordance with agreement with subcontractor. **New measures going forward** • Reducing workload for employees and environmental impact through less travel. • Energy efficiency in focus when choosing new premises. **Read more below and on page 80**
Digital transformation Digitalisation provides new possibilities and threats. The sharing economy, block-chain and synthetic biology are examples of areas where technology will affect the environment, health and sustainable cities. We are keen to use new technologies in our work to achieve a more sustainable customer dialogue and new products.	3, 11, 13	Establish market-leading digital advisory and support services that ensure efficient customer services and provide information about sustainable solutions for our customers in all countries we operate in by 2025. Ninety-five per cent of our customers shall be 'paperless' by 2025.	**What we have achieved:** • Gjensidige voted best digital insurance company in a survey carried out by BearingPoint in 2018 and 2019. • The percentage of 'paperless' customers was 77 per cent at the end of 2019 (73 per cent in 2018). • Share of digital sale in Private Norway: 16.4 per cent • Share of digitally reported claims in Norway: 73 per cent **New measures going forward** • Further develop our digital solutions pursuant to diversity and universal design requirements. • Further develop our digital advisory services to ensure efficient customer service, and self-service solutions to improve customer experiences and increase efficiency. **Read more below and on page 28**

Effect of our measures – Sustainable claims settlements

Claims are settled either in the form of cash compensation or by repairing the damage with the help of our suppliers, which involves the consumption of materials and where we as a company become liable for the residual value. Our claims expenses also include elements of recourse (compensation from others when we settle a claim on behalf of our customers, but where others are liable for the loss). Sustainable claims settlements mean that we shall ensure a higher degree of reuse and promote the circular economy, but also contribute to good working conditions among our suppliers.

In 2019, we established a starting point for measuring CO_2 equivalents (CO_2e) based on our model for estimating consumption of materials in motor and property claims. The biggest climate footprint in our claims processes is driven by motor insurance. The CO_2e related to waste is limited, reflecting the fact that our agreements with car dismantlers are conditional on a very high degree of recycling of materials. Furthermore, vehicle condemnations are settled in cash, which means they are not currently within our scope of influence.

We will continue to develop our models for consumption of materials and use these climate accounts to continue working on selecting materials that help to reduce the CO_2e of our claims processes.

Climate accounts, claims processes

KPI 2019: 1.7 [1]

Tonnes CO_2e/ NOK million earned premiums

[1] Scope 3 – other indirect emissions: Claims-related carbon intensity; see description of methods on page 81

Goal

Reduce claims-related carbon intensity[1] relative to earned premiums year by year.

[1] Given CR within the stipulated range, which reflects a normal claims year

Climate accounts, claims processes – emissions for each country and scope

Scope 3 Material consumption per product	Unit	Norway	Sweden	Denmark	Total
Property	Tonnes	6,046	61	865	6,972
	CO_2e tonnes	7,378	52	558	7,988
Motor	Tonnes	3,679	637	1,267	5,583
	CO_2e tonnes	21,811	3,736	7,794	33,340
Total	Tonnes	9,725	698	2,132	12,555
	CO_2e tonnes	29,189	3,788	8,352	41,328

Scope 3 Waste in claims processes	Unit	Norway	Sweden	Denmark	Total
Property	Tonnes	7,020	58	859	7,937
	CO_2e tonnes	150	1	18	170
Motor	Tonnes	8,258	1,722	2,814	12,793
	CO_2e tonnes	184	38	62	284
Total	Tonnes	15,278	1,780	3,672	20,730
	CO_2e tonnes	335	39	80	454

Applied DEFRA (2019) Greenhouse gas reporting: conversion factors 2019. Department for Business, Energy & Industrial Strategy, and NVE (2018) Electricity disclosure 2018. The Norwegian Directorate of Water Resources and Energy. Material consumption and waste from claims processes in the Baltics is not included. IEA GHG-codes have been used for electricity consumption outside of Norway.

It would be preferable to increase the use of used parts. Used parts are most widely used in the Baltics, and least in Norway. Spare parts will never be older than the car to be repaired, and safety is always an absolute precondition

Re-use of materials		Norway	Sweden	Denmark	Baltics
Share of used spare parts motor of total repairs	Per cent	1.2	12.5	3.1	38.0

Footprint from waste is relatively small. This is primarily due to condemned cars being sold to recyclers, who recycle usable materials so that they can be used in new products. Gjensidige cooperates with recyclers who do this job.

Waste from damages resulting from water and fire are handled with the assistance of our partners, with strict requirements as to compliance with environmental regulation.

Circular materials		Norway	Sweden	Denmark	Total
Aluminium	tonnes	2,043	409	730	3,183
	CO_2e tonnes	44	9	16	68
Steel	tonnes	4,098	968	1,422	6,488
	CO_2e tonnes	88	21	30	139

Follow-up of suppliers

New suppliers are required to produce a self-declaration stating that they comply with the 10 UN Global Compact Principles for sustainable business operations.

We have now implemented better sustainability screening of our suppliers and will use the results to ensure that measures are implemented to improve areas identified for improvement, including in relation to the environment, working conditions and satisfactory management and control.

The vast majority of procurements are made locally. This means that, as far as possible, our partners/suppliers are available in the area where a need has arisen or a loss occurred. No suppliers have been excluded due to screening, but all of them receive feedback on areas of improvements based on scores in the ESG status-reporting.

Key figures, procurements in 2019

Category	Proportion that underwent sustainability screening MNOK	Proportion of local procurements
Administration	1,624	22 %
Health	229	43 %
Property	1,671	69 %
Motor	2,378	21 %
Total	5,902	36 %
Total claims-related procurements	4,049	41 %

Effect of our environmental measures and CO_2e emissions

The Company has company cars that in 2019 contributed 307 tonnes of CO_2e. The Group's energy consumption in 2019 was 10,172 MWh. Most of our energy consumption is related to lighting, heating and computers. The energy carriers are electricity, which in Norway is almost exclusively based on hydropower, and district heating, which is largely based on waste incineration. No Guarantees of Origin were purchased for electricity. Approximately 59 per cent of the electricity was consumed in Norway.

Air travel is the Company's other main source of CO_2e, which contributed 1,915 tonnes of CO_2e in 2019.

Gjensidige did not cause illegal emissions or receive fines or other sanctions relating to the environment in 2019.

A supplier agreement has been established for the reuse of old computers, which includes the removal of old discs, and approximately 80 per cent of the computers are reused. Mobile phones are reused in the organisation as far as possible, and the rest are safely disposed of.

Climate accounts emissions, for each country and scope, excl. claims processes

Direct emissions

Scope 1	Unit	Norway	Sweden	Denmark	Baltics	Total
Petrol (company cars)	liters	32,959	5,400	7,800	42,092	88,251
Diesel (company cars)	liters	33,099	4,200	8,400	46,021	91,720
Total	CO_2e tonnes	97	27	57	126	307

Indirect emissions

Scope 2	Unit	Norway	Sweden	Denmark	Baltics	Total
District heating	mwh	652		1,173	5	1,830
	CO_2e tonnes	115		207	1	322
Electricity without GOs	mvh	5,332	256	1,475	1,279	8,342
	CO_2e tonnes	101	5	233	91	430

Indirect emissions

Scope 3	Unit	Norway	Sweden	Denmark	Baltics	Total
Air travel	Number of flights	9,874	1,144	1,388	414	12,821
	CO_2e tonnes	1,479	135	202	98	1,915

Direct and Indirect emissions excluded claims processes per employee

Scope 1, 2 and 3 (travels)	Unit	Norway	Sweden	Denmark	Baltics	Total
CO_2 total	CO_2e tonnes	1,694	167	699	316	2,876
Number of employees	Number of employees	1,945	265	724	740	3,674
CO_2e tonnes/number of employees	Share	0.9	0.6	1.0	0.4	0.8

Applied DEFRA (2019) Greenhouse gas reporting: conversion factors 2019. Department for Business, Energy & Industrial Strategy, and NVE (2018) Electricity disclosure 2018. The Norwegian Directorate of Water Resources and Energy. Material consumption and waste from claims processes in the Baltics is not included. IEA GHG-codes have been used for electricity consumption outside of Norway.

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Digital transformation

As in 2018 Gjensidige was named the most digital Norwegian Insurance company by the consulting company BearingPoint. This is the 4th year in a row that BearingPoint publishes the study «Digital leaders of Norway». The study analyses the digital maturity of 75 leading Norwegian companies, from a customer perspective. The study is based on 250 criteria divided in to four digital categories: digital marketing, digital product experiences, internet shopping and digital customer service.

Socially responsible investments

We make systematic efforts to ensure that the management of our investments contributes to a more sustainable world.

Gjensidige's focus areas	SDG	Sustainability goal	Status of measure
Gjensidige reserves considerable funds to secure payouts to customers who experience losses. Our investment strategy requires the business to be sustainable and is followed up continuously.		All investments will, as far as practically possible, be screened for breaches of our SRI policy, which is based on the UN Global Compact principles and the Inhumane Weapons Convention. All breaches must be followed up. All external fund managers must recognise the importance of the UN SDGs, and have a strategy for how they as fund managers can work to achieve one or more of these goals.	**What we have achieved** • More dialogue with and increased influence over external fund managers concerning ESG. • Investors sign up to CDP. • Implemented ESG assessments in all internal credit analyses. • Energy labelling of all buildings. BREEAM-NOR In-Use certification for two buildings. **New measures going forward** • Greater focus on external fund managers' strategies for implementing the UN SDGs. • Implementing measurement and reporting of greenhouse gas emissions from the investment portfolio. • Implementing scenario analytics in climate risk reporting. • Increased focus on environmental certification of the property portfolio. **Read more below and on page 41**

Effect of our efforts

In 2019, it was decided to exclude 36 companies from Gjensidige's investment portfolio, while 24 previously excluded companies were removed from the exclusion list. Three of the companies were removed from the list due to mergers and acquisitions, and the merged companies were subsequently excluded. The remaining companies were removed from the list due to changes in behaviour following pressure from investors, authorities and other stakeholders. At year-end 2019, a total of 103 companies had been excluded, compared with 91 companies at the start of the year. They break down as follows based on the reason for exclusion (a company can be excluded for several reasons):

Labour standards	Corruption	Human rights	The envir-onment	Wea-pons
7	13	26	23	40

Several factors affect the increase in the number of excluded companies. In the second quarter, Gjensidige changed its IT services provider from GES Investment Services to Sustainalytics. Seen in isolation, this led to 30 new companies being excluded and 10 companies being removed from the exclusion list. The remaining decisions on exclusion were made on the basis of company-specific circumstances.

In 2019, we contacted 11 external fund managers about 29 companies that were on our list of excluded companies. This dialogue resulted in a decision to sell three management mandates where our ESG requirements were not met, to sell the companies concerned (by the manager), to change investment mandates to include more stringent ESG requirements and to switch to another equivalent investment mandate with satisfactory guidelines.

Work has been conducted throughout the year to include an ESG assessment in all internal credit analyses. The work has previously focused on the ESG elements that had the greatest impact on our assessment of risk, emphasising corporate governance in particular. Now, all elements of ESG are assessed in each individual analysis. This means that climate risk affects all credit analyses carried out internally in Gjensidige.

Real estate investments are made through the real estate company Oslo Areal, a company that engages in property development in the Oslo area and invests in environmentally friendly buildings near public transport hubs. The company uses the BREEAM NOR environmental classification system for new buildings and complete restorations. In the course of the year the company sold one building without environmental certification. No new buildings were purchased. No properties have been recertified in 2019, but planning has been made of BREEAM In-Use certification of several properties in 2020. Oslo Areal is actively working with follow up of the 10 immediate measures in the property industry's road map towards 2050. In 2019 a seminar was held in cooperation with Green Building Alliance (Grønn Byggallianse) focusing on the goals in the road map. In addition, the project for alternative use of roofs with bee-hives has been successful, with production of 100 kilos of honey during the year. In the strategy for 2020 concrete targets for energy consumption, waste management and GHG reduction has been adopted, as well as measures to realise the targets.

Financial consequences of climate risk

The biggest financial climate risk for Gjensidige's investment portfolio is assumed to arise in the transition to a low-emission society where climate regulation, more stringent emission requirements, a different cost situation and changes in market preferences can affect the value of investments. At year-end 2019, the sector exposure of Gjensidige's investment portfolio broke down as follows:

Shares, bonds and other investment exposure	Percentage distribution
Financials	41.9 %
Property	17.0 %
Public administration	16.4 %
Energy	8.1 %
Industrials	4.4 %
Transportation, shipping and offshore	3.4 %
Services	2.7 %
Energy, oil and gas	0.8 %
Construction	0.2 %
Agricultural, forestry and fishing	0.1 %
Other	5.1 %
Total	**100.0%**

The table includes both direct investments in funds shares, derivatives and bonds. These have been classified using the industry classification standard (NACE). Directly owned property through Oslo Areal is included in property operations. Bank deposits are included in financial undertakings. Investments in Private Equity and loan funds are not included in the table.

Transition risk is considered to be highest in the oil and gas industry and parts of the electric utility industry. Oil and gas related business makes up 0.8 percent of the investment portfolio. In addition some 40 per cent of unquoted share investments are related to the oil and gas sector. The total exposure towards the sector is therefore some 1.7 per cent of the investment portfolio. In the category 'electric utilities', which makes up 8 per cent of the portfolio, Gjensidige is largely invested in bonds in Norwegian hydropower plants. We assume the climate risk associated with these plants to be considerably lower than in the rest of the sector. Transition risk will also depend on how quickly alternative backstop technologies, legislation and regulations develop.

Physical risks associated with Gjensidige's investments mainly concern properties in Oslo Areal. More specifically 18 properties, all in a central location in Oslo and Stavanger, which make up a considerable proportion of the investment portfolio. Although the properties are concentrated in the same geographical area, the physical risk is deemed to be low. The property investments are considered to be equipped to withstand transition risk, as a result of strict energy requirements and other regulations. The remaining part of the investment portfolio is deemed to be well diversified and does not entail any concentrated risk over and above systematic risk.

There is considerable uncertainty attached to these assessments, which are purely qualitative. In future reports, Gjensidige will endeavor to improve the qualitative assessment of financial climate risk by including scenario analyses. This will enable us to assess the effect of greenhouse gas concentrations in the atmosphere on Gjensidige's financial assets under different scenarios. Work is also being carried out to define quantitative targets for financial risk to support the qualitative assessment. This will make it possible to single out the positive opportunities associated with downside risks and more easily define degrees of risk exposure.

Carbon emissions from investment activities

By the end of 2019 there are still a considerable lack of data on carbon emissions. Less than 58 per cent of the companies in our share portfolio report emissions, and there is not available data for a sufficient amount of companies. This is especially challenging for bonds and unquoted investments. Gjensidige does not want to report information only for a narrow and unrepresentative part of the portfolio. Thus we will not report such figures before at least 75 per cent of the respective asset class is covered. When it comes to property investments Oslo Areal reports according to the GHG protocol. The last available reported emissions were 2,253 tonnes, or 13.2 kg/m^2 (figures for 2018, regarding properties owned for the whole year). The property portfolio of Oslo Areal makes up 9 per cent of Gjensidige's total investment portfolio. Gjensidige is actively seeking to influence fund managers and companies to improve reporting routines in this area. The goal is to report emissions for the whole portfolio in the annual report for 2020.

New measures

- Continuous efforts are made to improve existing processes and new measures in the area of socially responsible investments. We can exert the greatest influence through active dialogue on ESG criteria with our external fund managers and incorporate ESG requirements in the mandates we establish. This dialogue will concern, as well as investments in individual companies and investment mandates, their exercise of ownership, reporting of their environmental impact and other ESG perspectives in the underlying portfolio and their work on the UN Sustainable Development Goals. As illustrated, this work takes the form of setting criteria for and following up Gjensidige's direct investments and establishing requirements to be used by external fund managers and following up these mandates. Investments that to an even greater extent aim to resolve the current climate challenges through infrastructure investments in renewable energy are considered on an ongoing basis.
- Oslo Areal actively follows up the ten immediate measures of the property sector's roadmap towards 2050. Among other things, the company has assessed uses for the properties' roofs. Relevant measures include bee-hives and solar energy systems.
- Gjensidige is making active efforts to improve the measurement and reporting of greenhouse gas emissions in the investment portfolio. Combined with the implementation of scenario analyses, this will give us better insight into climate-related financial risk.
- Continuous efforts are made to further develop the method for assessing ESG criteria in internal credit analyses.

The result for the full year 2019 increased significantly compared with 2018, driven by gains on the sale of Gjensidige Bank, higher returns on financial assets, successful pricing measures, solid renewals, better weather conditions in Norway and good progress outside Norway. The Board proposes a dividend of NOK 12.25 per share, consisting of a regular dividend of NOK 7.25 and a special dividend of NOK 5.00.

Statement concerning the annual accounts

Gjensidige reports consolidated financial information pursuant to International Financial Reporting Standards (IFRS). In accordance with the requirements of Norwegian accounting legislation, the Board confirms that the requirements for the going concern assumption have been met and that the annual accounts have been prepared on this basis. The preparation of the accounts and application of the chosen accounting principles involve using assessments and estimates and necessitate the application of assumptions that affect the carrying amount of assets and liabilities, income and expenses. The estimates and the pertaining assumptions are based on experience and other factors. The uncertainty associated with this means that the actual figures may deviate from the estimates. Insurance liabilities in particular are associated with this type of uncertainty.

Gjensidige Forsikring Group recorded a profit before tax expense of NOK 7,753.8 million (4,265.0) for the year. The sale of Gjensidige Bank was completed on 1 March, with proceeds of approximately NOK 5.6 billion and a gain for the Group of NOK 1.6 billion recorded in the first quarter. The profit before tax expense excluding this gain was a record high NOK 6,173.5 million.

The profit from general insurance operations measured by the underwriting result was NOK 4,036.4 million (3,605.8), corresponding to a combined ratio of 83.6 (85.0).

The return on financial assets was 4.1 per cent (1.5) or NOK 2,306.4 million (820.9).

The tax expense amounted to NOK 1,197.6 million (883.5), resulting in an effective tax rate of 15.4 per cent (20.7). The effective tax rate was impacted by the sale of shares in Gjensidige Bank and other realised and unrealised gains and losses on equity investments in the EEA.

The profit after tax expense from continuing and discontinued operations was NOK 6,593.8 million (3,716.4) and the corresponding earnings per share were NOK 13.19 (7.44).

Earned premiums from general insurance increased to NOK 24,650.4 million (24,052.8) for the full year. The underwriting result increased due to price increases, adjustments to terms and conditions, re-underwriting and efficiency measures in addition to more favourable weather conditions in Norway compared to the previous year. The underlying frequency loss ratio improved by 3.8 percentage points. Lower large losses also contributed to the improved results, although they were offset by significantly lower run-off gains. Updated reserve reviews carried out during the fourth quarter of 2018 revealed NOK 1,080 million higher excess claims reserves than previously anticipated. This increase in the excess reserves was released in its entirety in the fourth quarter of 2018, in addition to other run-off gains, resulting in total run-off gains for the full year 2018 of NOK 2,356.9 million. This compared to run-off gains of NOK 1,363.2 million in 2019.

The 12-month rolling underlying profitability of the motor insurance line in Norway reached a turning point during the first quarter and continued to improve through the rest of the year to a satisfactory level as a result of effective profitability measures.

Earned premiums in the Private segment increased by 1.3 per cent. The underwriting result increased due to improvement in the underlying profitability of the motor insurance line and more favourable weather conditions.

Earned premiums in the Commercial segment increased by 7.4 per cent due to increased prices, which together with an improved underlying frequency loss ratio that was partly due to more favourable weather conditions, led to an increase in underwriting results.

The Danish segment recorded a decrease of 1.2 per cent in earned premiums measured in local currency. The underwriting result improved mainly due to a lower underlying frequency loss ratio.

Earned premiums in the Swedish segment were down 9.8 per cent measured in local currency. The underwriting result decreased mainly due to lower earned premiums, partly offset by an improved underlying frequency loss ratio.

Earned premiums in the Baltic segment increased by 1.8 per cent measured in local currency. The underwriting result was lower than the previous year, mainly driven by a higher underlying frequency loss ratio.

The Pension segment generated a higher profit for the full year, driven by a growing customer portfolio and increased assets under management.

Gjensidige Bank was recorded as a discontinued operation until the closing of the sale on 1 March 2019. The profit after tax expense in the first two months of the year was NOK 37.6 million (334.9 for 2018).

The return on financial assets was higher than the previous year, with positive contributions from all asset classes.

Expenses for research and development have not been charged to income in Gjensidige's consolidated accounts in 2019 or 2018. Nor have such expenses been capitalised during these two financial years.

Important events in 2019

Completed the sale of Gjensidige Bank and established cooperation with Nordea

In 2018, Gjensidige Forsikring entered into an agreement on selling Gjensidige Bank to Nordea. The sale was carried out in the first quarter 2019 and resulted in proceeds of approximately NOK 5.6 billion. At the same time, the parties entered into mutual cooperation on the distribution of banking and insurance services in Norway aimed at private customers. The partnership has got off to a good start, driven by partners with strong brands and compatible business cultures. Both parties' presence in important customer processes will be strengthened with a relevant, diverse and attractive product portfolio. Both Gjensidige and Nordea have high digital ambitions, and are working to offer customers seamless, integrated digital solutions. Towards the end of the year, the partnership was also expanded to include the commercial segment, where there is great potential, especially for SME customers.

Strong reputation

Gjensidige has a strong reputation and brand in Norway. For the 28th year in a row, Ipsos has conducted a profile survey that maps the population's attitudes to large Norwegian companies. Once again, Gjensidige had the best reputation in the financial sector, and came in 6th place overall. We also had the best reputation in the category 'corporate social responsibility and ethics' in the financial sector.

New core system

Gjensidige is in the process of developing a new core system for general insurance. A new joint group core system will provide better opportunities for the business segments to share best practices, to develop new products and price models more quickly, and will make it easier to establish ecosystems of products and services in cooperation with other players. The new core system will also help to increase cost-efficiency and secure our competitiveness also in the longer term. The investment in the new core system is expected to be managed in line with the current cost ratio target.

We started implementation in Denmark in 2019, and we expect the system to be taken into use there towards the end of 2020.

Unique customer dividend model in Norway

The arrangement whereby Gjensidige's biggest owner, Gjensidigestiftelsen, pays dividend to our customers, is unique. Every year since the Company was listed on the stock exchange, Gjensidige has paid customer dividend to its Norwegian general insurance customers based on how much they pay in insurance premiums. During this period, customers have received an annual amount corresponding to 11–16 per cent of their premium. We measure customers' awareness of the customer dividend on an ongoing basis. At year-end 2019, 87 per cent of customers were aware of the customer dividend model and more than 74 per cent stated that the model contributed to their wanting to continue as customers. Awareness of the customer dividend system among potential customers was 61 per cent.

Capital and balance sheet optimisation

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

In April 2019, a dividend of NOK 3,550.0 million was distributed based on the profit for 2018, in line with a dividend policy that aims for a high and stable nominal dividend. The Board proposes a dividend of NOK 6,125.0 million for the 2019 financial year. This corresponds to NOK 7.25 per share in dividend based on the profit for 2019, and NOK 5.00 per share representing the distribution of excess capital.

At year-end 2019, the remaining capacity to issue Tier 1 loans amounted to between NOK 2.5 and NOK 3.1 billion. It is not Gjensidige's ambition to fully utilise this capacity, but it will consider the possibilities for issuing further loans contingent on satisfactory market terms. The capacity to issue Tier 2 loans was fully utilised. In addition, other balance sheet and capital optimisation measures will be continuously assessed.

Simplified structure

Nykredit and Mølholm were merged with Gjensidige Forsikring with accounting effect from 1 January 2019, and are now part of Gjensidige's Danish branch. This has resulted in a simplified structure and enables more cost-effective operations.

Good cooperation with partners

Gjensidige has many years' experience of partnership agreements. Distribution in cooperation with our partners is an important part of the business model in all the Group's geographic locations and segments. Our partnership agreements are usually structured so that the customer dialogue takes place directly with Gjensidige. Gjensidige works closely with its strategic partners, and good management of partnership agreements will be given priority also in the time ahead.

The Norwegian Society of Engineers and Technologists (NITO), which we have cooperated with for many years, decided not to renew its agreement, with effect from 1 January 2019. As expected, this has resulted in the loss of some customers, although limited in that we still have a direct customer relationship with individual customers. Towards the end of 2019, Gjensidige entered into agreements with both the fitness chain SATS and Volkswagen Møller Bilfinans. The agreements underpin Gjensidige's business model and offer new and exciting opportunities in different geographic locations and segments.

In the commercial segment, Gjensidige has a number of organisational and chain agreements with industry associations and individual companies. The agreement with the Norwegian Famers' Union was renewed in 2019, continuing a partnership that has lasted for more than 60 years.

Profit performance Group

NOK millions	2019	2018
General Insurance Private	2,025.1	1,934.8
General Insurance Commercial	1,729.8	1,548.2
General Insurance Denmark	599.3	434.5
General Insurance Sweden	75.9	78.2
General Insurance Baltics	60.9	68.5
Corporate Centre - costs related to owner	(317.7)	(379.1)
Corporate Centre - reinsurance [2]	(136.9)	(79.3)
Underwriting result general insurance [1]	**4,036.4**	**3,605.8**
Pension	196.9	166.6
Financial result from the investment portfolio [1]	2,306.4	820.9
Amortisation and impairment losses of excess value – intangible assets	(256.4)	(264.6)
Other items	1,470.5	(63.8)
Profit/(loss) before tax expense [3]	**7,753.8**	**4,265.0**
Alternative performance measures		
Large losses [4]	635.0	954.7
Run-off gains/(losses) [5]	1,363.2	2,356.9
Loss ratio [1]	68.9%	69.8%
Underlying frequency loss ratio [1]	67.8%	64.9%
Cost ratio [1]	14.7%	15.2%
Combined ratio [1]	83.6%	85.0%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

[2] Large losses in excess of NOK 30.0 million are charged to the Corporate Centre, while claims of less than NOK 30.0 million are charged to the segment in which the large losses occur. As a main rule, the Baltics segment has a retention level of EUR 0.5 million, while the Swedish segment has a retention level of NOK 10 million. Large losses allocated to the Corporate Centre amounted to NOK 163.4 million (202.9) for the year as a whole and NOK 84.9 million (39.5) in the quarter. Accounting items related to reinsurance are also included.

[3] The profit before tax expense is presented for the continuing operation (excluding Gjensidige Bank).

[4] Large losses = loss events in excess of NOK 10.0 million. Large losses for the quarter were NOK 300.0 million.

[5] Underlying frequency loss ratio = claims incurred etc. excluding large losses and run-off gains/(losses) divided by earned premiums

Financial position and capital base

The Group's consolidated statement of financial position at year-end 2019 was NOK 112,405.9 million (156,762.9). This decrease was mainly due to the sale of Gjensidige Bank.

The Group's equity amounted to NOK 26,192.2 million (23,845.2) at the end of the year. The return on equity was 28.2 per cent (17.3). Excluding the NOK 1.6 billion gain on the sale of Gjensidige Bank, the return on equity was 22.6 per cent. The solvency margins at the end of the year were:

- Approved Partial Internal Model1: 206 per cent
- Own Partial Internal Model2: 250 per cent

The solvency margins are calculated net of the NOK 6,125.0 million kroner in dividend proposed by the Board.

The guarantee scheme provision is treated as a liability in accordance with instructions from the Financial Supervisory Authority of Norway. In Gjensidige's opinion, special Norwegian provisions that are actually an equity element should be treated as solvency capital. Gjensidige will continue to make endeavours to ensure that the regulations are in line with this view.

Gjensidige has an 'A' rating from Standard & Poor's.

Off-balance sheet commitments and derivatives

As part of the Group's investment activities, an agreement has been entered into for the investment of up to NOK 590.5 million (702.2) in loan funds with secured loans and various private equity and property fund investments, in addition to the amounts recognised in the balance sheet. In addition, Oslo Areal has a credit facility of a total of NOK 4 billion, of which NOK 2.4 billion (2.5) had been utilised as of 31 December 2019.

1 Regulatory approved partial internal model
2 Partial internal model with own calibration

Cash flow

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

The net cash flow from operational activities was negative in the amount of NOK 1,235.7 million (negative 1,891.7) in 2019. The negative cash flow in 2019 can largely be ascribed to settlements for financial securities. Similar explanation for the cash flow in 2018 is a considerable decline in deposits from customers in banking operations.

The net cash flow from investment activities mainly consists of payments made/received in connection with the acquisition of subsidiaries and associated companies, owner-occupied property, plant and equipment, plus dividend from associated companies and joint ventures. The net cash flow from investment activities in 2019 was NOK 4,823.4 million (negative 438.3). The considerable increase is due to the proceeds from the sale of Gjensidige Bank.

The net cash flow from financing activities mainly consists of payments made/received in connection with external debt financing and the payment of dividend to shareholders. The net cash flow from financing activities in 2019 was negative NOK 4,002.0 million (2,492.5). The negative cash flow in 2019 is due to payment of dividend. The dividend in 2018 was on the same size, but higher loans from financial institutions in the banking operations was considerably higher than the dividend.

Goal attainment – financial targets

The Gjensidige Group's financial and solvency targets were reviewed in connection with the annual Own Risk and Solvency Assessment (ORSA) process. A new target range for the solvency margin, based on the Partial Internal Model (both the regulatory approved model and the model with internal calibration) was set at 150-200 per cent. This range supports both rating ambitions and the necessary financial flexibility for the Group. The remaining financial targets remained unchanged.

Metric	Target	Delivered 2019
Combined ratio [1]	86-89 % [2]	83.6 %
Cost ratio [1]	<15 %	14.7 %
Solvency margin (PIM)	150-200 %	206%
ROE after tax [1]	>20 % [3]	28.2/22.6 %[5]
UW result outside Norway	NOK 750 million (in 2022) [4]	NOK 494 million
Dividends	Nominal high and stable Payout ratio >80 % over time	NOK 12.25 per share, 72 % pay-out [6]

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group Q4 2019.
[2] Assuming annual run-off gains ~NOK 1 billion through 2022. Corresponds to 90-93 per cent given zero run-off gains post 2022.
[3] Corresponds to >16 per cent given zero run-off gains post 2022
[4] Excluding run-off
[5] Excluding gain on sale of Gjensidige Bank
[6] Regular dividend divided by net profit adjusted for the gain from the sale of Gjensidige Bank

All annual financial targets were met in 2019:

Return on equity was 28.2 per cent. Excluding the 1.6 billion in gains on the sale of Gjensidige Bank, return on equity was 22.6 per cent – both higher than the target.

The combined ratio was 83.6 per cent – significantly better than the target range of 86-89, driven by strong operations in Norway and progress outside Norway. Low large losses and high run-off gains also contributed positively.

The full-year cost ratio was 14.7 per cent. Adjusted for the Baltics segment, it was 14.0 per cent

Gjensidige has a solid capital position with a year-end 2019 solvency margin at 206 per cent, adjusted for the proposed dividend of NOK 6,125.0 million.

Results from operations outside Norway progressed well during the year. Underwriting result excluding run-off gains amounted to NOK 493.8 million in 2019 and is advancing well towards the 2022 target of NOK 750 million.

The main measures to achieve the target are centered around analytics, digitalisation and automation of customer interaction and processes. This will lead to improved CRM, tariffs, sales effectiveness, which in turn will result in more satisfied customers, improved competitiveness and a lower cost level.

Goal attainment - operational targets

Metric	Status 2019	Target 2022
Customer satisfaction (CSI)	78	> 78, Group
Customer retention	90 per cent	> 90 per cent, Norway
	80 per cent	> 85 per cent, outside Norway
Sales effectiveness	+ 8.5 per cent	+ 10 per cent, Group
Automated tariffs	42 per cent	100 per cent, Group
Digital claims reporting	73 per cent	80 per cent, Norway
Claims straight-through processing	15 per cent	64 per cent, Norway
Claims cost	NOK 212 million	Reduce by NOK 500 million, Group

Operational targets are important to improve the competitive position and ensure future profitability for Gjensidige.

Group customer satisfaction and customer retention in Norway remained at a high level. Retention in Private declined somewhat as a result of the significant pricing measures and the termination of the NITO agreement with effect from 1 January 2019. The development improved during 2019 with due to a strong competitive position and a lower impact from the termination of the NITO agreement. Retention for the Commercial segment remained unchanged despite implementation of significant pricing measures.

Retention outside Norway improved somewhat and efforts to improve this further will continue going forward.

Sales effectiveness increased significantly during 2019, with all segments showing improvement. The positive trend in Private mentioned above was the main driver of the increase, although all segments recorded higher sales effectiveness. Outside Norway, lower distribution cost was the main driver of improved sales effectiveness.

The share of automated tariffs increased as further products and insurance covers were included in this new methodology, allowing for significantly faster response to changing market dynamics. The largest insurance products in Norway were included by year-end 2019. Efforts will continue to add all products relevant for tariffs in the methodology within 2022.

Digital claims reporting increased during the year due to ongoing efforts to improve both the customer experience with the digital solutions as well as effective measures aimed at increasing customers' motivation to report claims online. The share of claims handled fully automatically increased during the year although the figure at the end of 2019 was somewhat lower than earlier during the year due to seasonality of type of claims.

Costs related to claims processes were reduced by NOK 212 million in 2019 compared with 2018, driven by improvements in procurement, steering and method, insurance fraud and process optimisation.

General insurance Private

The underwriting result was NOK 2,025.1 million (1,934.8). Lower run-off gains were more than offset by the improvement in the underlying profitability of the motor insurance line and more favourable weather conditions. The combined ratio was 77.2 (77.9).

Earned premiums increased to NOK 8,872.4 million (8,762.5), mainly due to price increases for motor and property insurance. Price increases were implemented for all main product lines. The number of insured objects within motor and property insurance declined somewhat compared with the same period the previous year, both as a result of the ongoing pricing measures and because of the previously announced termination of the NITO partner agreement with effect from 1 January 2019. The trend improved during the year, however.

Claims incurred amounted to NOK 5,682.6 million (5,720.7). The loss ratio improved to 64.0 (65.3), primarily driven by a 3.7 percentage point improvement in the underlying frequency loss ratio. A positive effect from lower large losses was more than offset by lower run-off gains. Both the motor and property insurance lines showed improved profitability, reflecting the difference in weather conditions. The profitability of the motor insurance line also reflected significant pricing measures and adjustments to terms and conditions in response to claims inflation. The negative 12-month rolling underlying profitability trend for motor, excluding the extraordinary weather effects in the previous year, reached a turning point during the first quarter 2019 and continued to improve to a satisfactory level in subsequent quarters.

Operating expenses amounted to NOK 1,164.7 million (1,106.9) The cost ratio was 13.1 (12.6).

Profit performance Private

NOK millions	2019	2018
Earned premiums	8,872.4	8,762.5
Claims incurred etc.	(5,682.6)	(5,720.7)
Operating expenses	(1,164.7)	(1,106.9)
Underwriting result	**2,025.1**	**1,934.8**
Amortisation and impairment losses of excess value – intangible assets	(26.6)	(17.5)
Large losses [1]	38.9	142.2
Run-off gains/(losses) [1]	467.3	787.2
Loss ratio [1]	64.0%	65.3%
Underlying frequency loss ratio [1]	68.9%	72.6%
Cost ratio [1]	13.1%	12.6%
Combined ratio [1]	77.2%	77.9%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

General insurance Commercial

The underwriting result was NOK 1,729.8 million (1,548.2). Lower run-off gains were more than offset by higher earned premiums and an improved underlying frequency loss ratio, partly due to more favourable weather conditions. The combined ratio was 78.8 (79.6).

Earned premiums increased to NOK 8,164.1 million (7,603.3), reflecting pricing measures and solid renewals. All the main product lines recorded higher premiums. The overall portfolio quality is solid, reflecting good risk selection and risk pricing.

Claims incurred amounted to NOK 5,608.6 million (5,182.8). The loss ratio increased to 68.7 (68.2), reflecting significantly lower run-off gains, a 6.1 percentage point improvement in the underlying frequency loss ratio and lower large losses. The underlying frequency loss ratio decreased as a result of effective pricing and re-underwriting measures and improved weather conditions. The improvement in profitability was mainly in the property insurance line.

Operating expenses amounted to NOK 825.7 million (872.3), corresponding to a cost ratio of 10.1 (11.5) The decrease was mainly due to higher earned premiums and continued efficient operations.

Profit performance Commercial

NOK millions	2019	2018
Earned premiums	8,164.1	7,603.3
Claims incurred etc.	(5,608.6)	(5,182.8)
Operating expenses	(825.7)	(872.3)
Underwriting result	**1,729.8**	**1,548.2**
Large losses [1]	355.4	523.9
Run-off gains/(losses) [1]	617.0	1,268.4
Loss ratio [1]	68.7%	68.2%
Underlying frequency loss ratio [1]	71.9%	78.0%
Cost ratio [1]	10.1%	11.5%
Combined ratio [1]	78.8%	79.6%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

General insurance Denmark

The underwriting result was NOK 599.3 million (434.5). The increase was mainly driven by a lower underlying frequency loss ratio. The combined ratio was 87.9 (91.1).

Earned premiums amounted to NOK 4,960.1 million (4,904.6). Measured in local currency, earned premiums decreased by 1.2 per cent, as a result of price increases and re-underwriting for the commercial lines and for selected private lines.

Claims incurred amounted to NOK 3,642.0 million (3,766.2). The loss ratio improved to 73.4 (76.8), mainly driven by a 3.7 percentage point decrease in the underlying frequency loss ratio. The decrease in the underlying frequency loss ratio reflects improvement in the profitability of private and commercial lines as a result of the ongoing pricing measures.

Operating expenses amounted to NOK 718.8 million (704.0). The cost ratio was broadly stable at 14.5 (14.4), despite the development in earned premiums, due to continued focus on operating efficiency.

Profit performance Denmark

NOK millions	2019	2018
Earned premiums	4,960.1	4,904.6
Claims incurred etc.	(3,642.0)	(3,766.2)
Operating expenses	(718.8)	(704.0)
Underwriting result	**599.3**	**434.5**
Amortisation and impairment losses of excess value – intangible assets	(142.9)	(159.0)
Large losses [1]	77.3	55.7
Run-off gains/(losses) [1]	174.9	171.0
Earned premiums in local currency (DKK) [1]	3,759.6	3,805.8
Loss ratio [1]	73.4%	76.8%
Underlying frequency loss ratio [1]	75.4%	79.1%
Cost ratio [1]	14.5%	14.4%
Combined ratio [1]	87.9%	91.1%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

General insurance Sweden

The underwriting result was NOK 75.9 million (78.2). The decrease in the underwriting result was mainly driven by lower earned premiums partly offset by an improved underlying frequency loss ratio. The combined ratio was 94.6 (95.0).

Earned premiums decreased to NOK 1,405.8 million (1,569.2). Measured in local currency, earned premiums decreased by 9.8 per cent, reflecting a reduction in the insurance portfolio following repricing measures for private insurance lines and the termination of two large unprofitable accounts.

Claims incurred amounted to NOK 1,058.6 million (1,231.7). The loss ratio was 75.3 (78.5), positively impacted by a 3.2 percentage point improvement in the underlying frequency loss ratio. The improvement was a consequence of ongoing price increases and efforts to improve risk selection in both the private and commercial portfolios.

Operating expenses increased to NOK 271.3 million (259.3). The cost ratio was 19.3 per cent (16.5), impacted by lower earned premiums.

Profit performance Sweden

NOK millions	2019	2018
Earned premiums	1,405.8	1,569.2
Claims incurred etc.	(1,058.6)	(1,231.7)
Operating expenses	(271.3)	(259.3)
Underwriting result	**75.9**	**78.2**
Amortisation and impairment losses of excess value – intangible assets	(63.9)	(70.2)
Large losses [1]	-	30.0
Run-off gains/(losses) [1]	31.6	64.7
Earned premiums in local currency (SEK) [1]	1,511.0	1,675.6
Loss ratio [1]	75.3%	78.5%
Underlying frequency loss ratio [1]	77.5%	80.7%
Cost ratio [1]	19.3%	16.5%
Combined ratio [1]	94.6%	95.0%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

General insurance Baltics

The underwriting result amounted to NOK 60.9 million (68.5), mainly due to a higher underlying frequency loss ratio. The combined ratio was 94.6 (93.7).

Earned premiums amounted to NOK 1,126.9 million (1,078.8). Measured in local currency, earned premiums rose by 1.8 per cent, reflecting sales growth in the accident, health and motor insurance lines. This was offset by somewhat lower prices as a result of fierce competition, particularly in motor insurance.

Claims incurred amounted to NOK 728.7 million (675.9). The loss ratio was 64.7 (62.7), reflecting a 2.9 percentage point increase in the underlying frequency loss ratio, due to less favourable weather conditions in the first quarter and margin pressure.

Operating expenses amounted to NOK 337.3 million (334.4). The cost ratio was 29.9 (31.0). The improvement was mainly due to ongoing restructuring and cost-saving initiatives, focusing on operational efficiency.

Profit performance Baltics

NOK millions	2019	2018
Earned premiums	1,126.9	1,078.8
Claims incurred etc.	(728.7)	(675.9)
Operating expenses	(337.3)	(334.4)
Underwriting result	**60.9**	**68.5**
Amortisation and impairment losses of excess value – intangible assets	(14.7)	(14.5)
Large losses [1]	-	-
Run-off gains/(losses) [1]	35.8	24.4
Earned premiums in local currency (EUR) [1]	114.4	112.3
Loss ratio [1]	64.7%	62.7%
Underlying frequency loss ratio [1]	67.8%	64.9%
Cost ratio [1]	29.9%	31.0%
Combined ratio [1]	94.6%	93.7%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

Pension

The profit before tax expense was NOK 196.9 million (166.6). The increase was driven by higher operating income.

Administration fees increased to NOK 152.3 million (144.4), driven by a growing customer portfolio. Insurance income increased to NOK 111.4 million (72.6), driven by a higher risk result, portfolio growth and lower costs related to reinsurance. Management income increased to NOK 167.2 million (150.5) as a result of growth in assets under management.

Operating expenses increased to NOK 275.6 million (241.0), driven by increased business volume and an impairment on IT systems.

Net financial income, including returns on both the group policy portfolio and the corporate portfolio, amounted to NOK 41.5 million (40.2).

The year-to-date return on the paid-up policy portfolio was 4.3 per cent (5.6). The decrease was related to non-recurring effects in 2018 following a change in the classification of unrealised gains relating to property investments. The average annual interest guarantee was 3.4 per cent.

Assets under management increased by NOK 6,647.0 million from year end 2018. Total pension assets under management amounted to NOK 37,335.1 million (30,688.2) including the group policy portfolio of NOK 7,204.2 million (6,586.4).

Profit performance Pension

NOK millions	2019	2018
Administration fees	152.3	144.4
Insurance income	111.4	72.6
Management income etc.	167.2	150.5
Operating expenses	(275.6)	(241.0)
Net operating income	**155.3**	**126.5**
Net financial income	41.5	40.2
Profit/(loss) before tax expense	**196.9**	**166.6**
Run-off gains/(losses) [1]		
Operating margin [1]	36.05%	34.41%
Recognised return on the paid-up policy portfolio [2]	4.34%	5.61%
Value-adjusted return on the paid-up policy portfolio [3]	4.72%	4.30%

[1] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

[2] Recognised return on the paid-up policy portfolio = realised return on the portfolio

[3] Value-adjusted return on the paid-up policy portfolio = total return on the portfolio

Bank (discontinued operation)

Gjensidige Bank was reported as discontinued operation until closing of the sale 1. March 2019. The profit after tax expenses for the first two months of the year was NOK 37.6 million (334.9 for 2018). See note 25 for further details.

Management of financial assets and properties

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

At the end of the period, the investment portfolio totalled NOK 59.1 billion (52.8). The financial result for the year was NOK 2,306.4 million (820.9), which corresponds to a return on total assets of 4.1 per cent (1.5).

Match portfolio

The match portfolio amounted to NOK 34.1 billion (34.5). The portfolio yielded a return of 2.8 per cent (2.0), excluding changes in the value of the bonds recognised at amortised cost.

Bonds recognised at amortised cost amounted to NOK 14.9 billion (15.7). Unrealised excess value amounted to NOK 0.5 billion (0.8) at the end of the period. The reinvestment rate for new investments in the portfolio of bonds held at amortised cost was approximately 3.0 per cent on average in the fourth quarter, while the running yield on the portfolio of bonds held at amortised cost was 3.6 per cent at the end of the period. The average duration of the match portfolio was 3.5 years. The average term to maturity for the corresponding insurance liabilities was 3.8 years.

The distribution of counterparty risk and credit rating is shown in the charts on the next page. Securities without an official credit rating amounted to NOK 8.0 billion (9.0). Of these securities, 4.3 per cent (6.1) were issued by Norwegian savings banks, while the remainder were mostly issued by Norwegian power producers and distributors, property companies, industry and municipalities. Bonds with a coupon linked to the development of the Norwegian consumer price index accounted for 2.5 per cent (6.4) of the match portfolio.

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

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

Free portfolio
The free portfolio amounted to NOK 25.0 billion (18.3) at the end of the period. The return was 6.0 per cent (0.6). The increase in assets was mainly due to the sale of Gjensidige Bank ASA.

Fixed-income instruments
The fixed-income instruments in the free portfolio amounted to NOK 14.2 billion (8.8), of which money market investments, including cash, accounted for NOK 6.8 billion (3.7). The rest of the portfolio was invested in Norwegian government bonds and international bonds (investment grade, high yield and convertible bonds). The total fixed-income portfolio yielded a return of 4.4 per cent (negative 0.2). A fall in interest rates and lower credit spreads were the main drivers of the positive returns. At the end of the period, the average duration in the portfolio was approximately 3.4 years. The distribution of counterparty risk and credit rating is shown in the charts on this page. Securities without an official credit rating amounted to NOK 3.5 billion (1.3). Of these securities, 10.1 per cent (6.0) were issued by Norwegian savings banks, while the remainder were mostly issued by industry and municipalities. The geographical distribution[1] of the fixed-income instruments in the free portfolio is shown in the chart on this page.

Equity portfolio
The total equity exposure at the end of the period was NOK 4.3 billion (3.8), of which NOK 3.0 billion (2.5) consisted of current equities and NOK 1.2 billion (1.3) of PE funds. The return on current equities was 15.6 per cent (negative 6.4). PE funds generated a return of 6.9 per cent (14.8).

Property portfolio
At the end of the period, the exposure to commercial real estate in the portfolio was NOK 4.8 billion (4.6). The property portfolio yielded a return of 8.0 per cent (7.0)

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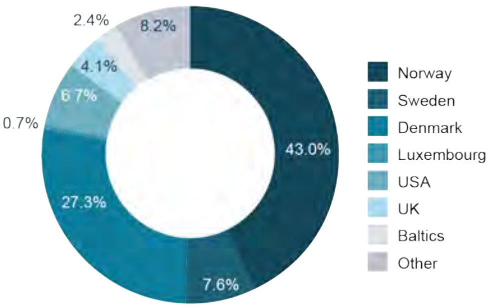
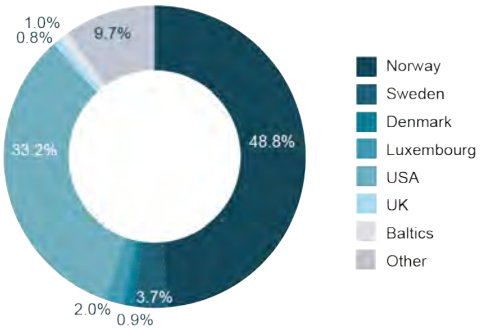
Geographic distribution match portfolio
At the end of 2019

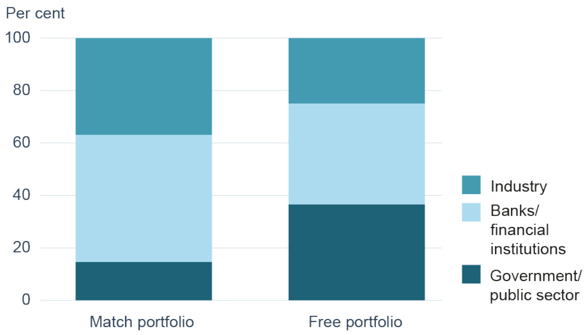


Geographic distribution fixed income instruments in free portfolio
At the end of 2019



Credit rating fixed income instruments
at the end of 2019

Counterparty risk fixed income instruments
at the end of 2019



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

Financial assets and properties

NOK millions	Return in per cent 2019	Return in per cent 2018	Result 2019	Result 2018	Carrying amount 31.12 2019	Carrying amount 31.12 2018
Match portfolio						
Money market	1.8	1.2	90.5	57.5	4,818.7	4,917.9
Bonds at amortised cost [1]	5.0	4.0	771.7	642.1	14,916.1	15,698.5
Current bonds [2]	0.6	0.1	89.9	7.0	14,327.1	13,892.5
Match portfolio total	**2.8**	**2.0**	**952.1**	**706.5**	**34,062.0**	**34,508.9**
Free portfolio						
Money market	1.0	0.6	58.2	26.9	6,812.3	3,703.2
Other bonds [3]	4.9	(0.8)	230.8	(23.0)	4,552.9	3,912.7
High yield bonds [4]	10.5	(2.8)	105.4	(12.8)	1,101.8	436.1
Convertible bonds [4]	12.3	(1.1)	168.1	(11.3)	1,725.3	713.8
Current equities [5]	15.6	(6.4)	444.7	(217.1)	3,047.3	2,466.2
PE funds	6.9	14.8	91.6	189.5	1,232.3	1,346.6
Properties	8.0	7.0	373.6	275.8	4,803.9	4,608.8
Other [6]	(12.1)	(8.4)	(118.3)	(113.3)	1,716.8	1,119.6
Free portfolio total	**6.0**	**0.6**	**1,354.3**	**114.4**	**24,992.4**	**18,307.1**
Financial result from the investment portfolio [7]	**4.1**	**1.5**	**2,306.4**	**820.9**	**59,054.4**	**52,816.0**
Financial income in Pension			41.5	40.2		
Interest expense on subordinated debt Gjensidige Forsikring ASA			(36.5)	(30.9)		
Interest expense on the lease liability			(31.5)	-		
Realised gains on subsidiaries			1,580.3	-		
Net income from investments			**3,860.3**	**830.2**		

[1] There was a profit of NOK 151.1 in the fourth quarter due to early redemption of an inflation linked secured bond.

[2] The item includes discounting effects of the insurance liabilities in Denmark and Sweden, and a mismatch between interest rate adjustments on the liability side in Denmark and the corresponding interest rate hedge. Investments include mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt.

[3] The item includes investment grade, emerging markets and current bonds. Investment grade and emerging market bonds are investments in internationally diversified funds that are externally managed.

[4] Investments in internationally diversified funds that are externally managed.

[5] Investments mainly in internationally diversified funds that are externally managed. The equity risk exposure is reduced by NOK 369.9 million due to derivatives.

[6] The item includes currency hedging related to Gjensidige Sweden and Gjensidige Denmark, lending, paid-in capital in Gjensidige Pensjonskasse, profit/loss effects from a total return swap with Gjensidige Pensjonskasse, hedge funds and finance-related expenses.

[7] Defined as an alternative performance measure (APM). APMs are described at www.gjensidige.no/reporting in a document named APMs Gjensidige Forsikring Group 2019.

Events after the balance sheet date

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

Changes in framework conditions/regulations

Solvency position

In 2018, Gjensidige received an approval by the Financial Supervisory Authorities (FSA) to use a partial internal model to calculate the regulatory solvency capital requirement. The approved partial internal model is more conservative than the model Gjensidige applied for. The FSA required the use of the standard formula to calculate storm risk, and the standard formula's correlation between market and underwriting risk. The FSA's requirements also include somewhat higher capital requirement for market and underwriting risk compared with Gjensidige's initial application. Gjensidige's application for changes in calibration of market risk has not been approved by the FSA. Gjensidige believes that the partial internal model, without the imposed conditions from the FSA, provides a better presentation of the risk, and will continue to make efforts to get Gjensidige's own version of the partial internal model approved.

Own pension account

On 9 April 2019, the Storting adopted amendments to the Act relating to Defined Contribution Pensions (own pension account etc.). The new rules entail that all pension capital certificates and active pension earnings for employees in companies with a defined contribution scheme will be accumulated and administered in a single pension account under the employer's pension scheme, or with a provider chosen by the employee. It has also been decided to dispense with the '12-month rule', which will enable members of defined contribution schemes to take their earned pension capital with them, regardless of how long the employment relationship has lasted.

The purpose of the 'own pension account' scheme is to give employees a better overview of and knowledge about their own pension. The scheme will probably enter into force on 1 January 2021.

Gjensidige Pensjonsforsikring is well under way with the preparations for the scheme. Its introduction creates new opportunities and the Company will make active efforts to establish a position in the new market.

IFRS 17 Insurance Contracts

Gjensidige has started work on implementing the new accounting standard IFRS 17 Insurance Contracts, which is expected to enter into force on 1 January 2022. The standard will affect the Group's accounts by introducing material changes to the measurement and presentation of income and expenses. For further information, see Note 1 on accounting principles.

Allocation of the profit before other income and expenses

The Group's profit for the year after tax expense for continued and discontinued operations amounted to NOK 6,593.8 million. The Board has adopted a dividend policy that forms the basis for the dividend proposal submitted to the general meeting. The Board proposes a dividend of NOK 6,125.0 million for the 2019 financial year. This corresponds to NOK 7.25 per share as a regular dividend and NOK 5.00 per share as a special dividend.

The regular dividend corresponds to a pay-out ratio of 72 per cent of the Group's profit after tax, adjusted for the gain from the sale of Gjensidige Bank.

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

It is proposed that the parent company's profit before other components of income and expense of NOK 7,460.3 million be allocated as follows:

NOK million	
Proposed dividend	6,125.0
Transferred to undistributable reserves	216.8
Transferred from other retained earnings	1,118.5
Allocated	7,460.3

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

The Board has decided to pay employees of Gjensidige Forsikring ASA a collective bonus corresponding to NOK 28.500 including holiday pay, per full-time employee. The bonus is based on the underwriting result, market share development and customer satisfaction. In addition, the Board has applied a discretionary assessment of the organisation, engagement, competency and the year end result relative to the dividend policy. The Board wishes to thank each individual employee for their contribution to Gjensidige's results in 2019.

Strategy and outlook

The Group's annual financial and solvency targets for the period 2019 through 2022 are as follows:

- Combined ratio between 86 and 89 per cent (undiscounted)
  - Corresponding to 90 to 93 per cent given zero run-off gains
  - Average annual run-off gains of approximately NOK 1 billion are still expected through 2022
- Cost ratio <15 per cent
- Solvency margin based on the Partial Internal Model (both the regulatory approved model and the model with internal calibration) between 150 and 200 per cent
  - To support an 'A' rating, stable regular dividends over time, financial flexibility for smaller acquisitions and organic growth not financed through retained earnings, as well as providing a buffer for regulatory changes.
- Return on equity after tax > 20 per cent
  - Corresponding to > 16 per cent excluding run-off gains

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

Gjensidige's ambition is to become the most customer-oriented general insurance company in the Nordic region. The Group's priority is to retain its strong and unique position in Norway and to continue improving its profitability and growth outside Norway. Furthermore, the Group will focus on ensuring continued capital discipline, including delivering attractive returns to shareholders. A fundamental prerequisite for long term value creation is sustainable choices and solutions.

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

Organic growth is expected to be in line with nominal GDP growth in Gjensidige's market areas in the Nordic and Baltic countries over time. In addition, profitable growth will be achieved by pursuing a disciplined acquisition strategy, as has been done successfully in the past.

In the next few years it is expected that Gjensidige's business model and the market participants will broadly stay the same. Gjensidige has different positions and preconditions for further growth and development in the segments. Best practices will be implemented across segments where natural and expedient. Profitability will be prioritised over growth.

A key strategic priority for the next few years is maintaining and cultivating the direct customer relationship. Gjensidige aims to achieve greater relevance and create sales opportunities by offering customers a broader value proposition than ever before – in terms of both services and products, alone or in partnership with other providers. The goal is to become an even better and more relevant partner for customers – a problem-solver with a stronger focus on claims prevention – and thereby further strengthening the customer relationship.

Continued investments in technology and data are key to reducing cost and achieving enhanced functionality and flexibility. This is necessary to enable a more flexible partner integration and product modularity. The launch of next generation tariffs and CRM and investments in a new core system and IT infrastructure are important in order to succeed in becoming an analytics-driven company. This will result in better customer experiences, more efficient operations and create sufficient capacity for innovation. Gjensidige has started the process of developing and configuring its new core IT system. The investment is expected to be handled within the current cost ratio target, and will be made step-by-step, starting with Denmark.

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

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

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

Financial statements and notes

Gjensidige Forsikring Group

Consolidated income statement

NOK millions	Notes	1.1.-31.12.2019	1.1.-31.12.2018
Operating income			
Earned premiums from general insurance		24,650.4	24,052.8
Earned premiums from pension		880.0	783.8
Other income including eliminations		171.6	158.2
Total operating income	**4**	**25,702.0**	**24,994.8**
Net income from investments			
Results from investments in associates and joint ventures	5	309.2	291.8
Interest income and dividend etc. from financial assets		965.9	1,032.2
Net changes in fair value on investments (incl. property)		1,453.7	(502.8)
Net realised gain and loss on investments		1,282.9	129.8
Expenses related to investments and interest expenses		(151.3)	(120.8)
Total net income from investments	**6**	**3,860.3**	**830.2**
Total operating income and net income from investments		**29,562.2**	**25,825.0**
Claims			
Claims incurred etc. from general insurance		(16,978.6)	(16,791.1)
Claims incurred etc. from pension		(616.3)	(566.8)
Total claims		**(17,594.9)**	**(17,357.9)**
Operating expenses			
Operating expenses from general insurance		(3,635.4)	(3,655.9)
Operating expenses from pension		(275.6)	(241.0)
Other operating expenses		(46.2)	(40.6)
Amortisation and impairment losses of excess value - intangible assets		(256.4)	(264.6)
Total operating expenses	**7**	**(4,213.6)**	**(4,202.1)**
Total expenses		**(21,808.5)**	**(21,559.9)**
Profit/(loss) before tax expense	**4**	**7,753.8**	**4,265.0**
Tax expense	9	(1,197.6)	(883.5)
Profit/(loss) from continuing operations		**6,556.1**	**3,381.6**
Profit/(loss) from discontinued operations	25	37.6	334.9
Profit/(loss) from continuing and discontinued operations		**6,593.8**	**3,716.4**
Profit/(loss) attributable to:			
Owners of the company continuing operations		6,556.1	3,382.7
Owners of the company discontinued operations		37.6	334.9
Non-controlling interests		0.1	(1.2)
Total		**6,593.8**	**3,716.4**
Earnings per share from continuing and discontinued operations, NOK (basic and diluted)	**24**	**13.19**	**7.44**
Earnings per share from continuing operations, NOK (basic and diluted)	**24**	**13.11**	**6.77**

Consolidated statement of comprehensive income

NOK millions	Notes	1.1.-31.12.2019	1.1.-31.12.2018
Profit/(loss)		**6,593.8**	**3,716.4**
Other comprehensive income			
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability/asset	10	(117.1)	(50.8)
Tax on other comprehensive income that will not be reclassified subsequently to profit or loss	9	29.3	12.7
Total other comprehensive income that will not be reclassified subsequently to profit or loss		**(87.9)**	**(38.1)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Exchange differences from foreign operations		(67.3)	14.9
Tax on other comprehensive income that will be reclassified subsequently to profit or loss	9	17.1	(0.7)
Total other comprehensive income that will be reclassified subsequently to profit or loss		**(50.2)**	**14.2**
Total other comprehensive income of continuing operations		**(138.1)**	**(23.9)**
Total other comprehensive income of discontinued operations			0.1
Comprehensive income from continuing and discontinued operations		**6,455.7**	**3,692.6**
Comprehensive income attributable to:			
Owners of the company continuing operations		6,418.0	3,358.8
Owners of the company discontinued operations		37.6	335.0
Non-controlling interests		0.1	(1.2)
Total		**6,455.7**	**3,692.6**

Consolidated statement of financial position

NOK millions	Notes	31.12.2019	31.12.2018
Assets			
Goodwill	11	3,554.6	3,577.0
Other intangible assets	11	1,124.8	1,288.1
Investments in associates and joint ventures	5	3,318.6	2,959.7
Owner-occupied property, plant and equipment	12	1,264.9	251.9
Pension assets	10	244.3	156.6
Financial assets			
Interest-bearing receivables from joint venture	5, 13	2,401.4	2,513.1
Financial derivatives	13	934.1	577.9
Shares and similar interests	13, 14	6,551.6	5,134.9
Bonds and other securities with fixed income	13	30,992.4	26,374.8
Bonds held to maturity	13	210.7	391.5
Loans and receivables	13, 15	19,963.3	20,477.9
Assets in life insurance with investment options	13	29,989.4	23,909.5
Receivables related to direct operations and reinsurance	13	7,097.6	6,784.7
Other receivables	13, 15	1,192.0	1,081.7
Cash and cash equivalents	13	2,419.5	2,363.3
Other assets			
Deferred tax assets	9	21.2	13.1
Reinsurers' share of insurance-related liabilities in general insurance, gross	16	1,072.5	926.9
Prepaid expenses and earned, not received income		53.2	81.7
Assets held for sale	25		57,898.8
Total assets		**112,405.9**	**156,762.9**
Equity and liabilities			
Equity			
Share capital		1,000.0	999.9
Share premium		1,430.0	1,430.0
Natural perils capital		2,676.3	2,491.1
Guarantee scheme provision		676.3	653.9
Perpetual Tier 1 capital Gjensidige Bank (held for sale)			444.8
Other equity		20,409.0	17,824.9
Total equity attributable to owners of the company		**26,191.6**	**23,844.7**
Non-controlling interests		0.6	0.5
Total equity	**17**	**26,192.2**	**23,845.2**
Insurance liabilities			
Premium reserve in life insurance		6,896.1	6,336.2
Provision for unearned premiums, gross, in general insurance	16	10,499.1	10,051.1
Claims provision, gross	16	28,164.8	29,355.8
Other technical provisions		410.4	353.2
Financial liabilities			
Subordinated debt	13, 18	1,498.4	1,498.0
Financial derivatives	13	641.0	869.9
Liabilities in life insurance with investment options	13	29,989.4	23,909.5
Other financial liabilities	13, 19	2,735.4	2,838.4
Liabilities related to direct insurance and reinsurance	13	709.4	1,174.5
Other liabilities			
Pension liabilities	10	610.6	562.4
Lease liability	12	1,125.1	
Other provisions	19	297.3	319.3
Current tax	9	1,046.1	638.8
Deferred tax liabilities	9	1,168.6	1,093.0
Accrued expenses and deferred income	19	422.0	403.3
Liabilities held for sale	25		53,514.4
Total liabilities		**86,213.7**	**132,917.7**
Total equity and liabilities		**112,405.9**	**156,762.9**

Consolidated statement of changes in equity

NOK millions	Share capital	Own shares	Share premium	Other paid-in capital	Perpetual Tier 1 capital	Exchange differ-ences	Re-measure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2017 attributable to owners of the company	**1,000.0**	**(0.0)**	**1,430.0**	**48.2**	**1,369.4**	**602.0**	**(1,936.7)**	**21,172.2**	**23,685.1**
Non-controlling interests									18.0
Equity as at 31.12.2017									**23,703.1**
Adjustment due to amendment to IFRS 2				8.5					8.5
Adjustment on initial application of IFRS 9 in the bank								(10.4)	(10.4)
Equity as at 1.1.2018									**23,701.2**
1.1.-31.12.2018									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					47.5			3,670.1	3,717.6
Total other comprehensive income				0.1		14.1	(38.0)		(23.8)
Comprehensive income				**0.1**	**47.5**	**14.1**	**(38.0)**	**3,670.1**	**3,693.8**
Transactions with owners of the company									
Own shares		0.0						(10.9)	(11.0)
Paid dividend								(3,549.9)	(3,549.9)
Equity-settled share-based payment transactions				7.9					7.9
Perpetual Tier 1 capital					75.4			(0.6)	74.7
Perpetual Tier 1 capital - interest paid					(46.9)				(46.9)
Net effect of purchase of non-contolling interests								(7.2)	(7.2)
Total transactions with owners of the company		**(0.0)**		**7.9**	**28.4**			**(3,568.6)**	**(3,532.3)**
Equity as at 31.12.2018 attributable to the owners of the company	**1,000.0**	**(0.1)**	**1,430.0**	**64.7**	**1,445.3**	**616.0**	**(1,974.6)**	**21,263.3**	**23,844.7**
Non-controlling interests									0.5
Equity as at 31.12.2018									**23,845.2**
Adjustment on initial application of IFRS 16								(61.4)	(61.4)
Equity as at 1.1.2019									**23,783.8**
1.1.-31.12.2019									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					53.9			6,539.8	6,593.7
Total other comprehensive income				(0.0)		(50.1)	(87.9)		(138.1)
Comprehensive income				**(0.0)**	**53.9**	**(50.1)**	**(87.9)**	**6,539.8**	**6,455.6**
Transactions with owners of the company									
Own shares		0.0						(9.2)	(9.2)
Paid dividend								(3,549.9)	(3,549.9)
Remeasurement of the net defined benefit liability/asset of liquidated companies							4.4	(4.4)	
Equity-settled share-based payment transactions				4.8					9.4
Perpetual Tier 1 capital					(445.5)			(0.6)	(446.2)
Perpetual Tier 1 capital - interest paid					(51.4)				(51.4)
Total transactions with owners of the company		**0.0**		**4.8**	**(496.9)**		**4.4**	**(3,559.6)**	**(4,047.3)**
Equity as at 31.12.2019 attributable to the owners of the company	**1,000.0**	**(0.0)**	**1,430.0**	**69.5**	**1,002.3**	**565.9**	**(2,058.1)**	**24,182.1**	**26,191.6**
Non-controlling interests									0.6
Equity as at 31.12.2019									**26,192.2**

See note 17 for further information about the equity items.

Consolidated 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	30,499.5	31,022.5
Claims paid, net of reinsurance	(19,365.9)	(20,168.4)
Net payment of loans to customers	827.8	(5,498.6)
Net payment of deposits from customers	(589.9)	(647.0)
Payment of interest from customers	279.5	1,612.1
Payment of interest to customers	(15.0)	(297.2)
Net receipts/payments of premium reserve transfers	(2,143.7)	(1,266.8)
Net receipts/payments from financial assets	(5,822.9)	(984.1)
Operating expenses paid, including commissions	(4,089.7)	(4,586.8)
Taxes paid	(797.8)	(1,281.7)
Net other receipts/payments	(17.4)	204.3
Net cash flow from operating activities	**(1,235.7)**	**(1,891.7)**
Cash flow from investing activities		
Net receipts/payments from sale/acquisition of subsidiaries, associates and joint ventures	5,261.9	(34.7)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(438.5)	(403.6)
Net cash flow from investing activities	**4,823.4**	**(438.3)**
Cash flow from financing activities		
Payment of dividend	(3,549.9)	(3,549.9)
Net receipts/payments on subordinated debt incl. interest	(47.5)	(41.8)
Net receipts/payments on loans to credit institutions	(140.9)	6,455.4
Net receipts/payments on other short-term liabilities	52.9	(26.7)
Net receipts/payments on interest on funding activities	(61.6)	(349.7)
Net receipts/payments on sale/acquisition of own shares	(9.2)	(11.0)
Repayment of lease liabilities	(161.6)	
Payment of interest related to lease liabilities	(32.2)	
Tier 1 issuance/instalments		74.7
Tier 1 interest payments	(52.1)	(58.6)
Net cash flow from financing activities	**(4,002.0)**	**2,492.5**
Effect of exchange rate changes on cash and cash equivalents	(6.1)	(7.9)
Net cash flow	**(420.4)**	**154.6**
Cash and cash equivalents at the start of the year	2,839.9	2,685.2
Cash and cash equivalents at the end of the year	2,419.5	2,839.9
Net cash flow	**(420.4)**	**154.6**
Specification of cash and cash equivalents		
Deposits with central banks		53.9
Cash and deposits with credit institutions [1]	2,419.5	2,786.0
Total cash and cash equivalents	**2,419.5**	**2,839.9**
[1] Including source-deductible tax account	82.6	91.7
hereof source-deductible tax account from discontinued operations		6.2
Specification of cash and cash equivalents from discontinued operations		
Deposits with central banks		53.9
Cash and deposits with credit institutions		422.6
Total cash and cash equivalents from discontinued operations		**476.6**
Specification of cash and cash equivalents from continuing operations		
Cash and deposits with credit institutions	2,419.5	2,363.3
Total cash and cash equivalents from continuing operations	**2,419.5**	**2,363.3**
Cash flow from discontinued operations		
Net cash flow from operating activities	(7.0)	(6,162.0)
Net cash flow from investing activities	(318.8)	(28.3)
Net cash flow from financing activities	(150.8)	6,236.8
Total cash flow from discontinued operations	**(476.6)**	**46.5**

Reconciliation of changes in liabilities from financing activities is found in note 13.

Notes

1. Accounting policies

Reporting entity

Gjensidige Forsikring ASA is a publicly listed company domiciled in Norway. The company's head office is located at Schweigaardsgate 21, Oslo, Norway. The consolidated financial statements of the Gjensidige Forsikring Group (Gjensidige) as at and for the year ended 31 December 2019 comprise Gjensidige Forsikring ASA and its subsidiaries and Gjensidige's interests in associates and joint ventures. The activities of Gjensidige consist of general insurance and pension. Gjensidige does business in Norway, Sweden, Denmark, Latvia, Lithuania and Estonia.

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

Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs endorsed by EU, and interpretations that should be adopted as of 31 December 2019, Norwegian disclosure requirements as set out in the Accounting Act as at 31 December 2019 and additional disclosure requirements in accordance with the Norwegian Financial Reporting Regulations for Non-Life Insurance Companies (FOR 2015-12-18-1775) pursuant to the Norwegian Accounting Act.

New standards adopted

IFRS 16 Leases (2016)

Gjensidige 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 according to the modified retrospective method. For the largest rental agreements in Norway, Sweden and Denmark, Gjensidige has chosen to recognise the right-of-use asset at the carrying amount as if the standard had been applied since the date of implementation but discounted using the tenant's incremental borrowing rate at the date of initial application. The difference between this and the lease liability, less deferred tax, were recognised directly in equity on 1 January 2019.

The implementation effects were as following:

- Right-of-use assets in the statement of financial position increased by MNOK 1,223.9
- Lease liability in the statement of financial position increased by MNOK 1,304.5
- Effect on equity amounted to MNOK 61.4 less deferred tax

Amendments to IAS 12: Changes in classification of tax on equity items that are classified as liability for tax purposes

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

The effect of this will vary with the size and interest rate of the tax debt. In Gjensidige, fund bonds are classified as debt for tax purposes, and the tax expense was reduced by NOK 12,8 million in 2019 compared with the previous principle.

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 consolidated financial statements. Those that may be relevant to Gjensidige are mentioned below. Gjensidige does not plan early implementation of these standards.

IFRS 9 Financial instruments (2014) in the insurance operations

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

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

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

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

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

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

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

IFRS 17 Insurance Contracts (2017)
IFRS 17 Insurance Contracts was 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 comprises 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. Based on our preliminary assessments and on the basis of Gjensidige’s current operations, other amendments to standards and interpretation statements will not have a significant effect.

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

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

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

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

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

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

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

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

All financial information is presented in NOK, unless otherwise stated.

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

Segment reporting
The operating segments are determined based on Gjensidige’s internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Forsikring Group, the Senior Group Management is responsible for evaluating and following up the performance of the segments and is considered the chief operating decision maker. Gjensidige reports on six operating segments, which are independently managed by managers responsible for the respective segments depending on the products and services offered, distribution and settlement channels, brands and customer profiles. Identification of the segments is based on the existence of segment managers who report directly to the Senior Group Management/CEO and who are responsible for the performance of the segment under their charge.

Based on this Gjensidige reports the following operating segments

- General insurance Private
- General insurance Commercial
- General insurance Denmark
- General insurance Sweden
- General insurance Baltics
- Pension

The recognition and measurement principles for Gjensidige's segment reporting are based on the IFRS principles adopted in the consolidated financial statements.

Inter-segment pricing is determined on arm's length distance.

Consolidation policies

Subsidiaries

Subsidiaries are entities controlled by Gjensidige Forsikring. Gjensidige Forsikring controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If the Group has the majority of voting rights in an entity, the entity is presumably a subsidiary of the Group. The Group evaluates all relevant facts and circumstances in order to evaluate whether the Group has control of the entity in which it is invested. Among other things, ownership, voting rights, ownership structure and relative strengths, as well as options controlled by the Group and shareholder agreements or other agreements.

The result, as well as each component in other comprehensive income, is attributable to the Group and to non-controlling interests, although this results in deficits of non-controlling interests. If necessary, the accounts of subsidiaries are adjusted to be in line with the Group's accounting policies.

Associates and joint ventures

Gjensidige has investments in associates and joint ventures.

Associates are entities in which Gjensidige has a significant, but not a controlling or joint control, influence over the financial and operational management. Normally this will apply when Gjensidige has between 20 and 50 per cent of the voting power of another entity.

Joint ventures are defined as companies where there exists a contractual agreement giving joint control together with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's joint venture has investment properties that are accounted for at fair value.

Associates and joint ventures are accounted for using the equity method, and initial recognition is at cost. Any goodwill is reduced with impairment losses. The investor's share of the investee's profit or loss and amortisation of excess value is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

The Group's share of earnings from investments in associates and joint ventures is presented on a separate line in the income statement. Changes in other income and expenses in these investments are included in other income and expenses. Correspondingly, the group's share of recognitions directly to equity in the underlying investment is presented in the Group's equity statement.

See note 5 for a further description of Gjensidige's joint venture.

Transactions eliminated on consolidation

Intra-group balances and transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with equity accounted companies are eliminated against the investment to the extent of Gjensidige's interest. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Business combinations

Business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair value at the date of exchange of assets acquired, liabilities incurred, and equity instruments issued by Gjensidige, in exchange for control of the acquired company, and any expenses directly attributable to the business combination.

The purchase price allocation of the business combination changes if there is new information about the fair value applicable per date for acquisition of control. The allocation can be changed up to 12 months after the acquisition date (if the purchase price allocation that was completed at the acquisition date was preliminary). Non-controlling interests are calculated on the non-controlling interests of identifiable assets and liabilities or at fair value.

Goodwill is calculated as the sum of the purchase price and book value of non-controlling interest and fair value of previously owned interests, less the net value of identifiable assets and liabilities calculated at the acquisition date.

If the fair value of net assets in the business combination exceeds the purchase price (negative goodwill), the difference is recognised immediately at the acquisition date.

Cash flow statement

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

Operational activities are primary activities within each of the Group's business areas. Investment activities include the purchase and sale of assets that are not considered cash equivalents, and which are not included in the Group's primary activities. Financing activities include raising and repaying loans, as well as collecting and servicing equity.

Cash and bank deposits with maturity less than three months ahead are considered cash. Certificates and bonds with a similar short residual maturity are not classified as cash equivalents.

Recognition of revenue and expenses

Operating income and operating expenses consist of income and expenses in relation to the business in the different business areas, see below.

Earned premiums from general insurance

Insurance premiums are recognised over the term of the policy. Earned premiums from general insurance consist of gross premiums written and ceded reinsurance premiums.

Gross premiums written include all amounts Gjensidige has received or is owed for insurance contracts where the insurance period starts before the end of the accounting period. At the end of the period provisions are recorded, and premiums written that relate to subsequent periods are adjusted for.

Ceded reinsurance premiums reduce gross premiums written and are adjusted for according to the insurance period. Premiums for inward reinsurance are classified as gross premiums written and are earned according to the insurance period.

Earned premiums from pension

Earned premiums from pension consist of earned risk premium and administration expenses in relation to the insurance contracts.

Claims incurred

Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in provision for claims, gross, also less reinsurers' share. Direct and indirect claims processing costs are included in claims incurred. The claims incurred contain run-off gains/losses on previous years' claims provisions.

Operating expenses

Operating expenses consist of salaries and administration and sales costs.

Net income from investments

Financial income consists of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income on interest rate instruments is recognised in profit or loss using the effective interest method.

Financial expenses consist of interest expenses on loans that are not part of the banking operations, realised losses related to financial assets, change in fair value of financial assets at fair value through profit or loss, recognised impairment on financial assets and recognised loss on financial derivatives. All expenses related to loans measured at amortised cost are recognised in profit or loss using the effective interest method.

Tangible assets

Owner-occupied property, plant and equipment

Recognition and measurement

Items of owner-occupied property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item. In cases where equipment or significant items have different useful lives, they are accounted for as separate components.

Owner-occupied property is defined as property that is used by Gjensidige for conducting its business.

Subsequent costs

Subsequent costs are recognised in the asset's carrying amount when it is probable that the future economic benefits associated with the asset will flow to Gjensidige, and the cost of the asset can be measured reliably. If the subsequent cost is a replacement cost for part of an item of owner-occupied property, plant and equipment, the cost is capitalized and the carrying amount of what has been replaced is derecognised. Repairs and maintenances are recognised in profit or loss in the period in which they are incurred.

Depreciation

Each component of owner-occupied property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land, leisure houses and cottages are not depreciated. The estimated useful lives for the current and comparative periods are as follows, with technical installations having the highest depreciation rate

- owner-occupied property 10-50 years
- right-of-use property 2-10 years
- plant and equipment 3-10 years
- right-of-use plant and equipment 1-3 years

Depreciation method, expected useful life and residual values are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Leases

Gjensidige 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, Gjensidige 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 Gjensidige is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if Gjensidige is reasonably certain not to exercise that option.

Gjensidige applies a single discount rate to a portfolio of leases with reasonably similar characteristics (for example similar remaining lease term).

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 subsequent measurement of 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 liability is shown in a separate line in the statement of financial position.

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

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 asset is included in the accounting line Owner-occupied property, plant and equipment.

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 in the line Expenses related to investments and interest expenses.

Intangible assets

Goodwill

Goodwill acquired in a business combination represents cost price of the acquisition in excess of Gjensidige's share of the net fair value of identifiable assets, liabilities and contingent liabilities in the acquired entity at the time of acquisition. Goodwill is recognised initially at cost and subsequently measured at cost less accumulated impairment losses.

For investments accounted for according to the equity method, carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets

Other intangible assets which consist of customer relationships, trademarks, internally developed software and other intangible assets that are acquired separately or as a group are recognised at historical cost less accumulated amortisation and accumulated impairment losses. New intangible assets are capitalized only if future economic benefits associated with the asset are probable and the cost of the asset can be measured reliably.

Development expenditures (both internally and externally generated) is capitalized only if the development expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Gjensidige intends to and has sufficient resources to complete the development and to use or sell the asset.

Amortisation

Intangible assets, other than goodwill is amortised on a straight-line basis over the estimated useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows

- customer relationships 5–10 years
- internally developed software 5–8 years
- other intangible assets 1–10 years

The amortisation period and amortisation method are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Impairment of non-financial assets

Indicators of impairment of the carrying amount of tangible and intangible assets are assessed at each reporting date. If such indicators exist, then recoverable amount of an assets or a cash generating unit is estimated. Indicators that are assessed as significant by Gjensidige and might trigger testing for an impairment loss are as follows

- significant reduction in earnings in relation to historical or expected future earnings
- significant changes in Gjensidige's use of assets or overall strategy for the business
- significant negative trends for the industry or economy
- other external and internal indicators

Goodwill is tested for impairment annually. The annual testing of goodwill is performed in the third quarter.

Recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets generating cash inflows that are largely independent of cash inflows from other assets or groups of assets (cash-generating unit). Goodwill is allocated to the cash-generating unit expecting to benefit from the business combination.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to the carrying amount of goodwill and then proportionally to the carrying amount of each asset in the cash-generating unit. Previously recognised impairment losses are for assets except for goodwill, reversed if the prerequisites for impairment losses are no longer present. Impairment losses will only be reversed if the recoverable amount does not exceed the amount that would have been the carrying amount at the time of the reversal if the impairment loss had not been recognised.

Impairment losses recognised for goodwill will not be reversed in a subsequent period. On disposal of a cash generating unit, the goodwill attributable will be included in the determination of the gain or loss on disposal.

Technical provisions

Provision for unearned premiums, gross

The provision for unearned premiums, gross reflects the accrual of premiums written. The provision corresponds to the unearned portions of the premiums written. No deduction is made for any expenses before the premiums written are accrued.

Claims provision, gross

The claims provision comprises provisions for anticipated future claims payments in respect of claims incurred, but not fully settled at the reporting date. These include both claims that have been reported (RBNS – reported but not settled) and those that have not yet been reported (IBNR – incurred but not reported). The provisions related to reported claims are assessed individually by the Claims Department, while the IBNR provisions are calculated based on empirical data for the time it takes from a loss or claim occurring (date of loss) until it is reported (date reported). Based on experience and the development of the portfolio, a statistical model is prepared to calculate the scope of post-reported claims. The appropriateness of the model is measured by calculating the deviation between earlier post-reported claims and post-reported claims estimated by the model.

Claims provisions are not normally discounted. For contracts with annuity payments over a long horizon, discounting is performed. IFRS 4 permits the use of different policies within Gjensidige in this area.

Claims provisions contain an element that is to cover administrative expenses incurred in settling claims.

Adequacy test

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to Gjensidige's liabilities. Current estimates for future claims payments for Gjensidige's insurance liabilities at the reporting date, as well as related cash flows, are used to perform the test. This includes both claims incurred before the reporting date (claims provisions) and claims that will occur from the reporting date until the next annual renewal (premium provisions). Any negative discrepancy between the original provision and the liability adequacy test will entail provision for insufficient premium level.

Provisions for life insurance

Technical provisions regarding life insurance in Gjensidige Pensjonsforsikring are premium reserve and additional provision.

The technical provisions related to the unit linked contracts are determined by the market value of the financial assets. The unit linked contracts portfolio is not exposed to investment risk related to the customer assets since the customers are not guaranteed any return. In addition, there is a portfolio of annuity contracts which have an average 3.3 per cent annually guaranteed return on assets.

Reinsurers' share of insurance-related liabilities in general insurance, gross

Reinsurers' share of insurance-related liabilities in general insurance, gross is classified as an asset in the balance sheet. Reinsurers' share of provision for unearned premiums, gross and reinsurers' share of claims provision, gross are included in reinsurers' share of insurance-related liabilities in general insurance, gross. The reinsurers' share is less expected losses on claims based on objective evidence of impairment losses.

Financial instruments

Financial instruments are classified in one of the following categories

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

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments that are not derivatives or measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Normally initial recognition will be equal to the transaction price. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when Gjensidige transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

At fair value through profit or loss

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if

- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

Transaction expenses are recognised in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

The category at fair value through profit or loss comprise the classes shares and similar interests and bonds and other fixed income assets.

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

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

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

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

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

Interest-free loans are issued to finance fire alarm systems within agriculture for loss prevention purposes. These loans are repaid using the discount granted on the main policy when the alarm system is installed.

The category loans and receivables comprises the classes loans, receivables related to direct operations and reinsurance, other receivables, cash and cash equivalents and obligations classified as loans and receivables.

Financial derivatives
Financial derivatives are used in the management of exposure to equities, bonds and foreign exchange in order to achieve the desired level of risk and return. The instruments are used both for trading purposes and for hedging of other balance sheet items. Any trading of financial derivatives is subject to strict limitations.

Gjensidige uses financial derivatives, amongst other to hedge foreign currency exchanges arising from the ownership of foreign subsidiaries with other functional currency.

Transaction expenses are recognised in profit or loss when they incur. Subsequent to initial recognition financial derivatives are measured at fair value and changes in fair value are recognised in profit or loss.

The category financial derivatives comprise the class financial derivatives at fair value through profit or loss.

Financial liabilities at amortised cost
Financial liabilities are measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

The category financial liabilities at amortised cost comprises subordinated debt, interest-bearing liabilities, other financial liabilities and liabilities related to direct insurance reinsurance.

Financial liabilities classified as equity
Gjensidige has perpetual tier 1 capital accounted for as equity. The instruments are perpetual, but the principal can be repaid on specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's CRR/Solvency II regulations and the instruments are included in Gjensidige's Tier 1 capital for solvency purposes. These regulatory requirements mean that Gjensidige has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in other equity.

Other items classified as equity
Natural perils capital and guarantee scheme provision are accounted for as equity because the funds belong to the group. As a consequence, they do not meet the requirement for liability in IAS 32 and are therefore presented as funds within equity.

Definition of fair value
Subsequent to initial recognition, investments at fair value through profit or loss are measured at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. For financial instruments traded in active markets, listed market prices or traders' prices are used, while for financial instruments not traded in an active market, fair value is determined using appropriate valuation methods.

For further description of fair value, see note 13.

Definition of amortised cost
Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

Impairment of financial assets

Loans, receivables and investments held to maturity
For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.

An assessment is first made to whether objective evidence of impairment of financial assets that are individually significant exists. Financial assets that are not individually significant or that are assessed individually, but not impaired, are assessed in groups with respect to impairment. Assets with similar credit risk characteristics are grouped together.

If there is objective evidence that the asset is impaired, impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in profit or loss.

Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal shall not result in the carrying amount of the financial asset exceeding the amount of the amortised cost if the impairment had not been recognised at the time the loss was reversed. Reversal of previous losses on impairment is recognised in profit or loss.

Dividend

Dividend from investments is recognised when the Group has an unconditional right to receive the dividend. Proposed dividend is recognised as a liability from the point in time when the General Meeting approves the payment of the dividend.

Provisions

Provisions are recognised when Gjensidige has a legal or constructive obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

Provision for restructuring are recognised when Gjensidige has approved a detailed and formal restructuring plan which has commenced or has been announced. Provisions are not made for future expenses attributed to the operations.

Events after the balance sheet date

New information after the balance sheet date of Gjensidige's financial position at the balance sheet date is taken into account in the financial statement. Events after the balance sheet date that do not affect the company's financial position at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if this is material.

Pensions

Pension liabilities are assessed at the present value of future pension benefits that are recognised as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the retirement date. Pension assets are valued at fair value. Net pension liability is the difference between the present value of future pension benefits and the fair value of the pension assets. Employer's social security cost is recognised during the period under which an underfunding occurs. Net pension liability is shown in the balance sheet on the line Pension liabilities. Any overfunding is recognised to the extent that it is likely that the overfunding can be utilised. An overfunding in a funded plan cannot be offset against an underfunding in an unfunded plan. If there is a net overfunding in the funded plan, it is recognised as Pension assets.

The period's pension cost (service cost) and net interest expense (income) are recognised in the income statement and are presented as an operating cost in the income statement. Net interest expense is calculated using the discount rate for the liability at the beginning of the period of the net liability. Net interest expense therefore consists of interest on the obligation and return on the assets.

Deviations between estimated pension liability and estimated value of pension assets in the previous financial year and actuarial pension liability and fair value of pension assets at the beginning of the year are recognised in other comprehensive income. These will never be reclassified through profit or loss.

Gains and losses on curtailment or settlement of a defined benefit plan are recognised in the income statement at the time of the curtailment or settlement.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

Share-based payment

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

The share-based payment arrangements are measured at fair value at the time of allocation and is 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 and possible market conditions are reflected in the measurement of fair value, and no adjustment of the amount charged as expenses is done upon failing to meet such conditions.

The cost of share-based transactions with employees is recognised as an expense over the average recovery period. For arrangements that are settled in shares, the value of the allocated shares in the period is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. For arrangements settled in cash, 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 22 for a further description of Gjensidige’s 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.

Deferred tax liabilities are recognised for temporary differences resulting from investments in subsidiaries and associates, except in cases where Gjensidige is able to control the reversal of temporary differences, and it is probable that the temporary difference will not be reversed in foreseeable future. Deferred tax assets that arise from deductible temporary differences for such investments are only recognised to the extent that it is probable that there will be sufficient taxable income to utilise the asset from the temporary difference, and they are expected to reverse in the foreseeable future.

Recognition

Current tax and deferred tax are recognised as an expense or income in the income statement, with the exception of deferred tax on items that are recognised in other comprehensive income, where the tax is recognised in other comprehensive income, or in cases where deferred tax arises as a result of a business combination. For business combinations, deferred tax is calculated on the difference between fair value of the acquired assets and liabilities and their carrying amount. Goodwill is recognised without provision for deferred tax.

Related party transactions

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The provider of intra-group services, that are not considered core activities, will as a main rule, allocate its incurred net costs (all costs included) based on a Cost 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.

Transactions with affiliated companies

The Fire Mutuals operate as agents on behalf of Gjensidige. For these services commission is paid. The Fire Mutuals are also independent insurance companies with fire and natural damage on their own account. Gjensidige provides various services to support this insurance operation. For these services and to reinsure the Fire Mutuals' fire insurance Gjensidige receives payment based on arm's length distance.

Non-current assets held for sale and discontinued operations

A discontinued operation is a part of Gjensidige that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition. The management must be committed to a plan to sell the asset, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

When Gjensidige is committed to a plan to sell, which involves loss of control of a subsidiary, all the assets and liabilities fo that subsidiary shall be classified as held for sale when the criteria above is met, regardless of whether Gjensidige will retain a non-controlling interest in its former subsidiary after the sale.

Profit after tax expense from discontinued operations is presented on a separate line in the consolidated income statement. Comparative figures will be restated. Net cash flows attributable to discontinued operations will be presented on separate lines in the consolidated statement of cash flows. Comparative figures will be restated. Assets and liabilities held for sale will be presented as separate lines in the statement of financial position. Comparative figures will not be restated.

2. Use of estimates

The preparation of the financial statements under IFRS and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated prerequisites are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

Assumptions and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of insurance-related liabilities within the next financial year are discussed below.

Insurance-related liabilities

Use of estimates in calculation of insurance-related liabilities is primarily applicable for claims provisions.

Insurance products are divided in general into two main categories; lines with short or long settlement periods. The settlement period is defined as the length of time that passes after a loss or injury occurs (date of loss) until the claim is reported and then paid and settled. Short-tail lines are e.g. property insurance, while long-tail lines primarily involve accident and health insurances. The uncertainty in short-tail lines of business is linked primarily to the size of the loss.

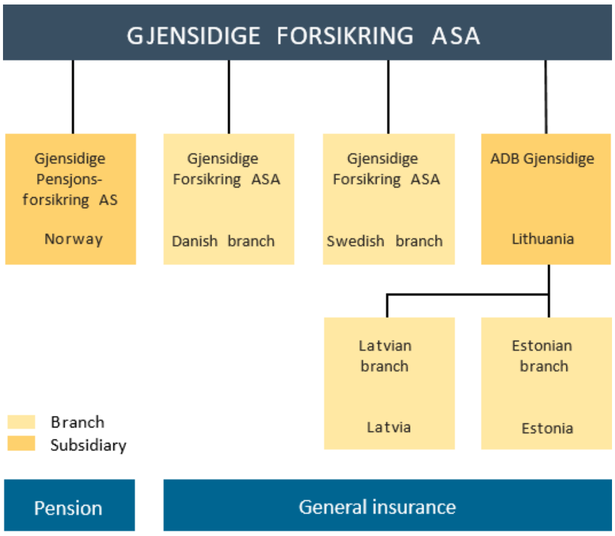
For long-tail lines, the risk is linked to the fact that the ultimate claim costs must be estimated based on experience and empirical data. For certain lines within accident and health insurances, it may take ten to 15 years before all the claims that occurred in a calendar year are reported to the company. In addition, there will be many instances where information reported in a claim is inadequate to calculate a correct provision. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party's future work capacity etc. Many personal injury claims are tried in the court system, and over time the level of compensation for such claims has increased. This will also be of consequence to claims that occurred in prior years and have not yet been settled. The risk linked to provisions for lines related to insurances of the person is thus affected by external conditions. To reduce this risk, the company calculates its claims liability based on various methods and follows up that the registered provisions linked to ongoing claims cases are updated at all times based on the current calculation rules. See note 3 and note 16.

3. Risk and capital management

Introduction

Gjensidige's core business is general insurance, and the risk related to non-life and health insurance risk is therefore a major part of the risk Gjensidige is exposed to. Gjensidige is also exposed to life insurance risk through its operations in Gjensidige Pensjonsforsikring AS. Financial risk is also a material risk for the group.

Figure 1 – Business structure



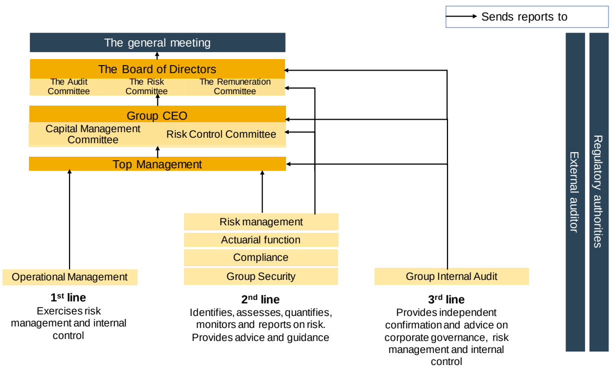
The figure shows principal operational subsidiaries and branches in Gjensidige

In this note, the risk management system will be described first. Then the different risks and 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 organised with three lines of defence.

Figure 2 – The risk management system is organised with three lines of defence



Each employee and leader have a responsibility for risk management and internal control. This is the first line of defence. There are established procedures and guidelines that must be followed, and risk management and internal control is therefore performed as a part of all employee's daily work. Some control functions such as risk-, compliance- and security coordinators, data privacy officer, anti-money laundry officer and quality functions reviewing distribution and claims handling are also organized as a part of line management and strengthens the first line's responsibility for risk management and internal control.

The CEO has an overall responsibility for the risk management of the group. The Group's capital management committee has an advisory role regarding the assessment and proposal of changes in use of capital. The Group's Risk Control Committee has an advisory role to the CEO with respect to overall Group Risk situation, and other risk management and internal control matters. Both committees are chaired by the Group CEO. Furthermore, a sustainability council has been established headed by the Chief Sustainability Officer (CSO). This is an interdisciplinary body that ensures a comprehensive and uniform approach to sustainability issues in the group. Relevant issues related to sustainability are addressed from the sustainability committee to the Capital Management Committee or Risk Control Committee respectively.

Responsibility for the daily risk management is delegated to the responsible line managers in their respective areas.

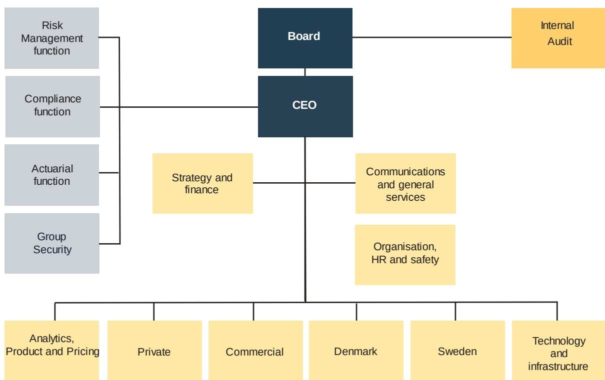
The second line of defence is carried through by centralised control functions for risk management, compliance, actuary and group security;

- The risk management function is responsible for monitoring and developing Gjensidige Forsikring Group's risk management and internal control system. In addition, the function shall have an overview of the risks the Group is or may be exposed to, and what this means for the Group solvency. The risk management function is headed by the Chief Risk Officer (CRO) in Gjensidige Forsikring ASA. The CRO has responsibility for establishing the procedures for performing risk management and reporting risk exposures as well as monitoring Board approved limits.
- The compliance function shall identify, assess, advice, monitor and report on risk related to compliance with external and internal regulations. The compliance function is headed by the Chief Compliance Officer (CCO)
- The actuarial function is responsible for coordinating the calculation and control of the technical provisions. The responsibility is centralised in the Group's Actuary department, which is headed by the Chief Actuary. Even though the actuarial function is organised in the Group's Actuary department, its responsibilities are limited to controlling activities, and has no responsibility for developing claim provision models and regular claim provision calculations. This ensures independence of the actuarial function.
- Group security is responsible for establishing, implementing, operating, monitoring, reviewing, maintaining and improving the information security management system.

All control functions in the second line of defence report directly to the CEO on subject matters.

The third line of defence is the group's internal audit function, which monitors that the risk management and internal control system. The audit function reports directly to the Board of Gjensidige Forsikring ASA.

Figure 3 – Operational structure



The Board has the overall responsibility for ensuring that the level of risk-taking in the Group is satisfactory relative to the Group's financial strength and willingness to take risks. The board has adopted a risk appetite statement that covers the most important types of risks. This entails ensuring that necessary governing documents and procedures are in place. Laws and regulation are to be followed. The work with the risk management and internal control is to be appropriately organized, documented and reported.

The Board has established an audit committee and a risk committee consisting of chosen Board members. The audit committee is tasked with preparing the Board's monitoring of the financial reporting process, the systems for internal control and risk management, as well as the Company's internal audit function. The risk committee is tasked with preparing the Board's monitoring of risk and capital matters. While the audit committee has a retrospective perspective, the risk committee has a forward-looking perspective in relation to the company's strategy, risk appetite and risk capacity. The aim is to strengthen and increase the efficiency of the full Board's discussions. In addition, a remuneration committee assists the Board in remuneration matters.

Gjensidige Forsikring ASA has established strategies, policies and more detailed guidelines, routines and authorisation rules for main risk areas. Group policies are subject to approval by the Board of each company within the Group based on local legislation.

General insurance

Risk description

General insurance covers non-life and health insurance contracts. The Gjensidige Forsikring Group is exposed to general insurance risk in Norway, Sweden, Denmark and the Baltics. Gjensidige's current risk appetite is large in the core area of general insurance in the Nordic and Baltic countries. The risk appetite is the greatest in areas which Gjensidige has high structural competence and access to data. Other business areas shall contribute to the Group's total growth and profitability, but with limited risk appetite.

In order to describe general insurance risk, the most important components are elaborated below, and these are reserve risk, premium risk and lapse risk.

Reserve risk

Reserve risk is the risk that the current claims provisions are not sufficient to cover the development of already incurred claims and related expenses. Reserve risk reflects the emergence of uncertainty related to:

- Actual claims' size (for reported, but not yet settled claims, i.e. RBNS) being higher than expected,
- Claims incurred but not yet reported (IBNR) being greater than expected, and
- Claim payments being paid out at a different time to that expected.

The cost of reported claims not yet paid (RBNS) is estimated by a claims handler for each individual claim and is based on relevant information available from claims reports, loss adjusters, medical certificates and information about the costs of settling claims with similar characteristics in previous periods. The key statistical methods used for calculating claims provisions for claims incurred but not yet reported (IBNR) are:

- Chain ladder methods, which use historical data to estimate the proportions of the paid and incurred to date of the ultimate claim costs.
- Expected loss ratio methods (e.g. Bornhuetter-Ferguson), which use Gjensidige's expectation of the loss ratio for a line of business in the estimation of future claims payments.
- Methods where "Chain ladder" and "Expected loss ratio" methods are used in combination. One advantage of the use of these methods is that more weight can be given to experience data when the run-off development of the actual claim year has become more stable.

The methods used will depend on the line of business and the time period of data available. Some methods assume that future claim development will follow the same pattern as historical claims. There are reasons why this may not always be the case, and it may be necessary to modify model parameters. The reasons why historical claims not necessarily project the future can be:

- Economic, legal and social trends and social inflation (e.g. a shift in court awards)
- Changes in the mix of insurance contracts
- The impact of large losses

IBNR provisions and provisions for outstanding claims are initially estimated at a gross level, and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified (RBNS), where information about the claim is available. There may be cases where certain claims may not be apparent to the insured until many years after the event that gave rise to the claims.

Estimation uncertainty is an inherent character of the claim provisions. Several factors contribute to this uncertainty and include claim frequency and claim severity. An increase in the frequency of claims can be due to seasonal effects and more sustainable effects. During the winter season snow and cold weather will cause an increase in the frequency of claims in Motor insurance. In Property insurance, a cold winter will cause an increase in the frequency of claims due to frozen water pipes and increased use of electrical power and open fireplaces for heating of the houses. Shifts in the level of claims frequency may occur due to e.g. change in customer behaviour and new types of claims. The effect on the profitability of a permanent change in the level of claims frequency will be high. In Motor insurance in Norway, for example, an increase of one percentage point in the level of claims frequency will increase the loss ratio by three to four percentage points based on the current level of claims.

Growth in severity of claims may, for example, be driven by the development of consumer price index (CPI) and salary increases. In Property insurance, the severity of claims will be influenced by inflation and specifically by increased building costs, which in the past has been slightly higher than CPI. For accident and health, the insurance policies are divided into two main groups, one with fixed sum insured and another part where the compensation is adjusted in accordance with a public/government index (in Norway: 'G' - the basic amount in the National Insurance Scheme). This is the case in Workers' Compensation, for instance. The Group writes Workers' Compensation insurance in Norway and Denmark. The regulation of this line of business is quite different in these countries. In Norway Workers' Compensation covers both accident and diseases, while in Denmark diseases are covered by a governmental body. The compensation in Norway is exclusively in the form of lump sums, while in Denmark the compensation consists of both lump sums and annuity payments. Annuity payments are calculated on the basis of assumptions about mortality, interest rate and retirement age. For bodily injuries, the severity of claims is also influenced by court awards, which tend to increase the compensation more than the general inflation. This is also a significant factor, due to the long period typically required to settle these cases.

The tables below show how total claims in Gjensidige develop over time.

Table 1a – Analysis of claims development, general insurance

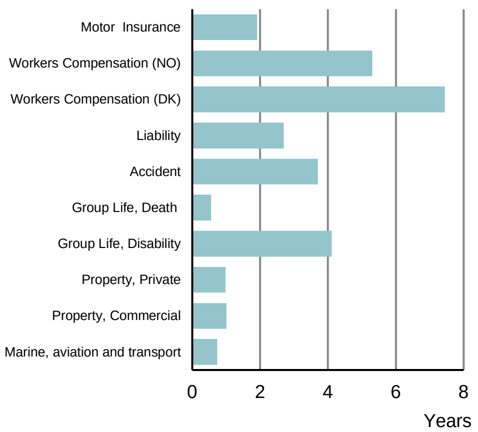
NOK millions	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Gross												
Estimated claims cost												
At the end of the accident year	12,547.4	14,742.7	15,933.2	13,436.6	15,330.3	14,901.4	12,790.6	13,847.1	14,863.2	15,996.3	14,738.7	
- One year later	12,494.7	14,608.4	16,180.6	13,385.2	15,220.5	14,541.9	12,764.3	14,096.7	14,712.6	16,040.4		
- Two years later	12,330.7	14,640.6	16,221.9	13,307.1	15,043.6	14,424.0	12,681.2	14,073.0	14,681.6			
- Three years later	12,342.0	14,559.6	16,032.1	13,138.4	14,855.2	14,374.5	12,745.3	14,206.9				
- Four years later	12,191.0	14,477.3	15,830.7	12,963.0	14,728.0	14,320.9	12,726.5					
- Five years later	12,129.3	14,370.4	15,711.6	12,845.0	14,618.6	14,235.9						
- Six years later	12,084.9	14,247.1	15,566.1	12,659.6	14,495.2							
- Seven years later	11,946.5	14,132.1	15,399.6	12,628.3								
- Eight years later	11,892.8	13,899.3	15,326.3									
- Nine years later	11,683.1	13,878.2										
- Ten years later	11,628.9											
Estimated amount as at 31.12.2019	11,628.9	13,878.2	15,326.3	12,628.3	14,495.2	14,235.9	12,726.5	14,206.9	14,681.6	16,040.4	14,738.7	
Total disbursed	10,881.9	13,042.3	14,382.3	11,604.0	13,431.6	13,074.1	11,370.7	12,314.9	12,526.5	12,771.5	7,814.4	133,214.2
Claims provision	747.0	835.9	943.9	1,024.3	1,063.6	1,161.8	1,355.8	1,892.1	2,155.1	3,268.9	6,924.3	21,372.6
Prior-year claims provision and loss adjustment provision												6,234.0
Gjensidige Baltic												558.2
Total												**28,164.8**
Net of reinsurance												
Estimated claims cost												
At the end of the accident year	12,517.6	14,250.2	14,946.4	13,231.7	14,573.2	14,776.6	12,790.6	13,604.3	14,338.9	15,716.2	14,407.8	
- One year later	12,465.2	14,144.3	15,131.0	13,174.3	14,420.6	14,410.7	12,764.0	13,852.5	14,188.3	15,681.9		
- Two years later	12,307.3	14,174.9	15,230.0	13,111.4	14,336.5	14,297.1	12,677.0	13,828.8	14,111.9			
- Three years later	12,318.7	14,094.9	15,106.2	12,937.1	14,145.2	14,247.5	12,741.2	13,922.6				
- Four years later	12,168.0	14,011.6	14,901.1	12,756.5	14,032.6	14,193.9	12,722.3					
- Five years later	12,105.2	13,900.5	14,782.0	12,638.6	13,923.2	14,108.9						
- Six years later	12,060.8	13,777.1	14,636.0	12,453.2	13,799.8							
- Seven years later	11,922.5	13,662.1	14,487.6	12,421.9								
- Eight years later	11,868.7	13,440.9	14,414.3									
- Nine years later	11,672.2	13,419.9										
- Ten years later	11,618.0											
Estimated amount as at 31.12.2019	11,618.0	13,419.9	14,414.3	12,421.9	13,799.8	14,108.9	12,722.3	13,922.6	14,111.9	15,681.9	14,407.8	
Total disbursed	10,871.0	12,584.0	13,470.4	11,397.6	12,736.2	12,952.5	11,366.5	12,192.4	12,071.0	12,637.9	7,600.0	129,879.7
Claims provision	747.0	835.9	943.9	1,024.3	1,063.6	1,156.4	1,355.8	1,730.2	2,040.9	3,044.0	6,807.7	20,749.7
Prior-year claims provision and loss adjustment provision												6,302.4
Gjensidige Baltic												497.3
Total												**27,549.4**

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

NOK millions	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Gross												
Estimated claims cost												
At the end of the accident year	12,547.4	14,742.7	15,933.2	13,436.6	15,330.3	14,901.4	12,790.6	13,847.1	14,863.2	15,996.3	14,738.7	
- One year later	12,494.7	14,608.4	16,180.6	13,385.2	15,220.5	14,541.9	12,764.3	14,096.7	14,712.6	16,040.4		
- Two years later	12,330.7	14,640.6	16,221.9	13,307.1	15,043.6	14,424.0	12,681.2	14,073.0	14,681.6			
- Three years later	12,342.0	14,559.6	16,032.1	13,138.4	14,855.2	14,374.5	12,745.3	14,206.9				
- Four years later	12,191.0	14,477.3	15,830.7	12,963.0	14,728.0	14,320.9	12,726.5					
- Five years later	12,129.3	14,370.4	15,711.6	12,845.0	14,618.6	14,235.9						
- Six years later	12,084.9	14,247.1	15,566.1	12,659.6	14,495.2							
- Seven years later	11,946.5	14,132.1	15,399.6	12,628.3								
- Eight years later	11,892.8	13,899.3	15,326.3									
- Nine years later	11,683.1	13,878.2										
- Ten years later	11,628.9											
Estimated amount as at 31.12.2019	11,628.9	13,878.2	15,326.3	12,628.3	14,495.2	14,235.9	12,726.5	14,206.9	14,681.6	16,040.4	14,738.7	
Total disbursed	10,881.9	13,042.3	14,382.3	11,604.0	13,431.6	13,074.1	11,370.7	12,314.9	12,526.5	12,771.5	7,814.4	133,214.2
Claims provision	747.0	835.9	943.9	1,024.3	1,063.6	1,161.8	1,355.8	1,892.1	2,155.1	3,268.9	6,924.3	21,372.6
Prior-year claims provision and loss adjustment provision												6,320.7
Total												**27,693.3**
Net of reinsurance												
Estimated claims cost												
At the end of the accident year	12,517.6	14,250.2	14,946.4	13,231.7	14,573.2	14,776.6	12,790.6	13,604.3	14,338.9	15,716.2	14,407.8	
- One year later	12,465.2	14,144.3	15,131.0	13,174.3	14,420.6	14,410.7	12,764.0	13,852.5	14,188.3	15,681.9		
- Two years later	12,307.3	14,174.9	15,230.0	13,111.4	14,336.5	14,297.1	12,677.0	13,828.8	14,111.9			
- Three years later	12,318.7	14,094.9	15,106.2	12,937.1	14,145.2	14,247.5	12,741.2	13,922.6				
- Four years later	12,168.0	14,011.6	14,901.1	12,756.5	14,032.6	14,193.9	12,722.3					
- Five years later	12,105.2	13,900.5	14,782.0	12,638.6	13,923.2	14,108.9						
- Six years later	12,060.8	13,777.1	14,636.0	12,453.2	13,799.8							
- Seven years later	11,922.5	13,662.1	14,487.6	12,421.9								
- Eight years later	11,868.7	13,440.9	14,414.3									
- Nine years later	11,672.2	13,419.9										
- Ten years later	11,618.0											
Estimated amount as at 31.12.2019	11,618.0	13,419.9	14,414.3	12,421.9	13,799.8	14,108.9	12,722.3	13,922.6	14,111.9	15,681.9	14,407.8	
Total disbursed	10,871.0	12,584.0	13,470.4	11,397.6	12,736.2	12,952.5	11,366.5	12,192.4	12,071.0	12,637.9	7,600.0	129,879.7
Claims provision	747.0	835.9	943.9	1,024.3	1,063.6	1,156.4	1,355.8	1,730.2	2,040.9	3,044.0	6,807.7	20,749.7
Prior-year claims provision and loss adjustment provision												6,389.2
Total												**27,138.8**

The duration (average time between the date of loss until the claim is finally settled) differs significantly between the types of risk under consideration. Long duration will increase the company's exposure to inflation. The figure below shows the duration of different products.

Figure 4 – Duration of different products



Premium risk

Premium risk relates to future exposures, future claims and their related expenses. Exposure arises on unexpired risk from contracts already underwritten (i.e. the "unearned" exposure) and from future underwritten contracts.

Premium risk originates from the following factors:

- Uncertainty in premium rates
- Uncertainty in claim severity
- Uncertainty in claim frequency
- Uncertainty in timing of claims payments
- Uncertainty in operating and claims handling expenses

Lapse risk

Lapse risk is defined as the risk of a change in value caused by deviations from the actual rate of policy lapses from their expected rates, i.e. an increase in the level of customers leaving the company. Gjensidige considers lapse risk to be limited for non-life and health insurance business, as the main effect of higher lapse rates will be a reduction in future profit.

Risk exposure

Reserve risk and premium risk are both material risks. Lapse risk contributes only marginally to the total risk exposure for both the Gjensidige Forsikring Group and Gjensidige Forsikring ASA. For reserve risk, most of the claims provisions and related risk exposure are related to lines of business exposed to personal injury, where it takes long time to settle claims. A large part of the reserve risk is related to lines of business such as “Workers' compensation insurance”, “Motor vehicle liability insurance” and “Income protection insurance”. For premium risk, the risk exposure is mainly related to “Motor insurance” and “Fire and other damage to property insurance”.

Risk concentration

Gjensidige’s general insurance portfolio is largest in Norway, but Gjensidige also has a significant part of its general insurance business in Denmark, Sweden and the Baltics.

Gjensidige has developed governing documents for insurance risk. The purpose is to diversify the types of insurance risks, and within each of these categories achieve a sufficiently large population of risks to reduce the fluctuation in the expected outcome. There are detailed guidelines that ensure that the risks underwritten are within Gjensidige’s risk appetite.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The two tables below show that Gjensidige has a well-diversified portfolio both between countries and between products. The portfolio consists mainly of private insurance and insurance related to small and medium-sized commercial business.

Table 2a – Gross premiums written per line of business, Gjensidige Forsikring Group

NOK millions	Gross premiums written 2019	Per cent of total	Gross premiums written 2018	Per cent of total
Medical expense insurance	1,255.3	4.7%	1,168.4	4.6%
Income protection insurance	1,302.6	4.9%	1,232.7	4.8%
Workers' compensation insurance	885.4	3.3%	890.0	3.5%
Motor vehicle liability insurance	3,136.3	11.7%	3,092.9	12.1%
Other motor insurance	5,083.1	19.0%	4,827.5	18.8%
Marine, aviation and transport insurance	314.0	1.2%	303.6	1.2%
Fire and other damage to property insurance	8,946.5	33.5%	8,617.8	33.6%
General liability insurance	868.9	3.2%	745.9	2.9%
Assistance	1,150.9	4.3%	1,100.0	4.3%
Health insurance	1,486.9	5.6%	1,485.0	5.8%
Other non-life insurance	1,304.9	4.9%	1,284.5	5.0%
Non-proportional non-life reinsurance	122.7	0.5%	125.8	0.5%
Pension - insurance with profit participation	333.0	1.2%	277.0	1.1%
Pension - index-linked and unit-linked insurance	547.0	2.0%	506.8	2.0%
Total	**26,737.5**	**100.0%**	**25,657.9**	**100.0%**

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

NOK millions	Gross premiums written 2019	Per cent of total	Gross premiums written 2018	Per cent of total
Medical expense insurance	1,078.5	4.4%	495.8	2.1%
Income protection insurance	1,267.2	5.1%	1,192.6	5.1%
Workers' compensation insurance	885.4	3.6%	890.0	3.8%
Motor vehicle liability insurance	2,663.6	10.8%	2,634.9	11.3%
Other motor insurance	4,855.5	19.7%	4,609.3	19.9%
Marine, aviation and transport insurance	305.7	1.2%	294.9	1.3%
Fire and other damage to property insurance	8,766.7	35.5%	8,410.3	36.2%
General liability insurance	833.2	3.4%	709.1	3.1%
Assistance	1,129.9	4.6%	1,080.5	4.7%
Health insurance	1,486.9	6.0%	1,485.0	6.4%
Non-proportional non-life reinsurance	147.4	0.6%	150.0	0.6%
Other	1,283.0	5.2%	1,263.4	5.4%
Total	**24,703.0**	**100.0%**	**23,215.8**	**100.0%**

Table 3 – Gross premiums written per segment

NOK millions	Gross premiums written 2019	Per cent of total	Gross premiums written 2018	Per cent of total
General Insurance Private	9,136.3	34.2%	8,942.2	34.9%
General Insurance Commercial	8,692.8	32.5%	8,017.9	31.2%
General Insurance Denmark	5,291.6	19.8%	5,196.8	20.3%
General Insurance Sweden	1,440.7	5.4%	1,495.1	5.8%
General Insurance Baltics	1,179.3	4.4%	1,110.1	4.3%
Pension	880.0	3.3%	783.8	3.1%
Corporate Center/reinsurance	116.8	0.4%	112.0	0.4%
Total	**26,737.5**	**100.0%**	**25,657.9**	**100.0%**
Total Gjensidige Forsikring ASA	**24,703.0**	**92.4%**	**23,215.8**	**90.5%**

Managing insurance risk

Management of insurance risk is described in chapter “Good management and control – we are serious about our responsibility” and subchapter “Risk – the core of the business”.

Risk mitigation

Insurance risk is mitigated through several arrangements, like for instance reinsurance and hedging of inflation.

Reinsurance

Gjensidige Forsikring ASA buys reinsurance as protection against the effect of catastrophic events (such as windstorms) and large individual claims. The reinsurance programme is mainly bought to protect the Group’s equity capital. Gjensidige purchases almost exclusively non-proportional reinsurance contracts with sufficiently high retentions for coverage of relatively few, large claims to be recoverable. Subsidiaries are reinsured by Gjensidige Forsikring ASA, and the subsidiaries’ reinsurance exposure is included in the reinsurance programme for the Gjensidige Forsikring Group. The maximum retention level per event for the Group, approved by the Board, was NOK 500 million in 2019, increased from NOK 480 million in 2018. The reinsurance program for 2019 is placed within this limit, where the general retention per claim/claim event is NOK 100 million. For catastrophe events such as natural perils the retention is NOK 200 million. For some insurance risks Gjensidige purchases reinsurance coverage that will reduce the retention level to under 100 million. Decisions concerning the reinsurance programme are based on an analysis of exposure, claims history, Gjensidige’s internal model simulations and

Gjensidige's capitalization. As a general requirement, all reinsurers need to be rated 'A-'or better by Standard & Poor's (or the equivalent from other rating agencies) when entering into a contract with Gjensidige.

Hedging of inflation rate for Danish workers' compensation
Gjensidige is exposed to the risk of increased inflation on most of its technical provisions. Increased inflation will result in higher future claim payments than earlier expected. A large part of this inflation risk is related to Danish workers' compensation, which is hedged through inflation swaps.

Risk sensitivity

Sensitivity tests are performed in order to show how different risks impact the profit or loss for the year, and thereby impact the equity at the year-end, please see table 4. Combined Ratio (CR) is the key measure of profitability for the general insurance business. The calculations show the effect of a change of one per cent in CR, which can be caused by both premium risk and reserve risk. Premium risk related to changes in loss frequency and severity of claims is also shown. Note that tax impact is not included in the calculations. Changes in inflation assumptions will mainly affect the claims provisions (reserve risk) but is counter-acted by inflation swaps.

Table 4 – Potential loss based on different sensitivities

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2019**	**2018**	**2019**	**2018**
Change in CR (1%-point)	276.7	261.0	235.4	223.9
Change in loss frequency (1%-point)	1,924.0	2,087.9	1,883.7	2,049.9
Change in severity of claims (+10%)	1,756.6	1,699.5	1,680.8	1,625.9

Changes in the composition of the insurance portfolio may have an impact on the effect of the changes in the frequency and severity of claims.

Life insurance

Risk description

The Gjensidige Forsikring Group is exposed to life insurance risk through products sold in Gjensidige Pensjonsforsikring AS. Gjensidige Pensjonsforsikring AS has a relatively large risk appetite within occupational defined contribution plans and collective disability and survivor benefits, moderate risk appetite within individual disability plans and low risk appetite within capital-intensive and complicated products (paid-up defined benefit policies). In order to describe life insurance risk, the most important components are elaborated below, and these are; mortality, longevity, disability, catastrophe, lapse and expense risk.

Mortality risk
Mortality risk is the risk that actual mortality rates are higher than expected. It is defined as a permanent increase in mortality rates for all ages. Higher mortality rates will result in higher claim payments to the surviving spouse or children. Mortality risk in Gjensidige Pensjonsforsikring AS is low as there is a limited amount of policies covering mortality risk. In addition, mortality rates are low, so increased mortality will have limited impact. This means that increased mortality is not the dominant risk for Gjensidige Pensjonsforsikring AS, but the risk of decreased mortality; longevity risk.

Longevity risk
Longevity risk is the risk that actual mortality rates are lower than expected. Lower mortality will result in a higher total of pension payments for guaranteed products. The company cannot charge additional premium for contractual periods previously entered into. The risk for the company is that the provisions that shall cover all future claims are insufficient.

Gjensidige Pensjonsforsikring AS is especially exposed to longevity risk in the paid-up policies, where Gjensidige Pensjonsforsikring AS is liable to pay a defined benefit until death or other agreed time. By the end of 2018, Gjensidige Pensjonsforsikring was finished with long-life reserve so that the reserves are now on a par with the mortality tariff.

Disability risk
Disability risk is the risk that actual disability is higher than expected and/or the recovery is lower than expected. Higher disability rates, but also lower recovery rates will increase the claim payments. Both individual and collective disability products expose Gjensidige Pensjonsforsikring AS to disability risk. Apart from lapse risk, disability risk is one of the major insurance risks for Gjensidige Pensjonsforsikring AS.

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

Lapse risk
Lapse risk is the risk of an increase in lapse rates, i.e. the risk of an increase in customers leaving the company. This is mainly relevant in Solvency II aspects, because Solvency II takes into account expected future profit. Lapse risk reflects the risk of a potential reduction of the expected future profit if customers leave the company. Lapse risk is mainly related to unit-linked products and represents an important risk for the company in Solvency II. However, if a large number of customers choose to leave the company, the effect on the capital position would be limited. Reduced future profit would lead to a reduction of eligible capital but would be counteracted by a lower risk margin (increasing eligible capital) and a lower capital requirement.

Expense risk
Expense risk is the risk of actual expenses being higher than expected. The risk is related to the administration result which is the expected administration income minus the expected expenses for the whole lifetime of the products that fall within the contract boundary. Expense risk is larger in Solvency II aspects, because the contract boundary is longer. For some products, the company cannot increase the administration fee if the expenses increase (e.g. guaranteed paid-up policies). For other products, the company can increase the administration fee for the future and thereby reduce the losses.

Risk exposure

Gjensidige Pensjonsforsikring AS offers several disability pension products and for this reason disability risk is a material risk. In addition, longevity risk is a substantial risk because of the portfolio of paid-up policies. In Solvency II context the risk exposure looks very differently where lapse risk is the dominating risk. This is only the case in Solvency II because future profit is accounted for. Expense risk is mostly relevant in Solvency II context, but is also a minor contributing factor to risk exposure for Gjensidige Pensjonsforsikring AS.

Risk concentration

Life insurance consists of policies in the Norwegian market. The portfolio derives mainly from employees of small and medium-sized commercial customers in the whole country, and the risk concentration is considered limited.

Management of insurance risk is described in chapter "Good management and control – we are serious about our responsibility" and subchapter "Risk – the core of the business".

Financial risk

Risk description

Financial risk is the risk of experiencing losses due to changes in macroeconomic conditions and/or changes in financial asset values and liabilities. Gjensidige is exposed to these types of risk through the Group's investment activities. The risk is managed at the aggregate level and handled through the guidelines for asset management and investment strategies, which have been drawn up for Gjensidige Forsikring ASA and its subsidiaries. The primary purpose of the investments is to support the insurance business by securing the value of insurance liabilities against fluctuations in market variables. Funds beyond this will be invested to help achieve the Group's overall profitability goals, with a controlled downside risk.

Investments for general insurance and life insurance are managed separately. Financial risk related to general insurance and life insurance is described separately where appropriate.

The investment portfolio for general insurance is split into two parts: a match portfolio and a free portfolio. The match portfolio is intended to correspond to the Group's technical provisions in order to reduce interest rate risk, currency risk and to some extent inflation risk. It is invested in fixed-income instruments with a duration matched to the duration of the technical provisions. The free portfolio consists of various assets. The allocation of assets in this portfolio must be seen in relation to the Group's capitalization and risk capacity, as well as the Group's risk appetite at all times.

Table 5 – Asset allocation general insurance

	2019 NOK millions	2019 Per cent	2018 NOK millions	2018 Per cent
Match portfolio				
Money market	4,818.7	8.2%	4,917.9	9.3%
Bonds at amortised cost	14,916.1	25.3%	15,698.5	29.7%
Current bonds [1]	14,327.1	24.3%	13,892.5	26.3%
Match portfolio total	**34,062.0**	**57.7%**	**34,508.9**	**65.3%**
Free portfolio				
Money market	6,812.3	11.5%	3,703.2	7.0%
Other bonds [2]	4,552.9	7.7%	3,912.7	7.4%
High Yield bonds [3]	1,101.8	1.9%	436.1	0.8%
Convertible bonds [3]	1,725.3	2.9%	713.8	1.4%
Current equities [4]	3,047.3	5.2%	2,466.2	4.7%
PE-funds	1,232.3	2.1%	1,346.6	2.5%
Properties [5]	4,803.9	8.1%	4,608.8	8.7%
Other [6]	1,716.8	2.9%	1,119.6	2.1%
Free portfolio total	**24,992.4**	**42.3%**	**18,307.1**	**34.7%**
Investment portfolio total	**59,054.4**	**100.0%**	**52,816.0**	**100.0%**

[1] The item includes the market value of the interest rate hedge in Denmark. Investments include mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt.
[2] The item includes investment grade, emerging market debt (EMD) and current bonds. Investment grade bonds and EMD are investments in internationally diversified funds that are externally managed.
[3] Investments in internationally diversified funds that are externally managed.
[4] Investments mainly in internationally diversified funds that are externally managed. The equity risk exposure is reduced by NOK 369.9 million due to derivatives.
[5] In addition, there is a total return swap with Gjensidige Pensjonskasse reducing the property exposure by NOK 240.0 million.
[6] The item includes currency hedging related to Gjensidige Sverige and Gjensidige Denmark, lending, paid-in capital in Gjensidige Pensjonskasse and hedge funds.

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

Table 6 – Asset allocation Gjensidige Pensjonsforsikring AS, excluding the unit-linked portfolio

NOK millions	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
Properties	958.2	908.5
Total	**7,928.5**	**7,659.2**

Risk exposure
Within market risk the largest risks are spread risk and equity risk for Gjensidige Forsikring Group and Gjensidige Forsikring ASA. Holdings in related undertakings are in general treated as equity risk in Gjensidige Forsikring ASA, while the risk is fully consolidated for Gjensidige Forsikring Group. Consequently, equity risk is greatest for Gjensidige Forsikring ASA. The investments in property through Oslo Areal AS contribute to property risk. There is also some currency risk, while the interest rate risk and concentration risk have a small contribution to the total risk exposure.

Spread risk
Spread risk is the risk related to the values of assets, liabilities and financial instruments due to changes in the level or volatility of credit spreads over the risk-free interest rate term structure. It is the fixed-income portfolio that is exposed to spread risk.

The tables below show allocation of the fixed-income portfolio per sector and per rating category at year-end in 2019 and 2018. Investments in fixed-income funds are not included in the tables.

Table 7 – Allocation of the fixed-income portfolio per sector

	Gjensidige Forsikring Group 2019	Gjensidige Forsikring Group 2018	Gjensidige Forsikring ASA 2019	Gjensidige Forsikring ASA 2018
Government bonds	23.8%	20.8%	22.5%	19.1%
Corporate bonds	76.2%	79.2%	77.5%	80.9%
Collateralised securities	0.0%	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 8 – Allocation of the fixed-income portfolio per rating category

	Gjensidige Forsikring Group 2019	Gjensidige Forsikring Group 2018	Gjensidige Forsikring ASA 2019	Gjensidige Forsikring ASA 2018
AAA	29.5%	32.8%	29.4%	30.2%
AA	13.3%	11.9%	14.2%	12.5%
A	20.1%	16.0%	18.2%	14.6%
BBB	10.6%	11.4%	10.1%	11.4%
BB				
B				
CCC or lower				
Not rated	26.5%	28.0%	28.2%	31.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Issuers without a rating from an official rating company are mainly investments in the Norwegian fixed-income portfolio. These are mainly investments in Norwegian savings banks, municipalities, property companies and Norwegian power producers and distributors.

Equity risk
Equity risk is the risk related to the values of assets, liabilities and financial instruments as a result of changes in the level or volatility of market prices of equities.

For both the Gjensidige Forsikring Group and Gjensidige Forsikring ASA the equity exposures are mainly investments in Norwegian equity funds and internationally diversified funds, with the majority focusing on developed markets. There are also investments in several private equity funds as well as fund of funds, focusing on the Nordic region.

The equity portfolio has no significant exposures in single shares. The largest equity exposures are presented in Note 14.

Property risk
Property risk is the risk related to the value of assets, liabilities and financial instruments due to changes in the level or volatility of market prices of property.

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

Property risk is material to the Gjensidige Forsikring Group and Gjensidige Forsikring ASA. Gjensidige Forsikring ASA has a 50 per cent share in Oslo Areal AS, which is fully consolidated in the solvency calculations. The Group owns most of its properties through Oslo Areal AS, although a small part of the portfolio is invested in property funds outside Norway. The real estate portfolio managed by Oslo Areal AS consists of investment properties. The real estate portfolio has its largest concentration in offices in the Oslo area, but it also contains property in other major cities in Norway.

Interest rate risk

Interest rate risk is the risk related to the value of assets, liabilities and financial instruments due to changes in the term structure of interest rates or interest rate volatility. For both the Gjensidige Forsikring Group and Gjensidige Forsikring ASA the interest rate risk is small as the maturity of the fixed income portfolio is aligned with the insurance obligations. For the Group, there is a further reduction in interest rate risk as the interest rate exposure in the non-life and life insurance business is in opposition to each other.

Figure 5a shows the expected pay-out pattern for the premium and claims provisions for the general insurance operation as at year-end 2019 and 2018, respectively. Approximately one third of the provisions are expected to be paid out within one year.

Figure 5a – Payout pattern insurance liabilities, Gjensidige general insurance

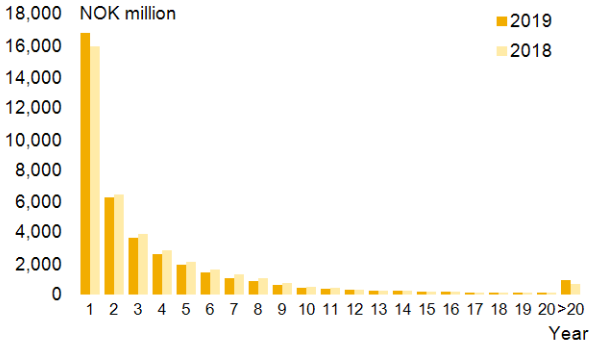
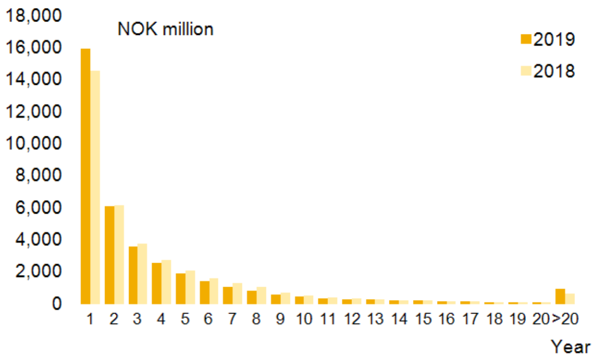


Figure 5b shows the corresponding pay-out pattern for Gjensidige Forsikring ASA. The average duration for Gjensidige Forsikring ASA is similar to that of the general insurance operation.

Figure 5b – Payout pattern insurance liabilities, Gjensidige Forsikring ASA



As mentioned, the match portfolio is intended to correspond to the Gjensidige Forsikring Group's technical provisions in order to reduce interest rate risk. There is also some interest rate risk in the free portfolio.

The table below shows the maturity profile of the fixed-income portfolio for general insurance.

Table 9 – Maturity profile (numbers of years) fixed-income portfolio

NOK millions	2019	2018
Maturity		
0-1	10,184.2	8,546.3
1-2	6,626.3	4,244.0
2-3	5,083.6	5,778.7
3-4	6,894.6	5,693.6
4-5	2,942.3	5,341.5
5-6	2,467.1	2,906.9
6-7	3,300.2	2,627.2
7-8	2,371.8	1,675.6
8-9	1,104.4	2,236.9
9-10	2,499.8	1,170.6
>10	4,793.2	3,152.1
Total	**48,267.6**	**43,373.4**

Gjensidige Pensjonsforsikring has paid-up defined benefit policies and other products with a guaranteed annual return. The current interest rate level is below the guaranteed interest rate. So far Gjensidige Pensjonsforsikring has had a satisfactory return, but as the investment portfolio matures, re-investment will be performed at today's interest rate levels, with lower expected returns. A further reduction in interest rates will make it more difficult to find investments with a sufficient return to achieve the annual guaranteed return.

Foreign exchange risk

Foreign exchange risk is the risk related to the value of assets, liabilities and financial instruments due to changes in currency exchange rates.

Gjensidige Forsikring Group underwrites insurance in the Scandinavian and Baltic countries, and thus has insurance liabilities in the corresponding currencies. The foreign exchange risk, at both group and company level, is generally hedged by matching technical provisions with investments in the corresponding currency. Generally, foreign exchange risk in the investment portfolio is hedged close to 100 per cent, within a permitted limit of +/- ten per cent per currency, except for smaller mandates with active currency management.

Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default of the counterparties and debtors of Gjensidige Forsikring Group.

The Gjensidige Forsikring Group and Gjensidige Forsikring ASA are exposed to counterparty risk through the investments in securities and derivatives, cash at banks, and through receivables from intermediaries and reinsurance contracts.

Liquidity risk

Liquidity risk is defined as the inability to meet payments when due, or by the need to realise investments at a high cost to meet payments. For most general insurers, liquidity risk is quite limited. Premium income is paid up front, and claims are paid out at a later stage. Future payments are not based on contractual payment dates, but rather on when claims arise and how long the claims handling takes. This will result in a positive net cash flow under normal circumstances. Large net outflows would generally only arise as a result of acquisitions or the recapitalisation of subsidiaries. In addition, liquidity needs may arise in connection with margin payments for financial instruments. In the event of a large claim or catastrophic event, the payments will take place sometime after the event, and the reinsurers will cover most of the cost within a short time of the payments having been made to the claimants. In an extreme scenario, reinsurers could fail to honour their obligations after a catastrophic event.

Risk concentration
The risk concentration regarding financial investments is defined as risk regarding the accumulation of exposures within the same geographical area, industry sector etc.

For both the Gjensidige Forsikring Group and Gjensidige Forsikring ASA sector concentration of fixed-income securities are regulated by the guidelines for credit exposure, which is a part of the Group Credit policy. The guidelines define a number of industry sectors together with allocation limits to each sector in order to ensure diversification in the total portfolio. The current allocation of fixed-income securities meets the guidelines requirement.

The equity investments in Gjensidige Forsikring ASA are mainly investments in internationally diversified funds. Investments are both in developed and emerging markets, together with funds in the Norwegian market. The degree of diversification, both for sector and geographical concentration, is thus dependent of the composition in the fund structure.

Geographical concentrations of fixed-income securities in the match portfolios of the Gjensidige Forsikring Group and Gjensidige Forsikring ASA are mainly proportional to the amount of technical provisions in the various countries, in which business is conducted.

Geographical concentration of fixed-income securities in the free portfolio is monitored by using a look-through approach in respect of the fixed-income funds. Fixed-income funds consist of internationally diversified funds in asset classes like investment grade, high yield and convertible bond funds. The money market portfolio mainly consists of Norwegian bonds and certificates, thereby ensuring liquid assets are held in the portfolio.

Managing financial risk
Management of financial risk is described in chapter “Good management and control – we are serious about our responsibility” and subchapter “Risk – the core of the business”.

Risk mitigation
The Gjensidige Forsikring Group and Gjensidige Forsikring ASA use several risk mitigation techniques. The match portfolio is intended to correspond to the Group’s technical provisions in order to reduce interest rate risk, currency risk and to some extent inflation risk. It is invested in fixed-income instruments with a duration matched to the duration of the technical provisions.

An overview of other risk mitigation techniques is given below.

Hedging exchange rate exposure
Gjensidige Forsikring ASA uses financial derivatives to hedge foreign currency risk arising from investments in securities, and the ownership of foreign branches with other functional currency. Currency forwards and currency swaps are the primary instruments used for hedging currency risk. In addition, the Gjensidige Forsikring Group has implemented a currency hedging strategy with the purpose of minimizing currency risk in surplus capital. This is implemented by adjusting assets in foreign branches and subsidiaries so that surplus capital in foreign currencies is minimized.

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

Hedging interest rate exposure in Denmark
Interest rate risk is a significant risk factor associated with the Workers’ Compensation business in Denmark due to the high volume and duration of technical provisions related to the product. Most of the interest rate risk exposure in insurance liabilities is hedged using interest rate swaps. The advantage of using interest rate swaps in contrast to bonds is that instruments with desired duration are available in the Danish swap market, but not in the bond market.

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

Counterparty default risk – OTC derivatives
The over-the-counter (OTC) derivatives are covered by ISDA Master agreements, which set out standard terms that apply to all the transactions entered between parts. The Master Agreement allows parties to limit their financial exposure under OTC transactions on a net basis. The Credit Support Annex (CSA) is a legal document that defines the rules under which collateral is posted or transferred between swap counterparties to mitigate the credit risk arising from derivative positions. As at 31. December 2019 the collateral pledged for OTC derivatives is NOK 475.6 million.

Risk sensitivity
Sensitivity analysis is performed at the Gjensidige Group level. The sensitivity analysis shows the effect in the accounts of different predefined scenarios. The corresponding figures are changed to also show the effect in the accounts. As the effects are on the values in the accounts, assets measured at amortized cost are disregarded. The unrealized excess value will be affected by changes in the interest rate and/or the credit spread. The following assumptions are made for the different risk drivers:

- Equities: It is assumed that the market value of equities decreases with 10 per cent. It includes stress on all equities including hedge funds and private equity.
- Interest rate: It is assumed that the yield curve increases 100 bps. The effect is for assets only, except for liabilities that are discounted in the accounts.
- Credit spread: It is assumed a 100 bps increase in the credit spreads.
- Property: It is assumed 10 per cent decrease in the property value.

The table below shows the effect of the different sensitivities.

Table 10 – Potential loss based on different sensitivities

	Gjensidige Forsikring Group	
NOK millions	**2019**	**2018**
Equity down 10%	(475.0)	(370.0)
Interest rate up 100 bps	(384.4)	(199.5)
Spread level up 100 bps	(707.5)	(631.7)
Properties down 10%	(593.2)	(569.5)

Operational risk
Operational risk is the risk of economic losses and/or loss of reputation due to weaknesses or faults in processes and systems, errors made by employees, or external events.

Management of operational risk is described in chapter “Good management and control – we are serious about our responsibility” and subchapter “Risk – the core of the business”.

Strategic risk and business risk
Strategic risk is the risk of loss due to the inability to establish and implement business plans and strategies, make decisions, allocate resources or respond to changes.

Management of strategic risk and business risk is described in chapter “Good management and control – we are serious about our responsibility” and subchapter “Risk – the core of the business”.

Climate risk
Climate risk is risk related to changes in climate. Management of climate risk and business risk is described in chapter “Good management and control – we are serious about our responsibility” and subchapter “Risk – the core of the business”.

Capital management

Gjensidige shall have a capitalization that is adapted to the Group's strategic targets and risk appetite at all times. The Group shall maintain its financial flexibility and at the same time exercise a stringent capital discipline that supports the return on equity target. Any future excess capital will be distributed to the shareholders over time.

The target zone for the solvency margin is between 150 per cent and 200 per cent, changed from between 135 per cent and 200 per cent last year. This target applies to both the regulatory approved model (legal perspective) and the model with its own calibration (own partial internal model). Solvency margin levels shall support an A-rating from Standard & Poor's, stabilize regular dividends over time, ensure financial flexibility for smaller acquisitions and organic growth that is not funded through retained earnings, and provide a buffer against regulatory changes.

All subsidiaries will be capitalized in line with the respective regulatory requirements, while capital in excess of the requirements will, as far as possible, be held in the parent company Gjensidige Forsikring ASA. The Group will make use of all forms of Tier 1 and Tier 2 capital, including subordinated debt, in a responsible and value-optimizing manner and in line with the limits set by regulators and rating agencies.

Requirements for Gjensidige's capitalisation are specified in a capital management policy approved by the Board. A department under the CFO is responsible for the capital management and must ensure that the requirements in the capital management policy are followed.

In 2018, Gjensidige received an approval by the Financial Supervisory Authorities (FSA) to use a partial internal model to calculate the regulatory solvency capital requirement. The approved partial internal model is more conservative than the model Gjensidige applied for. The FSA required the use of the standard formula to calculate storm risk, and the standard formula's correlation between market and underwriting risk. The FSA's requirements also include somewhat higher capital requirement for market and underwriting risk compared with Gjensidige's initial application. Gjensidige's application for changes in calibration of market risk has not been approved by the FSA. Gjensidige believes that the partial internal model, without the imposed conditions from the FSA, provides a better presentation of the risk, and will continue to make efforts to get Gjensidige's own version of the partial internal model approved.

Gjensidige is well capitalized and satisfies the target zone, both by the use of the approved partial internal model and by its own partial internal model.

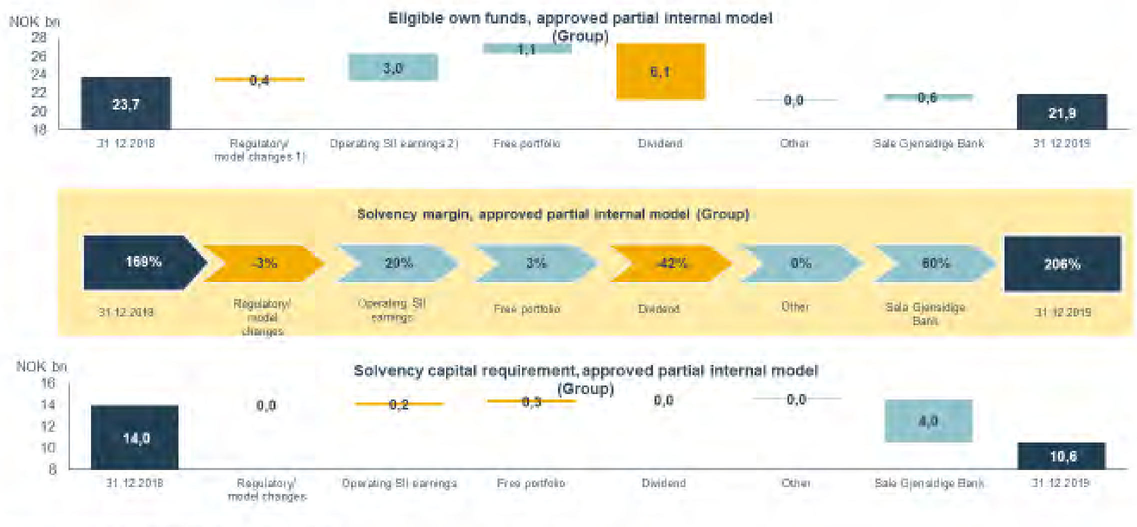
The Group's solvency margins at the end of 2019 were calculated to be:

- 206 per cent based on Gjensidige's approved partial internal model
- 250 per cent based on Gjensidige's own partial internal model

The figures are adjusted according to proposed dividend of NOK 6.125 billion.

The capital position is calculated based on Gjensidige's understanding of requirements and principles given in laws and prescriptions.

Figure 6 – Capital development from 2018 to 2019



[1] Principle change in calculation of risk margin, after tax
[2] Operating SII earnings comprise SII underwriting result and SII financial result of the match portfolio after tax

The solvency II balance

Both assets and liabilities are valued at market value in Solvency II, and in some cases, this deviates from accounting principles.

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

- Intangibles are valued to zero under Solvency II
- Held-to-maturity-bonds are valued to market value under Solvency II, while amortized cost is used for accounting purposes
- Technical provisions are valued differently (see below for more details)
- Policyholders' receivables are valued to zero according to Solvency II principles, as the related cashflows are included in the calculation of technical provisions (premium provision)
- The guarantee scheme provision is treated as a liability under Solvency II, while it is treated as equity according to accounting principles
- Different valuation of deferred tax as a result of the differences above

According to Solvency II principles, technical provisions are the sum of a best estimate and a risk margin. For non-life insurance and health insurance, the best estimate for technical provisions can be divided into premium provisions and claims provisions.

The tables below show the technical provisions for Gjensidige Forsikring ASA and the Gjensidige Forsikring Group in accordance with Solvency II principles and accounting principles.

Table 11a – Technical provisions for Gjensidige Forsikring Group

	2019			2018		
NOK millions	Accounting (IFRS)	Solvency II	Difference	Accounting (IFRS)	Solvency II	Difference
Claims provisions for non-life and health insurance	28,164.8	24,342.4	(3,822.4)	29,355.8	24,683.3	(4,672.5)
Premium provisions for non-life and health insurance	10,601.4	2,857.1	(7,744.3)	10,154.1	2,363.8	(7,790.3)
Technical provisions for life insurance (best estimate)	37,193.6	34,303.6	(2,890.0)	30,495.9	28,110.2	(2,385.7)
Risk margin		2,689.6	2,689.6		1,964.2	1,964.2
Total technical provisions	**75,959.8**	**64,192.7**	**(11,767.1)**	**70,005.8**	**57,121.6**	**(12,884.2)**

Table 11b – Technical provisions for Gjensidige Forsikring ASA

	2019			2018		
NOK millions	Accounting (NGAAP)	Solvency II	Difference	Accounting (NGAAP)	Solvency II	Difference
Claims provisions for non-life and health insurance	27,693.3	23,873.8	(3,819.6)	28,769.8	24,110.2	(4,659.6)
Premium provisions for non-life and health insurance	10,080.3	2,537.8	(7,542.5)	9,475.1	1,952.1	(7,522.9)
Risk margin		1,352.0	1,352.0		1,228.5	1,228.5
Total technical provisions	**37,773.6**	**27,763.5**	**(10,010.1)**	**38,244.9**	**27,290.8**	**(10,954.1)**

Claims provisions for non-life and health insurance are discounted in Solvency II, while the claims provisions (except claims provisions for workers' compensation product in Denmark and motor vehicle liability insurance in Sweden) are undiscounted in the accounting figures. The claims provision in Silvency II does not include planned run-off gains, as the accounting claims provisions. All other assumptions for Solvency II purposes are identical with the accounting assumptions.

Premium provisions for non-life and health insurance are calculated as the current value of future cash-flows for unexpired risk for contracts within contract boundaries. Premium provisions according to accounting principles correspond to the unexpired proportion of premiums written for contracts in force at the valuation date, where no deductions are made for any expenses before the written premiums are accrued. The practical consequence of this difference is mainly that future profit for the contracts Gjensidige is liable for are included as eligible capital in the Solvency II balance sheet. As the premium provisions according to Solvency II are discounted this will also result in a difference.

Technical provisions for life insurance are based on a market value approach according to Solvency II principles, where future cash-flows are discounted using the Solvency II interest rate curve. This is different from accounting principles where the guaranteed interest rate is used. Also, the main difference between accounting and Solvency II principles, for index- and unit-linked insurance, is the inclusion of future profits in Solvency II.

A risk margin is added to the technical provisions according to Solvency II principles. The risk margin is calculated as the cost of holding the capital needed to cover the solvency capital requirement through the entire run-off, if all business was terminated.

Note that the Solvency II interest rate curves with no volatility adjustment are used for determining the Solvency II technical provisions, and that no transitional measures are used for the calculations.

Eligible capital

Eligible capital to meet the Solvency Capital Requirement is the difference between assets and liabilities.

Table 12 – Eligible capital to cover the Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	2019	2018	2019	2018
Assets over liabilities according to Solvency II principles (insurance)	25,446.6	19,823.7	25,157.9	23,263.5
Own shares	(0.0)	(0.1)	(0.0)	(0.1)
Proposed dividend	(6,125.0)	(3,550.0)	(6,125.0)	(3,550.0)
Subordinated liabilities (insurance)	2,533.5	2,487.5	2,229.0	2,186.0
Basic own funds	**21,855.1**	**18,761.1**	**21,261.9**	**21,899.5**
Own funds of other financial sectors		4,904.0		
Total eligible own funds to meet the SCR	**21,855.1**	**23,665.1**	**21,261.9**	**21,899.5**

Eligible own funds are divided into three capital groups according to Solvency II regulations. Gjensidige has mainly tier 1 capital, which is considered to be capital of best quality. Of the total amount of tier 1 capital, NOK 1,026 million comes from the restricted tier 1 category. This is the market value of bonds issued by Gjensidige Forsikring ASA (nominal amount of NOK 1,000 million).

The tier 2 capital for the Gjensidige Forsikring Group and Gjensidige Forsikring ASA consists of natural perils capital and subordinated liabilities. Natural perils capital can only be used to cover claims related to natural perils but can in an insolvent situation also be used to cover other liabilities. The subordinated liabilities comprise of bonds issued by Gjensidige Forsikring ASA (nominal amount of NOK 1,200 million) and Gjensidige Pensjonsforsiking AS (nominal amount of NOK 300 million). The market value of these bonds is NOK 1,508 million per 31.12.2019.

Gjensidige has no tier 3 capital.

Details regarding the hybrid capital are specified in note 18.

Table 13 – Eligible own funds to meet the Solvency Capital Requirement, split by tiers

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2019**	**2018**	**2019**	**2018**
Tier 1	17,671.3	19,146.7	17,382.6	18,232.4
Of this; Restricted tier 1 capital from insurance	*1,026.0*	*1,010.0*	*1,026.0*	*1,010.0*
Of this; Restricted tier 1 capital from other financial sectors		*444.8*		
Tier 2	4,183.8	4,518.4	3,879.3	3,667.1
Of this; Natural perils capital	*2,676.3*	*2,491.1*	*2,676.3*	*2,491.1*
Of this; Subordinated liabilities from insurance	*1,507.5*	*1,477.5*	*1,203.0*	*1,176.0*
Of this; Subordinated liabilities from other financial sectors		*549.8*		
Total eligible own funds to meet SCR	**21,855.1**	**23,665.1**	**21,261.9**	**21,899.5**

Table 14 – Eligible own funds to meet Minimum Capital Requirement, split by tiers

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2019**	**2018**	**2019**	**2018**
Tier 1	17,671.3	14,792.5	17,382.6	18,232.4
Of this; Restricted tier 1 capital	*1,026.0*	*1,010.0*	*1,026.0*	*1,010.0*
Tier 2	999.4	980.1	838.3	819.4
Total eligible basic own funds to meet MCR/minimum consolidated group SCR	**18,670.7**	**15,772.6**	**18,220.9**	**19,051.8**

Regulatory capital requirement

The regulatory requirement is based on the approved partial internal model.

The solvency capital requirement is based on different sources of risks. The main risks for Gjensidige Forsikring ASA and Gjensidige Forsikring Group are non-life and health insurance risk and market risk. Non-life and health insurance risk is mainly related to uncertainty in insurance result for the next year (premium risk) and the risk of the claims provisions not being sufficient (reserve risk). Counterparty default risk and operational risk also contribute to the capital requirement. A diversification benefit is accounted for as all risks will not occur at the same time. The capital requirement is also adjusted for future tax benefit which would occur if a loss equal to the solvency capital requirement should occur. This tax benefit can only be accounted for if it is reasonable that the company is able to continue with its business after such a loss.

Table 15 – Regulatory Solvency Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2019**	**2018**	**2019**	**2018**
Capital available	**21,855.1**	**23,665.1**	**21,261.9**	**21,899.5**
Capital charge for non-life and health uw risk	7,556.4	7,053.1	7,392.2	6,852.0
Capital charge for life uw risk	1,869.3	1,633.1		
Capital charge for market risk	7,856.0	6,445.8	7,315.8	6,903.9
Capital charge for counterparty risk	501.1	470.0	479.4	649.1
Diversification	(4,960.2)	(4,334.4)	(3,517.9)	(3,332.5)
Basic SCR	**12,822.6**	**11,267.6**	**11,669.5**	**11,072.5**
Operational risk	847.5	822.7	741.8	709.1
Adjustments (risk-reducing effect of deferred tax)	(3,045.2)	(2,718.7)	(2,710.5)	(2,447.4)
Gjensidige Bank		4,670.8		
Total capital requirement	**10,624.9**	**14,042.4**	**9,700.8**	**9,334.2**
Solvency ratio	**205.7%**	**168.5%**	**219.2%**	**234.6%**

In addition to the Solvency Capital Requirement (SCR), there is a defined minimum level of capital. The latter is called Minimum Capital Requirement (MCR) for solo companies and minimum consolidated group Solvency Capital Requirement for insurance groups. If the capital falls below this level, the company or group will be prohibited to continue the business any further.

The minimum consolidated group SCR is the sum of the minimum capital requirement of the judicial entities belonging to the group. The minimum consolidated capital requirement for Gjensidige Forsikring Group is NOK 4,997.0 million, which constitute 47 per cent of the SCR.

Table 16 – Regulatory Minimum Capital Requirement

	Gjensidige Forsikring Group		Gjensidige Forsikring ASA	
NOK millions	**2019**	**2018**	**2019**	**2018**
Total eligible own funds to meet the MCR/minimum consolidated group SCR	18,670.7	15,772.6	18,220.9	19,051.8
MCR/minimum consolidated group SCR	4,997.0	4,900.5	4,191.4	4,097.1
Capital surplus	13,673.7	10,872.2	14,029.5	14,954.7
MCR margin	373.6%	321.9%	434.7%	465.0%

Capital in excess

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

Table 17 – Capital in excess of legal requirements

NOK millions	**2019**	**2018**
Gjensidige Forsikring Group	11,230.2	9,622.8
Gjensidige Forsikring ASA	11,561.0	12,565.3
Nykredit Forsikring A/S		196.0
ADB Gjensidige	166.4	93.7
Gjensidige Pensjonsforsikring AS	769.0	707.8
Gjensidige Bank Group		233.2
Mølholm Forsikring A/S		93.6

There are some restrictions on Gjensidige Forsikring ASA's and Gjensidige Pensjonsforsikring's ability to access or use the Group's assets, as well as settling its obligations. Group contributions added together with dividends must not exceed justifiable payment of dividend based on a company's financial strength and operations. Distributions from insurance companies must be within profit for the year. If it is desired to distribute more than this, then it has to be approved in advance by the Financial Supervisory Authority (FSA).

Regulatory uncertainty related to Solvency II
There is still some uncertainty regarding how the guarantee scheme should be treated under Solvency II. The FSA argues that the guarantee scheme should be considered as a liability under Solvency II. Gjensidige is of the opinion that the high level of domestic deposits which are actually equity elements should be treated as eligible solvency capital. The company will continue to pursue a regulatory framework in line with this. Until a final clarification is reached, the guarantee scheme provision is treated as a liability under Solvency II. A hearing from the FSA, dated 31st of January 2018, suggests a change in the guarantee scheme that may lead to an increase of about 70 million kroners in the guarantee scheme This can potentially have a negative effect on the capital. Based on this, the uncertainty in eligible own funds with respect to the guarantee scheme is of size NOK (0,1) to 0,5 billion kroners.

EIOPA has suggested several changes in the calculation of the capital requirement and eligible own funds. These changes are not expected to have any major impact on the capital position of Gjensidige based on Gjensidige's current balance sheet.

Stress test

The stress test for the Gjensidige Forsikring Group is defined in the Capital Management policy approved by the Board. The main purpose of the stress test is to demonstrate that there is sufficient capital even after extreme but possible negative events. The stress test is performed by summing up probable losses from the various areas of the business. Stress parameters for investments are chosen in order to reflect a loss probability of 1 in 200 on a quarterly basis. Diversification is accounted for by choosing diversified parameters. Tax effects are accounted for as a deferred tax asset would arise after a large financial loss.

The stress test is performed on a monthly basis for the Gjensidige Forsikring Group, including Gjensidige Pensjonsforsiking AS.

The outcome of the stress test at year-end 2019 and 2018 is presented below.

Table 18a – Stress test financial assets 2019

NOK millions	Scenario	Decrease in value
Market risk		(3,603.0)
Insurance risk (life and non-life)		(880.5)
Tax	Positive effect of reduced tax	885.1
Reduction of capital requirement after stress	Due to lower carrying amount	563.4
Pension liabilities	Salary, G-regulation, mortality	(78.6)
Reduction of surplus capital after stress		**(3,113.5)**
Effect on surplus capital		
Available capital before stress		21,855.1
Capital requirement before stress		10,624.9
Surplus without buffer before stress		11,230.2
Surplus without buffer after stress		**8,116.7**
Solvency ratio after stress		180.7%
Solvency ratio before stress		205.7%

Table 18b – Stress test financial assets 2018

NOK millions	Scenario	Decrease in value
Market risk		(2,598.2)
Insurance risk (life and non-life)	Expected loss CR > 100	(559.0)
Capital, Gjensidige Bank	ICAAP	(192.0)
Tax	Positive effect of reduced tax	541.3
Reduction of capital requirement after stress	Due to lower carrying amount	375.9
Pension liabilities	Salary, G-regulation, mortality	(82.3)
Reduction of surplus capital after stress		**(2,514.2)**
Effect on surplus capital		
Available capital before stress		23,665.1
Capital requirement before stress		14,042.4
Surplus without buffer before stress		9,622.8
Surplus without buffer after stress		**7,108.5**
Solvency ratio after stress		152.0%
Solvency ratio before stress		168.5%

The following assumptions apply for 2019:

- The equity risk stress is 20 per cent. It includes stress on all equities including hedge funds and private equity.
- Interest rate risk is calculated on a 100 bps change in the interest rates. It includes effect on both assets and liabilities. The interest rate scenario is the strictest of an interest rate increase or decrease.
- The property stress is 10 per cent.
- Credit spread risk: 0 per cent loss on government bonds and municipality bonds. 1 per cent increase in the credit spread for other bonds.
- Insurance risk: For non-life and health insurance business the stress is based on 3 per cent annual increase in combined ratio. For life insurance business the stress is based on 20 per cent annual increase in disability.
- Tax effect: A loss equal to the stress scenario results in a tax benefit that will have a positive effect.

The following assumptions applied in the stress test for 2018:

- The equity risk stress is 17 per cent. It includes stress on all equities including hedge funds and private equity
- Interest rate risk is calculated on a 50 bps change in the interest rates. It includes effect on both assets and liabilities. The interest rate scenario is the strictest of an interest rate increase or decrease
- The property stress is 10 per cent
- Credit spread risk: 0 per cent loss on government bonds and municipality bonds, 0,4 per cent loss on Danish mortgage bonds and covered bonds, 1,9 per cent loss on loan funds containing secured debt and 3,07 per cent loss on other bonds
- Insurance risk: For non-life and health insurance business the expected loss is determined as the expected loss given that the combined ratio is above one hundred (calculated by the internal model). For life insurance business, the stress is determined as the loss for death, longevity and disability insurance with probability of 1 in 200 on a quarterly basis (calculated by the standard formula).
- Capital, Gjensidige Bank: Capital deficit to fulfil regulatory requirement for Gjensidige Bank given that the crisis scenario presented in the ICAAP occurs
- Tax effect: A loss equal to the stress scenario results in a tax benefit that will have a positive effect

4. Segment information

The group has six reportable segments, as described below, which offers different products and services within different geographical areas. The Groups reportable segments are identified based on the Group's internal reporting. The Group CEO holds regular meetings with its reporting managers for the different segments, concerning performance management, which focuses on future measures to ensure performance and deliveries.

General insurance is the Group's core activity. General insurance is divided into five segments, mainly based on the customer's geographical placement. Other operational segments deliver products and services mainly to customers in Norway.

Description of the segments

General Insurance Private

The Private segment offers a wide range of general insurance products and services in the Norwegian private market, both in property and accident and health and leisure.

General Insurance Commercial

The Commercial segment offers a wide range of general insurance products to the commercial, agriculture and municipality markets in Norway, including insurances related to motor, property, accident, health, coastal and marine/transport.

General Insurance Denmark

The Group's operations in Denmark offers general insurance products to private, commercial and municipal markets, including insurances related to motor, property, accident and health, liability, agriculture and leisure.

General Insurance Sweden

In Sweden, the Group offers insurance related to the private, commercial and municipality markets, including insurances related to motor, property, accident and health and liability.

General Insurance Baltics

Gjensidige's Baltic operations provide general insurance products to the private and commercial markets in Latvia, Lithuania and Estonia, including insurances related to motor, property and accident/health.

Pension

Gjensidige Pensjonsforsikring shall contribute to sales of a wide range of products to general insurance customers in Norway by offering pension and savings products, mainly to the Norwegian commercial market. The pension products include defined contribution pensions and related risk for disability and death, private pension savings and individual disability pensions.

Description of the segment's income and expenses

Segment income is defined as earned premiums for general insurance and administration fees, insurance income and management income etc. for Pension.

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

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

	Segment income [2]		Claims		Operating expenses		Net income from investments		Segment result/profit/(loss) before tax expense	
NOK millions	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
General Insurance Private	8,872.4	8,762.5	(5,682.6)	(5,720.7)	(1,164.7)	(1,106.9)			2,025.1	1,934.8
General Insurance Commercial	8,164.1	7,603.3	(5,608.6)	(5,182.8)	(825.7)	(872.3)			1,729.8	1,548.2
General Insurance Denmark	4,960.1	4,904.6	(3,642.0)	(3,766.2)	(718.8)	(704.0)			599.3	434.5
General Insurance Sweden	1,405.8	1,569.2	(1,058.6)	(1,231.7)	(271.3)	(259.3)			75.9	78.2
General Insurance Baltics	1,126.9	1,078.8	(728.7)	(675.9)	(337.3)	(334.4)			60.9	68.5
Pension	1,047.2	934.2	(616.3)	(566.8)	(275.6)	(241.0)	41.5	40.2	196.9	166.6
Eliminations etc. [1]	125.5	142.1	(258.1)	(213.7)	(620.3)	(684.2)	3,818.7	790.0	3,065.9	34.2
Total	**25,702.0**	**24,994.8**	**(17,594.9)**	**(17,357.9)**	**(4,213.6)**	**(4,202.1)**	**3,860.3**	**830.2**	**7,753.8**	**4,265.0**

[1] Eliminations etc. consist of internal eliminations and other income and expenses not directly attributable to one single segment and large losses of NOK 163.4 million (202.9).
[2] There is no significant income between the segments at this level in 2019 and 2018.

5. Investments in associates and joint ventures

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 [1]	Oslo, Norway	26.9 %	792.3	958.2	792.3	908.5
Joint ventures						
Oslo Areal AS	Oslo, Norway	50.0%	1,086.9	2,360.4	1,086.9	2,051.2
Total investments in associates and joint ventures			**1,879.2**	**3,318.6**	**1,879.2**	**2,959.7**

[1] In addition, the Investment option portfolio in Gjensidige Pensjonsforsikring AS holds a 36.2 % share in the fund.

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	
Joint ventures - additional information						
Oslo Areal AS						309.2
Total investments in associates and joint ventures	**3,208.3**	**3,162.2**	**46.2**	**75.9**	**71.0**	**309.2**
For the whole company 2018						
Associates - additional information						
Malling & Co Eiendomsfond IS	2,505.4	2,432.2	73.3	60.1	56.0	
FDC A/S (sold in 2018)						57.5
Joint ventures - additional information						
Oslo Areal AS						234.2
Total investments in associates and joint ventures	**2,505.4**	**2,432.2**	**73.3**	**60.1**	**56.0**	**291.7**

For the whole company

Joint ventures - additional information

Oslo Areal AS

NOK millions	2019	2018
Income statement - items		
Operating income	491.1	415.4
Profit/(loss) after tax expense	618.3	468.5
Statement of financial position - items		
Current assets	30.7	38.0
Fixed assets	10,788.1	10,230.4
Cash and cash equivalents	35.3	62.2
Other liabilities	1,330.4	1,201.8
Liabilities to related parties	4,803.0	5,026.2
Equity	4,720.8	4,102.5

Receivables from joint ventures

Oslo Areal AS

NOK millions	2019	2018
Gjensidige's share of loan	2,401.4	2,513.1
Total receivables on joint ventures	**2,401.4**	**2,513.1**

Percentage of votes held is the same as percentage of interest held for all investments.

Gjensidige and AMF Pensionsförsäkring (AMF) owns Oslo Areal AS as a joint venture (50/50), as each party has rights to its share of the net assets of the arrangement. The parties will make joint investments in the Norwegian real estate market through Oslo Areal. The investment is recognised at cost of NOK 1.1 billion at year end. Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.4 billion at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Oslo Areal has entered into contractual commitments to invest about NOK 100.0 million (99.0) in existing and new properties. The commitment falls due during the period until 31 December 2020.

6. Net income from investments

NOK millions	2019	2018
Net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures		
Net gains/(losses) from sale of subsidiaries, associated companies and joint ventures	1,889.5	291.8
Total net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures	**1,889.5**	**291.8**
Net income and gains/(losses) from buildings and other real estate		
Owner-occupied properties		
Net gains/(losses) from sale of owner-occupied properties	0.1	0.2
Total net income and gains/(losses) from owner-occupied properties	**0.1**	**0.2**
Total net income and gains/(losses) from buildings and other real estate	**0.1**	**0.2**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition		
Shares and similar interests		
Dividend income	6.7	5.1
Unrealised gains/(losses) from shares and similar interests	656.5	(323.9)
Realised gains/(losses) from shares and similar interests	284.0	431.5
Total net income and gains/(losses) from shares and similar interests	**947.2**	**112.7**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	277.4	221.8
Unrealised gains/(losses) from bonds and other fixed-income securities	343.8	11.2
Realised gains/(losses) from bonds and other fixed-income securities	177.1	70.3
Total net income and gains/(losses) from bonds and other fixed-income securities	**798.3**	**303.3**
Derivatives		
Net interest income/(expenses) from derivatives	30.6	35.2
Unrealised gains/(losses) from derivatives	506.2	(312.3)
Realised gains/(losses) from derivatives	(854.1)	(251.6)
Total net income and gains/(losses) from derivatives	**(317.2)**	**(528.7)**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition	**1,428.3**	**(112.7)**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	2.7	29.3
Unrealised gains/(losses) from bonds held to maturity		(1.7)
Realised gains/(losses) from bonds held to maturity	(1.1)	(0.5)
Total net income and gains/(losses) from bonds held to maturity	**1.6**	**27.0**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	617.5	708.0
Net gains/(losses) from loans and receivables	228.3	(3.4)
Net gains/(losses) from changes in exchange rates on loans and receivables	5.6	0.8
Total net income and gains/(losses) from loans and receivables	**851.4**	**705.4**
Net income and gains/(losses) from financial liabilities at amortised cost		
Net interest income/(expenses) from subordinated debt	(49.9)	(43.0)
Total net income and gains/(losses) from financial liabilities at amortised cost	**(49.9)**	**(43.0)**
Net other financial income/(expenses) [1]	(29.3)	(20.1)
Discounting of claims provision classified as interest expense	(33.2)	(71.6)
Change in discount rate claims provision	(198.1)	53.1
Total net income from investments	**3,860.3**	**830.2**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Total interest income from financial assets not recognised at fair value through profit or loss	851.4	733.9
Total interest expenses from financial assets not recognised at fair value through profit or loss	(52.8)	(43.1)

[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.

7. Expenses

NOK millions	2019	2018
Operating expenses		
Depreciation and value adjustments (note 11 and note 12), excl. depreciation properties	763.1	559.6
Employee benefit expenses (note 8)	2,992.1	2,982.3
ICT costs	420.2	406.2
Consultants’ and lawyers’ fees	138.2	92.9
Commissions	617.1	576.0
Other expenses [1]	(717.2)	(414.8)
Total operating expenses	**4,213.6**	**4,202.1**

Other specifications

Employee benefit expenses		
Wages and salaries	2,188.1	2,174.6
Social security cost	506.3	515.6
Pension cost - defined contribution plan (note 10)	209.0	206.8
Pension cost - multi-employer plan (AFP) (note 10)	23.6	22.2
Pension cost - defined benefit plan (note 10)	52.0	51.7
Share-based payment (note 22)	13.1	11.5
Total employee benefit expenses	**2,992.1**	**2,982.3**
Auditor's fee (incl. VAT)		
Statutory audit	4.8	4.4
Other assurance services	0.1	0.1
Other non-assurance services	0.8	1.1
Tax consultant services	0.6	0.2
Total auditor's fee (incl. VAT)	**6.3**	**5.8**

[1] Other expenses include cost allocations to claims and finance.

8. Salaries and remuneration

The average number of employees in the Group was 3,740 (3,633).

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

Gjensidige’s remuneration policy

The Group has established a remuneration system that applies to all employees. The system is meant to secure that Gjensidige attracts and keeps colleagues who performs, develops, learns and shares. The remuneration shall be competitive, but the Group shall not be a wage leader. Employees are expected to see the remuneration and benefits offered by the Group as an overall whole. The Group’s remuneration systems shall be open and performance-based, so that they, as far as possible, are perceived as being fair and predictable. The remuneration that is paid shall correspond to the agreed performance.

Guidelines for remuneration and career development shall be linked to achievement of the Group’s strategic and financial goals and core values, and both quantitative and qualitative targets shall be taken into consideration. The measurement criteria shall promote the desired corporate culture and long-term value creation, and, as far as possible, take actual capital costs into account. The remuneration system shall contribute to promoting and providing incentives for good risk management, prevent excessive risk-taking and contribute to avoiding conflicts of interest. A fixed basic salary shall be the main element of the overall remuneration, which also consists of variable remuneration, pension, insurance and payments in kind. Variable remuneration shall be used to reward performances that is agreed through performance agreements or that exceeds expectations, where both results and behaviour in form of compliance with the core values, brand and management principles are to be assessed.

Variable remuneration shall be performance-based without being a risk driver, and shall reflect the results and contributions on company, division, department and individual level. Other elements of compensation offered should be considered attractive from both new and current employees. There is an upper limit for variable remuneration.

The senior group management is defined as senior executives and they are responsible for activities that may be critical to the company's risk exposure. The level of remuneration will take into account both qualitative criteria for their role and quantitative criteria, as well as an individual assessment of their impact on the company's risk.

Decision-making process

The Board has established a remuneration committee consisting of three members; the Chairman of the Board and two board members.

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

- The Board’s annual statement of Gjensidige’s remuneration policy
- The annual evaluation of and matters concerning salary and other remuneration to the CEO
- The annual evaluation of and matters concerning salary and remuneration to the company’s internal auditor
- Guidelines for salary and other remuneration to senior executives
- Statement of determining salary and other remuneration to senior executive, including
  - Guidelines for determining salary and other remuneration for the upcoming financial year
  - Guidelines for the Management Salary Policy that hast taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
  - An account of the management salary policy that has taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
- Other important personnel matters relating to executive personnel
- The Board’s treatment of completed HR processes, including talent and successor development and strategic manpower management

Guidelines for the upcoming financial year

Remuneration of the CEO

The CEO’s salary and other benefits are stipulated by the Board on the basis of an overall assessment that takes into account Gjensidige’s remuneration scheme and market salary for corresponding positions.

The fixed salary is assessed and stipulated annually on the basis of the wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) is decided by the Board on the basis of agreed goals and deliveries. It can amount to up to 50 per cent of the fixed salary including holiday pay. Variable remuneration is earned annually and is based on an overall assessment of financial and non-financial performance over the last two years. Variable remuneration is not included in the pension basis. The assessment takes into account the enterprise’s overall performance targets for return on equity adjusted for dividends related to distribution of excess capital and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it emphasizes the CEO’s personal contribution to the Group’s historical and future results and wealth creation, compliance with the Group’s vision, values, ethical guidelines and management principles.

Variable remuneration relating to Gjensidige’s performance is decided on the basis of the past two years’ performance. Half of the variable remuneration is paid in the form of a promise of shares in Gjensidige Forsikring ASA, 1/3 of which will be released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The CEO does not receive performance-based benefits over and above the above-mentioned bonus but may receive payments in kind such as a company car and the coverage of costs for electronic communication. Payments in kind shall be related to the CEO’s function in the Group, and otherwise be in line with market practice.

The retirement age of the CEO is 62. It is possible to step down after reaching the age of 60 if the Board or CEO so wishes. The CEO has pension rights pursuant to Gjensidige’s closed defined-benefit pension scheme. Pursuant to the CEO’s employment contract, he is entitled to a pension corresponding to 100 per cent of his annual salary on retirement at the age of 62, which is then reduced in steps to 70 per cent upon reaching the age of 67 at full vesting period.

On retirement at the age of 60, a corresponding agreed reduction applies from 100 per cent upon retirement to 70 per cent upon reaching the age of 67. From the age of 67, the pension is calculated on the basis of the Company’s ordinary entitlement earning period of 30 years and is 70 per cent of the fixed salary with a full earning period. Company car arrangements and other benefits are retained until the age of 67.

The CEO has a period of notice of six months and is not entitled to severance pay or termination benefits if he leaves the Company earlier.

Remuneration of executive personnel and employees who can materially influence the Group’s risk

Remuneration of the senior group management is stipulated by the CEO, in accordance with limits discussed with the remuneration committee and on the basis of guidelines issued by the Board. Correspondingly, the Group’s guidelines are used as the basis for other executive personnel and employees who can materially influence risk.

The overall remuneration is decided on the basis of the need to offer competitive terms in the various business areas. It shall contribute to attracting and retaining executive personnel with the desired expertise and experience who promote the Group's core values and development.

The fixed salary is assessed and stipulated annually on the basis of wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) to executive personnel is earned annually and is based on an overall assessment of financial and non-financial performance over the two last years. The assessment takes into account a combination of the enterprise's overall performance targets for return on equity adjusted for extraordinary dividends and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it evaluates the target achievement of the business unit in question, as well as personal contribution relating to compliance with the Group's vision, values, ethical guidelines and management principles. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions.

The individual variable remuneration may amount to up to 30 per cent of the annual salary including holiday pay. Variable pay is not included in the pension basis.

After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary to be able to offer competitive terms. Payments in kind to executive personnel shall be related to their function in the Group, and otherwise be in line with market practice.

The retirement age for some members of the senior group management is 62, the others have a retirement age of 70. Of the current members of the senior group management, six are members of the closed Norwegian defined-benefit pension scheme. Given the full earnings period, they are entitled to a pension of 70 per cent of final salary at the full vesting period of 30 years at age 67. Four members are part of the Company's defined-contribution pension scheme. The Company continues a previously agreed individual pension agreement for one member of the senior group management.

In Sweden, the general retirement age is 65 years, but is under consideration. In Denmark, the general retirement age is 70 years.

Members of the senior group management have a period of notice of six months. No members of the senior group management today have agreements of severance pay or payment of pay after termination of employment.

In accordance with practice in Denmark and the Baltic, there are certain individual agreements on severance pay in connection with resignation in Gjensidige Forsikring ASA in Denmark and the Baltic.

Remuneration of personnel with supervisory tasks

The remuneration of personnel with control and supervisory tasks shall be independent of the performance of the business area they are in charge of.

None of the executive personnel with supervisory tasks currently has variable bonus schemes. The fixed salary is based on the Group's general principles of competitively, but not leading wages.

Pension benefits and payments in kind follow the Group's general arrangement.

Remuneration of officers of the Company and other employees with remuneration corresponding to executive personnel

The remuneration shall follow the guidelines set out above. There are currently no such employees.

Binding guidelines for shares, subscription rights etc. for the upcoming financial year

Of the variable remuneration earned in 2019 by the CEO and other employees covered by the Regulations relating to remuneration in financial institutions, 50 per cent of the gross earned variable remuneration will be given in the form of a promise of shares in Gjensidige Forsikring ASA. One third of the shares will be released in each of the following three years.

The Board has decided to continue the Group's share savings programme for employees in 2020. The CEO and executive personnel are entitled to take part in the programme on a par with other Gjensidige employees. Under the current programme, employees can save through deductions from their salary for the purchase of shares in Gjensidige Forsikring ASA for up to NOK 90,000 per year. Purchases take place quarterly following publication of the results. A discount of 20 per cent of the purchase price is offered, limited upwards to NOK 3,000. For those who keep the shares and are still employed in the Group, one bonus share is awarded for every four share they have owned for more than two years.

Report on executive remuneration in the preceding financial year

In accordance with the guidelines, one employee in the finance department has been offered up to 50 per cent variable remuneration.

The Board confirms that the guidelines on the remuneration of executive personnel for 2019 set out in last year's statement have been complied with.

Key management personnel compensation 2019

NOK thousands	Fixed salary/ fee	Earned vari- able salary	Calc. value of total benefits other than cash	Rights earned in the financial year acco. to pens- ion plan	Annual vesting share- based pay- ment	Num- ber of shares granted	Num- ber of shares exer- cised	Num- ber of shares not exer- cised [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	5,332.4	1,355.2	171.3	1,638.1	1,364.0	7,797	8,257	14,903	60,231	2
Jørgen Inge Ringdal, Executive Vice President	2,804.4	557.7	166.1	732.4	566.5	2,561	2,719	5,116	26,310	2
Catharina Hellerud, Executive Vice President	3,155.4	493.5	175.2	460.5	502.3	2,624	2,999	5,328	21,589	3
Sigurd Austin, Executive Vice President	3,088.9	480.1	188.2	697.3	488.8	3,067	3,122	5,996	16,324	3
Kaare Østgaard, Executive Vice President	2,966.6	465.1	222.0	854.5	468.8	2,595	2,587	4,838	16,718	3
Mats C. Gottschalk, Executive Vice President [5]	4,589.0	921.5	159.7	478.8	643.4	2,739	3,372	5,893	18,117	3
Jostein Amdal, Executive Vice President	3,537.2	557.7	169.7	650.1	566.5	3,182	1,185	5,180	15,935	
Janne Merethe Flessum, Executive Vice President	2,530.2	399.7	169.6	279.6	401.0	1,868	95	1,969	4,349	
Aysegul Cin, Executive Vice President [5]	2,524.9	560.1	151.5	185.3	360.1	707		707	1,489	
Lars Gøran Bjerklund, Executive Vice President	2,756.7	435.3	277.7	274.0	421.0	847		847		
The Board										
Gisele Marchand, board member, Chairman [8]	696.5		2.3						1,481	
John Giverholt [8]	404.5		2.3						3,500	
Per Arne Bjørge [7, 8]	449.0		3.7						10,542	
Eivind Elnan [8]	326.2		6.8						2,200	
Hilde Merete Nafstad [8]	363.5		2.3						2,946	
Vibeke Krag [8]	396.0		11.5						1,500	
Terje Seljeseth [8]	363.5		2.3							
Gunnar Mjåtvedt, staff representative [4, 8]	396.0								2,319	
Anne Marie Nyhammer, staff representative [4]	326.2									
Lotte Kronholm Sjøberg, staff representative [4, 8]	363.5		2.3						914	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Earned variable salary includes expatriation allowance.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 157.5 thousand for 2019.
[8] Remuneration includes remuneration in other committees.

Key management personnel compensation 2018

NOK thousands	Fixed salary/ fee	Earned vari- able salary	Calc. value of total benefits other than cash	Rights earned in the financial year acc. to pens- ion plan [5]	Annual vesting share- based pay- ment	Num- ber of shares granted	Num- ber of shares exercis ed	Num- ber of shares not exercis ed [6]	Num- ber of shares held	Retire- ment con- ditions
The senior group management										
Helge Leiro Baastad, CEO	5,197.2	1,016.1	169.9	1,577.0	1,015.3	6,768	9,021	15,363	55,300	2
Jørgen Inge Ringdal, Executive Vice President	2,726.1	335.1	202.7	702.4	334.3	2,506	2,871	5,274	24,322	2
Kim Rud-Petersen, Executive Vice President (1.1.18-31.8.18) [1, 10]	1,919.8	273.8	189.9	675.9	253.1	2,079	3,147	4,885		
Hege Yli Melhus Ask, Executive Vice President (1.1.18-31.8.18) [1, 9]	1,869.8	18.5	110.7	406.1	4.9	1,205	1,567	2,842		3
Catharina Hellerud, Executive Vice President	3,067.4	342.6	175.6	455.7	341.8	2,652	3,287	5,703	20,047	3
Sigurd Austin, Executive Vice President	3,115.8	401.0	186.6	665.0	400.2	2,929	3,209	6,051	14,124	3
Kaare Østgaard, Executive Vice President	2,881.8	345.2	240.9	825.2	331.6	2,237	2,809	4,830	14,951	3
Mats C. Gottschalk, Executive Vice President	3,069.7	451.5	160.8	470.6	450.7	3,255	3,515	6,526	15,772	3
Jostein Amdal, Executive Vice President	3,085.8	382.9	168.3	569.3	382.1	2,579	366	3,183	14,761	
Janne Merethe Flessum, Executive Vice President (1.3.18-31.12.18) [1]	2,012.0	217.6	137.8	218.1	207.8	80	69	196	3,819	
Aysegul Cin, Executive Vice President (1.9.18-31.12.18) [1]	780.4	30.0	116.2	60.8	30.0				1,489	
Lars Gøran Bjerklund, Executive Vice President (1.9.18-31.12.18) [1, 11]	956.8	38.4	91.6	250.7	38.4					
Anne-Mari Kalager, acting Executive Vice President (1.9.18-31.12.18) [1, 12]	885.4	20.1	55.4	217.3	20.1					
The Board										
Inge K. Hansen, Chairman (1.1.18-5.4.18) [1, 8]	339.2		3.4							
Gisele Marchand, board member (1.1.18-5.4.18), Chairman (5.4.18-31.12.18) [8]	541.1		10.1						1,481	
John Giverholt [8]	363.5		5.1						3,500	
Per Arne Bjørge [7, 8]	442.5		6.0						10,542	
Eivind Elnan [8]	290.7		9.6						2,200	
Hilde Merete Nafstad [8]	368.3		5.1						2,946	
Vibeke Krag (5.4.18-31.12.18) [1, 8]	186.4		1.7						1,500	
Terje Seljeseth (5.4.18-31.12.18) [1, 8]	170.2		1.7							
Gunnar Mjåtvedt, staff representative [4, 8]	392.2								2,208	
Anne Marie Nyhammer, staff representative [4]	283.0									
Lotte Kronholm Sjøberg, staff representative [4, 8]	346.0		5.1						752	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Everyone in the senior group management has pension plans, benefit or contribution based.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 155 thousand for 2018.
[8] Remuneration includes remuneration in other committees.
[9] Hege Yli Melhus Ask's remuneration is presented until her resignation 31 August 2018.
[10] Kim Rud-Petersen resigned from his position 31 August 2018. End-pay is agreed to amount to NOK 9,129 thousand.
[11] Borrower in Gjensidige Bank ASA with NOK 2,516.7 thousand outstanding. Applicable terms are 2.19% interest for housing credit and 2.55% for top-up loan. Maturity date for top-up loan is 20.9.2030.
[12] Borrower in Gjensidige Bank ASA with NOK 3,105.2 thousand outstanding. Applicable terms are 2.19% interest and loan maturity as at 28.11.2023.

9. Tax

NOK millions	2019	2018
Specification of tax expense		
Tax payable	(1,174.4)	(821.2)
Correction previous years	74.9	(27.2)
Change in deferred tax	(98.1)	(35.1)
Total tax expense	**(1,197.6)**	**(883.5)**

Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets are offset when there is a legally enforceable right to offset those assets/liabilities and when deferred tax liabilities/deferred tax assets relate to the same fiscal authority. Set off is only being done where deferred tax benefits can be utilized by providing group contributions.

Taxable temporary differences		
Property, plant and equipment and intangible assets		216.8
Shares, bonds and other securities	1,198.3	288.5
Profit and loss account	259.1	325.1
Account for deferred income tax from technical provisions including security provision	3,780.2	4,228.1
Total taxable temporary differences	**5,237.6**	**5,058.5**
Deductible temporary differences		
Property, plant and equipment and intangible assets	(14.1)	
Loans and receivables	(14.1)	(31.9)
Provisions for liabilities	(296.9)	(310.8)
Pension liabilities	(326.8)	(360.8)
Other deductible temporary differences	161.6	53.7
Total deductible temporary differences	**(476.2)**	**(649.8)**
Loss carried forward	(38.9)	(38.9)
Net temporary differences	**4,722.5**	**4,369.8**
Net deferred tax liabilities	**1,147.5**	**1,079.9**
Of this non-assessed deferred tax assets	21.2	13.1
Deferred tax liabilities	**1,168.6**	**1,093.0**
Reconciliation of tax expense		
Profit before tax expense	7,753.8	4,265.0
Estimated tax of profit before tax expense (25%)	(1,938.4)	(1,066.3)
Tax effect of		
Different tax rate in foreign subsidiaries	6.9	10.6
Valuation allowance and reversal of loss carried forward in subsidiaries	2.8	(1.6)
Dividend received	1.8	1.2
Tax exempted income and expenses	573.9	165.4
Tax on interest on Perpetual Tier 1 capital	12.8	
Associates and joint ventures	77.3	64.0
Non-tax-deductible expenses	(9.6)	(29.6)
Correction previous years	74.9	(27.2)
Total tax expense	**(1,197.6)**	**(883.5)**
Effective rate of income tax	15.4%	20.7%
Loss carried forward		
2021		
2022		
2023		
2024		
2025		
Later or no due date	89.8	24.8
Total loss carried forward	**89.8**	**24.8**

NOK millions	2019	2018
Change in deferred tax		
Deferred tax liabilities as at 1 January	1,079.9	1,065.5
Change in deferred tax recognised in profit or loss continuing operations	98.1	35.1
Change in deferred tax discontinued operations		(6.8)
Change in deferred tax recognised in other comprehensive income and directly in the balance sheet		
Pensions	(29.3)	(12.7)
Companies sold and purchased	19.3	
Exchange rate differences	(0.4)	(1.2)
Change in deferred tax recognised directly in the balance sheet		
Adjustment on initial application of IFRS 16	(20.1)	
Net deferred tax liabilities as at 31 December	**1,147.5**	**1,079.9**
Tax recognised in other comprehensive income		
Deferred tax pensions	29.3	12.7
Tax payable on exchange rate differences	17.1	(0.7)
Total tax recognised in other comprehensive income	**46.4**	**12.0**

Tax expense

In connection with the conversion of Gjensidige Forsikring BA to a public limited company the Ministry of Finance has consented to an exemption from capital gains taxation on the transfer of business to the newly formed public limited company under certain conditions. The consequences of the tax relief decision, as calculated by the company, have been incorporated into the tax expense and tax liabilities from the fourth quarter 2010. The tax relief decision involves greater complexity related to taxable gains from the assets and liabilities which were transferred, which entails a greater degree of uncertainty with respect to the tax expense and tax liabilities until all the effects have ultimately been evaluated by the tax authorities.

The main result from the tax relief decision mentioned above, is that an increase in taxable gain from sale of shares in Gjensidige held by Gjensidigestiftelsen, leads to an increase in the taxable basis for depreciation in Gjensidige, which in turn give a decrease in tax payable. In February 2015, Gjensidige received a decision from the Central Tax Office for Large Enterprises in connection with the calculation of a tax gain as a result of the conversion of Gjensidige Forsikring BA into a public limited company (ASA) in 2010. The decision means that the tax payable for 2010 is reduced by around NOK 35 million. The tax will be further reduced for the ensuing years, by a total of around NOK 134 million at known tax rates. Gjensidigestiftelsen received a similar decision, and they have appealed the decision on the grounds that there is no basis for the change and that the tax office has based its decision on an incorrect valuation. Gjensidige agrees with Gjensidigestiftelsen's assessment.

The appeal was processed by the Tax Appeal Board on 27th January 2020 but was not accepted. The decision of the Tax Appeal Board implies a further decrease of tax payable for Gjensidige for 2010 and the ensuing years. The total decrease in tax payable for 2010 and ensuing years is NOK 205 million assuming the decision of the Tax Appeal Board is upheld. For the time being it is not decided whether legal actions will be taken to alter the decision of the Tax Appeal Board.

Gjensidige has not recognised any effect in the accounts related to the decisions mentioned above.

10. Pension

Gjensidige Forsikring is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

Gjensidige has both defined contribution and defined benefit plans for its employees. The defined benefit plan has been placed in a separate pension fund and is closed to new employees. New employees become members of the defined contribution pension plan.

Defined contribution plan

Defined contribution pension is a private pension plan that supplements the National Insurance scheme. Benefits from the pension plan come in addition to retirement pension from the National Insurance scheme. The retirement age is 70.

The defined contribution plan is a post-employment benefit plan under which Gjensidige pays fixed contributions into a separate entity and there is no legal or constructive obligation to pay further amounts. The rates are seven per cent of earnings between 0 and 7.1 times the National Insurance basic amount (G) and 20 per cent of earnings between 7.1 and 12 G.

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

Gjensidige Forsikring's branches and some of its subsidiaries have a defined contribution pension plan corresponding to the plan in Gjensidige Forsikring in Norway.

Description of the plan

Together with benefits from the National Insurance scheme and any paid-up policies from former employment relationships, the retirement pension amounts to approximately 70 per cent of the final salary, given a full earning period of 30 years. The retirement age is 70, but it is 65 for underwriters.

The defined benefit plan is a post-employment benefit plan that entitles employees to contractual future pension benefits. Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

In addition, Gjensidige has pension liabilities to some employees over and above the ordinary group pension agreement. This applies to employees with a lower retirement age, employees who earn more than 12 times the National Insurance basic amount (G) and supplementary pensions.

The ordinary retirement pension is a funded plan where the employer contributes by paying into the pension assets. Pension over and above the ordinary group pension agreement is an unfunded plan that is paid for through operations.

Actuarial assumptions

Actuarial assumptions are shown in the table. The discount rate is the assumption that has the greatest impact on the value of the pension liability. Wage growth, pension increases, and the adjustment of the National Insurance basic amount are based on historical observations and expected future inflation. Wage growth is set at 3.1 per cent (3.2) and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2019/20 is calculated to be 1.55 per cent (1.91). 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 57.9 years (56.8).

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

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

Risk

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

Gjensidige is exposed to financial risk since the pension assets are managed in Gjensidige Pensjonskasse as an investment choice portfolio. The financial risk is related to investments in equities, interest-bearing securities and property. Most of the investments are in securities funds and bonds. The financial risk comprises stock market, interest rate, credit, currency and liquidity risk, whereas the greatest risk factor is interest rate risk. Financial risk in pension assets is estimated using defined stress parameters for each asset class and assumptions about how the development of the different asset classes will co-vary.

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

Interest rate risk

The pension assets' exposure to interest rate risk is deemed to be moderate because the market value-weighted duration is approximately 3.6 years. The portfolio value will fall by approximately 3.6 per cent in the event of a parallel shift in the yield curve of plus one percentage point.

The pension liability will increase by approximately 12 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 approximately 10 per cent in the event of an interest rate increase of one percentage point.

Credit risk

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

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

Life expectancy and disability

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

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

Gjensidige's employees could be involved in big disaster-like events such as plane crashes, bus crashes, as spectators at sporting events or through incidents in the workplace. If such an event occurs, the pension liability could significantly increase. Gjensidige has invested in disaster insurance that means that it will receive compensation if such an event occurs.

Wage growth

Future pension benefits depend on future wage growth and the development of the National Insurance basic amount (G). If wage growth in the Company is lower than the increase in G, the benefits will be reduced.

Wage growth will deviate from the path defined by employees getting higher or lower wage growth than what the job indicates. Gjensidige manages employees' wage growth based on collective agreements and individual agreements. Salary levels can increase strongly from one year to the next.

If wage growth is one percentage point higher, it will lead to approximately 3.6 per cent increase in the liability. If wage growth is one percentage point lower, it will lead to approximately 2.7 per cent decrease in the liability. If G is one percentage point higher it will lead to approximately 1.3 per cent decrease in the liability.

Minimum requirement for the level of pension assets

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

If the level of the pension assets falls below a lower limit, Gjensidige will have to pay extra pension contributions to bring them up to the lower limit. On certain conditions, Gjensidige will also be repaid pension assets.

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

Private collective pension (AFP)

As a member of Finance Norway, Gjensidige has a collective (AFP) pension agreement for its employees. AFP is a defined benefit scheme funded jointly by many employers. The administrator of the pension plan has not presented calculations that allocate the pension assets or liabilities in the plans to the individual member enterprises. Gjensidige therefore recognises the plan as a defined contribution plan.

If the administrator of the AFP plan presents such allocation figures, this could result in the plan being recognised as a defined benefit plan. It is difficult, however, to arrive at an allocation key that is acceptable to Gjensidige. An allocation key based on the Gjensidige's share of total annual pay will not be acceptable since such a key is too simple and will not adequately reflect the financial liabilities.

NOK millions	Funded 2019	Unfunded 2019	Total 2019	Funded 2018	Unfunded 2018	Total 2018
Present value of the defined benefit obligation						
As at 1 January	2,057.2	562.4	2,619.6	2,166.3	577.8	2,744.0
Current service cost	25.1	9.8	34.9	25.6	9.4	35.0
Employers' national insurance contributions of current service cost	4.8	1.9	6.7	4.9	1.8	6.7
Interest cost	59.8	15.1	75.0	55.6	13.3	68.8
Actuarial gains and losses	146.5	62.5	209.0	(59.1)	25.0	(34.2)
Benefits paid	(112.9)	(34.5)	(147.4)	(99.2)	(36.7)	(135.9)
Employers' national insurance contributions of benefits paid	(26.9)	(6.3)	(33.2)	(0.2)	(6.7)	(6.9)
Settlements					2.1	2.1
Discontinued operations				(4.5)	(23.7)	(28.2)
The effect of the asset ceiling	(50.9)		(50.9)	(32.0)		(32.0)
Foreign currency exchange rate changes		(0.2)	(0.2)		0.2	0.2
As at 31 December	**2,102.7**	**610.6**	**2,713.3**	**2,057.2**	**562.4**	**2,619.6**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	2,102.7	610.6	2,713.3	2,057.2	562.4	2,619.6
Fair value of plan assets	(2,347.0)		(2,347.0)	(2,213.8)		(2,213.8)
Net defined benefit obligation/(benefit asset)	**(244.2)**	**610.6**	**366.3**	**(156.6)**	**562.4**	**405.8**
Fair value of plan assets						
As at 1 January	2,213.8		2,213.8	2,371.8		2,371.8
Interest income	64.5		64.5	60.9		60.9
Return beyond interest income	41.0		41.0	(116.9)		(116.9)
Contributions by the employer	167.5	6.3	173.9	1.5	6.7	8.2
Benefits paid	(112.9)		(112.9)	(99.2)		(99.2)
Employers' national insurance contributions of benefits paid	(26.9)	(6.3)	(33.2)	(0.2)	(6.7)	(6.9)
Discontinued operations				(4.0)		(4.0)
As at 31 December	**2,347.0**		**2,347.0**	**2,213.8**		**2,213.8**
Pension expense recognised in profit or loss						
Current service cost	25.1	9.8	34.9	25.6	9.4	35.0
Interest cost	59.8	15.1	75.0	55.6	13.3	68.8
Interest income	(64.5)		(64.5)	(60.9)		(60.9)
Settlement					2.1	2.1
Employers' national insurance contributions	4.8	1.9	6.7	4.9	1.8	6.7
Defined benefit pension cost	**25.2**	**26.8**	**52.0**	**25.2**	**26.5**	**51.7**
The expense is recognised in the following line in the income statement						
Total operating expenses	25.2	26.8	52.0	25.2	26.5	51.7
Remeasurement of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(2,691.7)			(2,641.1)
Return on plan assets			41.0			(116.9)
Changes in demographic assumptions			(134.4)			(24.6)
Changes in financial assumptions			(74.6)			58.8
The effect of the asset ceiling			50.9			32.0
Other changes			6.0			
Exchange rate differences						0.1
Cumulative amount as at 31 December			**(2,802.9)**			**(2,691.7)**
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%
Other specifications						
Amount recognised as expense for the defined contribution plan			209.0			206.8
Amount recognised as expense for Fellesordningen LO/NHO			23.6			22.2
Expected contribution to Fellesordningen LO/NHO next year			23.8			22.8
Expected contribution to the defined benefit plan for the next year			145.1			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 Gjensidige's population is 1.55 per cent (1.91). See explanation under Actuarial assumptions.

Per cent	Change in pension benefit obligation 2019	Change in pension benefit obligation 2018
Sensitivity		
- 1%-point discount rate	12.3%	12.5%
+ 1%-point discount rate	(10.1%)	(9.8%)
- 1%-point salary adjustment	(2.7%)	(3.2%)
+ 1%-point salary adjustment	3.7%	4.0%
- 1%-point social security base amount	1.6%	1.8%
+ 1%-point social security base amount	(1.4%)	(1.6%)
+ 1%-point future pension increase	10.3%	12.4%
10% decreased mortality	2.8%	2.7%
10% increased mortality	(3.8%)	(3.6%)

Valuation hierarchy 2019	Level 1	Level 2	Level 3	
NOK millions	Quoted prices in active markets	Valuation techniques based on observable market data	Valuation techniques based on non-observable market data	Total as at 31.12.2019
Shares and similar interests		201.8		201.8
Bonds		2,086.5		2,086.5
Loans, receivables and bank deposits		58.7		58.7
Total		**2,347.0**		**2,347.0**

Valuation hierarchy 2018	Level 1	Level 2	Level 3	
NOK millions	Quoted prices in active markets	Valuation techniques based on observable market data	Valuation techniques based on non-observable market data	Total as at 31.12.2018
Shares and similar interests		130.6		130.6
Bonds		2,034.4		2,034.4
Derivatives		48.7		48.7
Total		**2,213.8**		**2,213.8**

11. Goodwill and intangible assets

NOK millions	Goodwill	Customer relationship	Software	Other intangible assets	Total
Cost					
As at 1 January 2018	3,820.6	1,416.6	1,490.8	908.4	7,636.4
Additions		2.1	218.4	12.2	232.8
Additions through business combinations	6.6				6.6
Additions from internal development			24.7		24.7
Disposals/reclassifications			(200.6)	(14.4)	(215.0)
Exchange differences	13.5	3.6	0.9	(3.0)	15.0
As at 31 December 2018	**3,840.7**	**1,422.3**	**1,534.3**	**903.2**	**7,700.5**
Uncompleted projects			223.4		223.4
As at 31 December 2018, including uncompleted projects	**3,840.7**	**1,422.3**	**1,757.7**	**903.2**	**7,923.9**
Amortisation and impairment losses					
As at 1 January 2018	(263.2)	(1,054.7)	(898.3)	(494.5)	(2,710.6)
Amortisation continuing operations		(128.7)	(231.0)	(148.2)	(507.8)
Disposals/reclassifications			164.6	9.9	174.5
Exchange differences	(0.5)	(7.4)	(1.8)	(5.1)	(14.8)
As at 31 December 2018	**(263.7)**	**(1,190.8)**	**(966.4)**	**(637.9)**	**(3,058.7)**
Carrying amount					
As at 1 January 2018	3,557.4	361.9	696.4	413.9	5,029.6
As at 31 December 2018	**3,577.0**	**231.5**	**791.2**	**265.3**	**4,865.2**
Cost					
As at 1 January 2019	3,840.7	1,422.3	1,534.3	903.2	7,700.5
Additions			229.3	9.8	239.2
Additions through business combinations		87.4			87.4
Additions from internal development			2.7		2.7
Disposals/reclassifications			(507.1)	(57.7)	(598.6)
Exchange differences	(24.0)	(10.5)	(6.0)	(12.6)	(53.1)
As at 31 December 2019	**3,816.7**	**1,465.4**	**1,253.2**	**842.7**	**7,378.0**
Uncompleted projects			304.7		304.7
As at 31 December 2019, including uncompleted projects	**3,816.7**	**1,465.4**	**1,557.9**	**842.7**	**7,682.7**
Amortisation and impairment losses					
As at 1 January 2019	(263.7)	(1,190.8)	(966.4)	(637.9)	(3,058.7)
Amortisation		(155.1)	(290.3)	(101.6)	(547.1)
Disposals/reclassifications			493.1	57.6	584.6
Exchange differences	1.5	7.0	2.4	7.0	17.9
As at 31 December 2019	**(262.2)**	**(1,305.1)**	**(761.2)**	**(674.9)**	**(3,003.3)**
Carrying amount					
As at 1 January 2019	3,577.0	231.5	791.2	265.3	4,865.2
As at 31 December 2019	**3,554.6**	**160.3**	**796.7**	**167.9**	**4,679.4**
Amortisation method	N/A	Straight-line	Straight-line	Straight-line	
Useful life (years)	N/A	5-10	5-8	1-10	

The Group's intangible assets are either acquired or internally developed. Goodwill, customer relationships, trademarks and parts of other intangible assets are all acquired through business combinations and are a result of a purchase price allocation of initial cost of the acquisition. Software is developed for use in the insurance business.

External and internal assistance used in relation with implementation or substantial upgrade of software, including adjustment of standard systems, are capitalized as intangible assets. Amortisation is included in the accounting line Expenses.

The group has not acquired any portfolio or company in 2019.

Impairment testing goodwill

The carrying amount of goodwill in the Group as at 31 December 2019 is NOK 3,554.6 million.

NOK millions		2019	2018
Goodwill	**Segment**		
Gjensidige Forsikring, Danish branch	Denmark	1,584.1	1,592.3
Nykredit portefølje [1]	Denmark	892.2	895.5
Gjensidige Forsikring, Swedish branch	Sweden	139.1	144.6
Gouda portfolio	Denmark	87.0	87.3
Vardia portfolio	Sweden	62.8	65.3
Mølholm portefølje [1]	Denmark	227.3	228.4
ADB Gjensidige	Baltikum	433.3	434.9
Gjensidige Forsikring, white label	Private	128.7	128.7
Total		**3,554.6**	**3,577.0**

[1] Merged with Danish branch from 1. January 2019

Each of the units above is the smallest identifiable group of assets that generates cash inflows and are considered as separate cash-generating units. The annual assessment of impairment losses was carried out in the third quarter of 2018. An indication assessment was also carried out in the other quarters in order to assess whether new circumstances calls for new impairment testing of goodwill.

Recoverable amount for the cash-generating units is determined based on an assessment of the value in use. The value in use is based on a discounting of future cash flows, with a relevant discount rate that takes into account maturity and risk.

Budgets/prognoses and the period for which the cash flows are projected

The projection of cash flows is based on budget and forecast for the next five years reviewed by the management and approved by the Board of Directors. The growth in this 5-year period is higher than the long-term growth expectancy. In the period after 2023 a lower annual growth has been used than in the budget period to arrive at a normal level before a terminal value is calculated. The terminal value is calculated in 2028. Gjensidige normally has a ten-year horizon on its models, as the acquired companies are in a growth phase and a shorter period will give a less correct view of expected cash flows. The long-term growth rate beyond the board approved plan, is no higher than the long-term growth in the market for the respective cash generating units.

The management's method

As far as possible, the management has sought to document the assumptions upon which the models are based through external information. External information is first and foremost used in the assessment of discount rate and exchange rates. When it comes to future cash flows, the management has also considered the degree of historical achievement of budgets. If expected budgeted results are not achieved, the management has conducted a deviation analysis. These deviation analyses are reviewed by the Board of Directors of the respective subsidiaries, as well as the management in Gjensidige Forsikring.

Level of combined ratio (CR)

The expected CR level is both in the growth period and when estimating the terminal value considered to be from 89.0 to 93.0.

Cash-generating units	CR-level in growth period	CR-level when calculating terminal value
Gjensidige Forsikring, Danish branch	84.4-90.0%	90.0%
Nykredit portfolio	85.0-89.0%	89.0%
Mølholm portfolio	92,3-94,1 %	93,0 %
Gjensidige Forsikring, Swedish branch	91.0-97.4 %	91.0 %
ADB Gjensidige	91.5-94.5 %	92.0 %
Gouda portfolio	90.5-100.5 %	90.2 %
Gjensidige Forsikring, white label	78,4-82,7 %	82,7 %

Growth rate in terminal value calculation

The growth rate is determined to 2.5 per cent in Scandinavia and 3.0 per cent in Baltics. This is the same growth as in 2018.

Discount rate

The discount rate is before tax, and is composed of a risk-free interest rate, a risk premium and a market beta. As a rate specific to the asset is not directly available in the market, a rate with similar characteristics is used to estimate the discount rate. To determine the discount rate, we use the capital value model. The risk-free rate is equivalent to a ten-year interest rate on government bonds in the respective countries where the subsidiaries and branches operate in and in addition a risk premium is added. The risk premium varies so that the discount rate is 6.5 per cent for all companies. This corresponds to the discount rate of the group and is reduced from 7,5 per cent in 2018. The group's discount rate represents the group's assumption of risk and is the same independent of country. Country-risk has been adjusted directly in the cash flow of all units.

Sensitivity analysis to key assumptions

The excess values related to the acquisitions are based on different key assumptions. If these assumptions change significantly from expected in the impairment models, a need for impairment may arise. See table.

Sensitivity table goodwill	Discount rate increases by 1%	Growth reduces by 2% compared to expected next 3 years	CR increases by 2% next 3 years	All circumstances occur simultaneously
Gjensidige Forsikring, Danish branch	Need for impairment app. NOK 408 million	Need for impairment app. NOK 58 million	No need for impairment	Need for impairment app. NOK 729 million
Nykredit portfolio	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Mølholm portfolio	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	No need for impairment	No need for impairment
ADB Gjensidige	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gouda porfolio	No need for impairment	No need for impairment	No need for impairment	Need for impairment app. NOK 9 million
Gjensidige Forsikring, white label	No need for impairment	No need for impairment	No need for impairment	No need for impairment

12. Owner-occupied and right-of-use property, plant and equipment

NOK millions	Owner-occupied property	Right-of-use property	Plant and equipment [1]	Right-of-use plant and equipment	Total
Cost					
As at 1 January 2018	32.2		524.4		556.6
Additions	1.5		28.0		29.5
Disposals	(1.4)		(32.4)		(33.8)
Exchange differences			(0.3)		(0.3)
As at 31 December 2018	**32.2**		**519.8**		**552.0**
Uncompleted projects			45.4		45.4
As at 31 December 2018, including uncompleted projects	**32.2**		**565.2**		**597.5**
Depreciation and impairment losses					
As at 1 January 2018	(0.4)		(316.1)		(316.5)
Depreciation continuing operations	(0.2)		(51.8)		(52.0)
Disposals	0.1		23.0		23.2
Exchange differences			(0.2)		(0.2)
As at 31 December 2018	**(0.5)**		**(345.1)**		**(345.6)**
Carrying amount					
As at 1 January 2018	31.8		258.4		290.1
As at 31 December 2018	**31.7**		**220.1**		**251.9**
Cost					
As at 1 January 2019	32.2		519.8		552.0
Implementation of IFRS 16		1,210.3		13.6	1,223.9
Additions		42.5	32.2	3.6	78.3
Disposals	(1.4)	(59.0)	(104.5)		(164.9)
Exchange differences		(3.2)	(1.9)		(5.1)
As at 31 December 2019	**30.9**	**1,190.5**	**445.6**	**17.2**	**1,684.2**
Uncompleted projects			49.9		49.9
As at 31 December 2019, including uncompleted projects	**30.9**	**1,190.5**	**495.4**	**17.2**	**1,734.0**
Depreciation and impairment losses					
As at 1 January 2019	(0.5)		(345.1)		(345.6)
Depreciation	(0.1)	(159.0)	(50.4)	(6.6)	(216.2)
Disposals	0.1		91.4		91.5
Exchange differences		(0.1)	1.4		1.2
As at 31 December 2019	**(0.6)**	**(159.1)**	**(302.8)**	**(6.6)**	**(469.1)**
Carrying amount					
As at 1 January 2019	31.7		220.1		251.9
As at 31 December 2019	**30.3**	**1,031.4**	**192.7**	**10.5**	**1,264.9**
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	
Useful life (years)	10-50	2-10	3-10	1-3	

[1] Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.

Owner-occupied property in Gjensidige Forsikring Group mainly consists of leisure houses and cottages, in addition to owner-occupied property in the Baltics.

There are no restrictions on owner-occupied property, plant and equipment. Owner-occupied property, plant and equipment are not pledged as security for liabilities.

Lease liabilities

NOK millions	2019
Lease liability 31 December 2018	
Operational lease liability 31 December 2018	1,462.1
Effect of discounting of the lease liability	(157.7)
Lease liability recognized 1 January 2019	**1,304.5**
Summary of the lease liability in the financial statements	
At initial application 1 January 2019	1,304.5
Change in lease liability	33.3
New lease liabilities recognized in the year	(47.7)
Paid instalment (Cash flow)	(161.6)
Paid interest (Cash flow)	(32.2)
Accrued interest (Profit and loss)	32.2
Exchange rate differences (Other comprehensive income)	(3.5)
As at 31 December 2019	**1,125.1**
Expenses related to short-term contracts (including short-term low value contracts)	2.6
Expenses related to low value contracts (excluding short-term low value contracts)	0.9
Undiscounted lease liability and maturity of cash flows	
Less than 1 year	195.9
1-2 years	188.3
2-3 years	172.6
3-4 years	153.113
4-5 years	126.419
More than 5 years	397.379
Total undiscounted lease liability as at 31 December 2019	**1233.719**
Weighted average interest rate	2,20%

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 considered to be the case for office leases, leases for cars and some office machines etc. However, the main part of the latter group is exempted for recognition due to low value. IT agreements are not considered to fall under IFRS 16 since these are based on the purchase of capacity that is not physically separated and thus not identifiable.

The rental period 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 for each of the countries in which Gjensidige operates. The interest rates are adapted to the actual lease contracts duration and currency. The discount rate for the leasing cars is determined based on an assessment of which loan interest Gjensidige would achieve for financing cars from a financing company.

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 agreements.

Gjensidige has recognised its lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability according to the modified retrospective approach. However, for the largest rental agreements in Norway, Sweden and Denmark, Gjensidige has chosen to recognise the right-of-use asset at the carrying amount as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Comparative figures were not adjusted. Transaction costs are not included.

Gjensidige has chosen to recognise deferred tax on the net value of assets and liabilities. This represented a deferred tax asset of NOK 20.1 million. The difference between this and the lease liability, less deferred tax, amounted to NOK 61.4 million and was recognised directly in equity on 1 January 2019.

13. Financial assets and liabilities

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date at the prevailing market conditions.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities that are included in the respective levels are accounted for below.

Quoted prices in active markets

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

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

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

Valuation based on observable market data

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

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

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

- Currency derivatives, equity options and forward rate agreements, in which fair value is derived from the value of underlying instruments. These derivatives are valued using common valuation techniques for derivatives (option pricing models etc.).
- Equity funds, bond funds, hedge funds and combination funds, in which fair value is estimated based on the fair value of the underlying investments of the funds.
- Bonds, certificates or index bonds that are unlisted, or that are listed but where transactions are not occurring regularly. The unlisted instruments in this category are valued based on observable yield curves and estimated credit spreads where applicable.
- Listed subordinated notes where transactions are not occurring regularly.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

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

- Unlisted private equity investments. The private equity investments that are not organized as funds are valued using cash flow analysis, price multiples and recent market transactions. The private equity investments that are organized as funds are valued based on NAV (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture Capital Valuation. Because of late reporting from the funds, the NAV from the previous quarterly reporting is used in estimating fair value. The NAV is then assessed for discretionary adjustments based on objective events since the last reporting date. Objective events may be the development in underlying values of listed companies since the last reporting, changes in regulations or substantial market movements.
- Loan funds with secured loans and real estate funds. The funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.

The valuation process for financial assets classified as level three

In consultation with the Investment Performance and Risk Measurement department, the Chief Investment Officer decides which valuation models will be used when valuing financial assets classified as level three in the valuation hierarchy. The models are evaluated as required. The fair value and results of the investments and compliance with the stipulated limits are reported weekly to the Chief Financial Officer and Chief Executive Officer, and monthly to the Board.

Sensitivity financial assets level three

Shares and similar interests (mainly unlisted private equity investments and loan funds and real estate funds), as well as bonds and other fixed-income securities are included in level three in the valuation hierarchy. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in the value of shares and similar interests. Bonds and other fixed-income securities primarily have interest rate and credit risk as a result of changes in the yield curve or losses due to unexpected default on Gjensidige's debtors. However, the sensitivity to change in the yield curve is reduced through hedging using interest rate swaps classified as level 2

NOK millions	Notes	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 derivatives					
Financial derivatives at fair value through profit or loss		934.1	934.1	577.9	577.9
Financial assets at fair value through profit or loss, designated upon initial recognition					
Shares and similar interests	14	6,551.6	6,551.6	5,134.9	5,134.9
Bonds and other fixed income securities		30,992.4	30,992.4	26,374.8	26,374.8
Shares and similar interests in life insurance with investment options		25,792.8	25,792.8	20,627.2	20,627.2
Bonds and other fixed income securities in life insurance with investment options		4,196.5	4,196.5	3,282.3	3,282.3
Loans		2.2	2.2		
Financial assets held to maturity					
Bonds held to maturity		210.7	212.1	391.5	392.5
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	15	19,951.8	20,598.9	20,303.7	21,176.9
Loans		2,410.8	2,410.8	2,687.3	2,687.3
Receivables related to direct operations and reinsurance		7,097.6	7,097.6	6,784.7	6,784.7
Other receivables	15	1,192.0	1,192.0	1,081.7	1,081.7
Cash and cash equivalents		2,419.5	2,419.5	2,363.3	2,363.3
Total financial assets		**101,751.9**	**102,400.5**	**89,609.2**	**90,483.4**
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		641.0	641.0	869.9	869.9
Financial liabilities at fair value through profit or loss, designated upon initial recognition					
Interest-bearing liabilities at fair value through profit or loss					
Debt in life insurance with investment options		29,989.4	29,989.4	23,909.5	23,909.5
Financial liabilities at amortised cost					
Subordinated debt	18	1,498.4	1,505.9	1,498.0	1,487.5
Other financial liabilities	19	2,735.4	2,735.4	2,838.4	2,838.4
Liabilities related to direct insurance and reinsurance		709.4	709.4	1,174.5	1,174.5
Total financial liabilities		**35,573.6**	**35,581.1**	**30,290.3**	**30,279.8**
Gain/(loss) not recognised in profit or loss			**641.1**		**884.7**

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 derivatives				
Financial derivatives at fair value through profit or loss		934.1		934.1
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	69.2	5,176.0	1,306.3	6,551.6
Bonds and other fixed income securities	10,783.6	19,500.1	708.6	30,992.4
Shares and similar interests in life insurance with investment options [1]		25,792.8		25,792.8
Bonds and other fixed income securities in life insurance with investment options [1]		4,196.5		4,196.5
Loans			2.2	2.2
Financial assets at amortised cost				
Bonds held to maturity	212.1			212.1
Bonds and other fixed income securities classified as loans and receivables		20,598.9		20,598.9
Loans			2,410.8	2,410.8
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		641.0		641.0
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options [1]		29,989.4		29,989.4
Financial liabilities at amortised cost				
Subordinated debt		1,505.9		1,505.9

[1] 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 derivatives				
Financial derivatives at fair value through profit or loss		577.9		577.9
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	122.0	3,653.8	1,359.1	5,134.9
Bonds and other fixed income securities	13,193.2	12,402.9	778.7	26,374.8
Shares and similar interests in life insurance with investment options	20,610.0	17.3		20,627.2
Bonds and other fixed income securities in life insurance with investment options	3,268.1	14.1		3,282.3
Financial assets at amortised cost				
Bonds held to maturity	255.7	136.8		392.5
Bonds and other fixed income securities classified as loans and receivables		21,173.0	3.8	21,176.9
Loans			2,687.3	2,687.3
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		869.9		869.9
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options	23,878.1	31.4		23,909.5
Financial liabilities at amortised cost				
Subordinated debt		1,487.5		1,487.5

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	Trans-fers into/ out of level 3	Cur-rency effect	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	1,359.1	(41.9)	178.5	(189.4)				1,306.3	(42.8)
Bonds and other fixed income securities	778.7	89.2		(155.4)			(3.9)	708.6	
Loans at fair value				(1.7)		3.8		2.2	
Total	**2,137.8**	**47.3**	**178.5**	**(346.5)**		**3.8**	**(3.9)**	**2,017.1**	**(42.8)**

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

NOK millions	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/ out of level 3	Cur-rency effect	As at 31.12.2018	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2018
Shares and similar interests	2,211.8	96.6	126.4	(164.1)		(911.7)		1,359.1	70.1
Bonds and other fixed income securities	904.3	60.7		(187.6)			1.3	778.7	0.0
Total	**3,116.2**	**157.4**	**126.4**	**(351.7)**		**(911.7)**	**1.3**	**2,137.8**	**70.1**

Reconciliation of liabilities arising from financing activities 2019

			Non-cash flows			
NOK millions	As at 1.1.2019	Cash flows	Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2019
Perpetual Tier 1 capital [1]	1,000.5				1.8	1,002.3
Subordinated debt	1,498.0				0.4	1,498.4

[1] Including accrued interest, NOK 3.3 million.

Reconciliation of liabilities arising from financing activities 2018

					Non-cash flows			
NOK millions	As at 1.1.2018	Subsidi-ary held for sale	As at 1.1.2018	Cash flows	Aqui-sitions	Ex-change diffe-rences	Other changes	As at 31.12.2018
Perpetual Tier 1 capital [1]	1,369.4	369.6	999.8				0.7	1,000.5
Subordinated debt	1,947.3	449.8	1,497.5				0.4	1,498.0
Interest-bearing liabilities	23,083.4	23,083.4	0.0					0.0

[1] Including accrued interest after tax, NOK 2.1 million.

14. Shares and similar interests

NOK millions	Organisation number	Type of fund	31.12.2019
Gjensidige Forsikring ASA			
Norwegian financial shares and primary capital certificates			
SpareBank 1 BV	944 521 836		9.8
SpareBank 1 Østlandet	920 426 530		8.5
SpareBank 1 Ringerike Hadeland	937 889 275		7.8
Sparebanken Vest	832 554 332		5.7
SpareBank 1 SMN	937 901 003		4.5
DNB ASA	981 276 957		1.6
Sogn Sparebank	837 897 912		0.5
Total Norwegian financial shares and primary capital certificates			**38.4**
Other shares			
SOS International A/S			55.7
Sector Asset Management AS	887 139 342		15.9
Bonheur ASA	830 357 432		10.9
Aker ASA	886 581 432		7.6
Norsk Hydro ASA	914 778 271		7.5
Entra ASA	999 296 432		7.3
Scalepoint Technologies Limited			7.1
Helgeland Invest AS	939 150 234		6.7
Paydrive AB			6.1
Equinor ASA	923 609 016		4.8
Lerøy Seafood Group ASA	975 350 940		4.7
Drilling Company of 1972			4.7
Yara International ASA	986 228 608		4.2
Nordic Credit Rating AS	917 685 991		3.7
Tun Media AS	982 519 985		3.7
Kongsberg Gruppen ASA	943 753 709		2.7
Svenska Handelsbanken AB			2.7
Quantafuel AS	915 119 484		2.6
Midvest I A	991 773 754		2.5
Nordea Bank Abp			2.5
Wallenius Wilhelmsen ASA	995 216 604		2.3
Scatec Solar ASA	990 918 546		2.3
Norinnova AS	957 915 035		2.1
Other shares			15.4
Total other shares			**185.4**
Funds [1]			
Shenkman Global Convertible Bond Fund		Convertible bond fund	1,725.3
Wells Fargo Lux Worldwide EM Equity Fund		Equity fund	721.7
RBC Funds Lux - Global Equity Focus Fund		Equity fund	643.9
Nordea Stabile Aksjer Global	989 851 020	Equity fund	565.8
Sector Healthcare - A USD		Hedge fund	322.4
Storebrand Global Indeks B	989 133 241	Equity fund	299.6
AB SICAV I - Global Core Equity Portfolio		Equity fund	197.3
INVESTEC GS GLOBAL EQTY-I$		Equity fund	182.1
Incentive Active Value Fund Cl. A EUR Unrestricted		Hedge fund	141.0
HitecVision VI LP		Private equity fund	114.1
Danske Invest Norske Aksjer Institusjon I	981 582 020	Equity fund	105.7
HitecVision Asset Solution KS		Private equity fund	105.1
Storebrand Norge I	981 672 747	Equity fund	103.5
Pareto Aksje Norge	883 610 512	Equity fund	99.8
HitecVision Private Equity V LP		Private equity fund	99.7
HitecVision Private Equity IV LP		Private equity fund	77.8
Norvestor VII LP		Private equity fund	76.2
Invesco Credit Partners LPA		Hedge fund	62.5
Argentum Secondary III		Private equity fund	53.0
Viking Venture III DIS		Private equity fund	52.6
HitecVision VII		Private equity fund	45.2
Northzone VII L.P.		Private equity fund	36.9

NOK millions	Organisation number	Type of fund	31.12.2019
Northzone VIII L.P.		Private equity fund	33.4
Other funds			450.5
Total funds			**6,314.8**

[1] Norwegian Private Equity funds organised as internal partnerships doesn't have organisation number.

Shares and similar interests owned by branches	
Shares and similar interests owned by Gjensidige Forsikring ASA, Danish branch	6.6
Total shares and similar interests owned by branches	**6.6**
Total shares and similar interests owned by Gjensidige Forsikring ASA	**6,545.3**
Shares and similar interests owned by other group companies	
Shares and similar interests owned by Gjensidige Pensjonsforsikring AS	6.3
Total shares and similar interests owned by other group companies	**6.3**
Total shares and similar interests owned by the Gjensidige Forsikring Group	**6,551.6**

15. Loans and receivables

NOK millions	2019	2018
Loans and receivables		
Bonds classified as loans and receivables	19,951.8	20,299.9
Other loans	11.5	178.1
Total loans and receivables	**19,963.3**	**20,477.9**
Other receivables		
Receivables in relation with asset management	918.6	803.4
Other receivables and assets	273.4	278.3
Total other receivables	**1,192.0**	**1,081.7**

Bonds are securities classified as loans and receivables in accordance with IAS 39.

Receivables in relation with asset management is short-term receivables regarding financial investments.

Beyond the liabilities that arise from insurance contracts, Gjensidige Forsikring has not issued guarantees for which provisions have been made.

16. Insurance-related liabilities and reinsurers' share

NOK millions		2019			2018	
Movements in insurance-related liabilities and reinsurers' share	Gross	Reinsurers' share	Net of re-insurance [1]	Gross	Reinsurers' share	Net of re-insurance [1]
Claims and claims handling costs						
Claims reported and claims handling costs	13,835.4	(374.6)	13,460.8	14,136.9	(781.3)	13,355.5
Claims incurred, but not reported	15,520.4	(163.8)	15,356.6	17,185.8	(1.1)	17,184.7
Total as at 1 January	**29,355.8**	**(538.4)**	**28,817.4**	**31,322.7**	**(782.4)**	**30,540.2**
Claims paid, prior year claims	(5,371.0)	119.2	(5,251.8)	(7,485.8)	635.0	(6,850.7)
Increase in liabilities						
Arising from current year claims	21,429.8	(306.3)	21,123.6	21,301.5	(302.5)	20,999.0
- of this paid	(13,975.2)	225.2	(13,750.0)	(12,170.1)	(70.8)	(12,241.0)
Arising from prior year claims (run-off)	(1,252.1)	(111.1)	(1,363.2)	(2,338.9)	(18.0)	(2,356.9)
Other changes, including effects from discounting	231.4		231.4	13.5		13.5
Transfer of pension savings [2]	(2,143.7)	(20.3)	(2,164.0)	(1,266.8)	(22.2)	(1,288.9)
Exchange differences	(110.0)	16.2	(93.9)	(20.4)	22.6	2.2
Total as at 31 December	**28,164.9**	**(615.5)**	**27,549.4**	**29,355.8**	**(538.4)**	**28,817.4**
Claims reported and claims handling costs	14,179.3	(613.5)	13,565.8	13,835.4	(374.6)	13,460.8
Claims incurred, but not reported	13,985.6	(2.0)	13,983.6	15,520.4	(163.8)	15,356.6
Total as at 31 December	**28,164.8**	**(615.5)**	**27,549.4**	**29,355.8**	**(538.4)**	**28,817.4**
Provisions for unearned premiums in general insurance						
As at 1 January	10,051.0	(42.4)	10,008.6	9,961.4	(45.0)	9,916.5
Increase in the period	25,858.1	(596.8)	25,261.3	24,877.7	(724.1)	24,153.6
Release in the period	(25,371.9)	721.5	(24,650.4)	(24,779.3)	726.5	(24,052.8)
Exchange differences	(38.1)	(37.1)	(75.2)	(8.7)	0.1	(8.6)
Total as at 31 December	**10,499.1**	**45.2**	**10,544.3**	**10,051.0**	**(42.4)**	**10,008.6**

[1] For own account.
[2] According to new Norwegian Financial Reporting Regulations for Life Insurance Companies, claims provision is reclassified to premium reserve.

NOK millions	2019	2018
Discounted claims provision, gross - annuities	5,904.9	5,941.8
Nominal claims provision, gross - annuities	6,203.7	6,573.4

The claims provisions shall cover future claims payments. The claims provisions for insurances with annuity payments are converted to present value (discounted), whereas other provisions are undiscounted.

The reason why the claims provisions for annuities are discounted is due to very long cash flows and substantial future interest income. The claims for occupational injuries in Denmark are paid either as annuities or as lump-sum indemnities (which are calculated mainly as discounted annuities). Therefore, it is most expedient to regard the whole portfolio as annuities. For Swedish MTPL personal injuries are paid as lifelong annuities. The discount rate used is the swap rate.

Over the next three years, average annual run-off gains are expected to be around NOK 1,000 million, moving the expected reported combined ratio to the lower end of the 86-89 corridor (undiscounted).

17. Equity

Share capital
At the end of the year the share capital consisted of 500 million ordinary shares with a nominal value of NOK 2, according to the statutes. All issued shares are fully paid in.

The owners of ordinary shares have dividend and voting rights. There are no rights attached to the holding of own shares.

In thousand shares	2019	2018
Issued 1 January	500,000	500,000
Issued 31 December	500,000	500,000

Own shares
In the column for own shares in the statement of changes in equity the nominal value of the company's holdings of own shares is presented. Amounts paid in that exceeds the nominal value is charged to other equity so that the cost of own shares reduces the Group's equity. Gains or losses on transactions with own shares are not recognised in the income statement.

At the end of the year the number of own shares was 18,529 (31,371).

A total of 238,679 (306,489) own shares at an average share price of NOK 162.16 (131.59) have been acquired to be used in Gjensidige's share-based payment arrangements. Of these 186,524 (231,493) shares have been sold to employees, at the same price, but with a discount in the form of a contribution, see note 22. In addition, 28,343 (30,010) shares have been allocated to executive personnel within the share-based remuneration scheme and 36,654 (34,688) bonus shares have been allocated to employees in the share savings programme. The number of own shares is reduced by 12,842 (increased by 10,298) through the year.

Share premium
Payments in excess of the nominal value per share are allocated to share premium.

Other paid-in capital
Other paid in equity consists of wage costs that are recognised in profit and loss as a result of the share purchase program for employees.

Perpetual Tier 1 capital
Perpetual Tier 1 capital consists of a perpetual hybrid instrument in Forsikring ASA, classified as equity.

Exchange differences
Exchange differences consist of exchange differences that occur when converting foreign subsidiaries and branches, and when converting liabilities that hedge the company's net investment in foreign subsidiaries and branches.

Remeasurement of the net defined benefit liability/asset
Remeasurement of the net defined benefit liability/asset consists of the return of plan assets beyond interest income and gains/losses occurring by changing the actuarial assumptions used when calculating pension liability.

Other earned equity
Other earned equity consists of this year's and previous year's retained earnings that are not disposed to other purposes and includes provisions for compulsory funds (natural perils fund, guarantee scheme).

Natural perils capital
All insurance companies that take out fire insurance in Norway are obliged under Norwegian law to be a member of the Norwegian Natural Perils Pool. Objects in Norway and Svalbard that are insured against fire damage are also insured against natural damage, if the damage to the thing in question is not covered by other insurance. Natural peril is defined as claim in direct relation to natural hazard, such as landslide, storm, flood, storm surge, earthquake or eruption. It is the individual insurance company that is the insurer, ie issues insurance certificates, settles and has direct contact with the customers. The Natural Perils Pool administers the equalization between the companies. Natural perils capital is capital that can only be used to cover claims for natural damage, but which in an insolvent situation can also be used to cover other obligations.

Guarantee scheme
Norwegian companies and companies from the EEA area with a branch in Norway are members of the Guarantee Scheme for non-life insurance. The purpose of the guarantee scheme is to prevent or reduce losses for individuals and small and medium-sized businesses if their insurance companies are unable to meet their obligations. The provision for guarantee scheme is restricted capital and shall contribute to securing claims arising from an agreement on direct non-life insurance, to the insured and injured third party.

Dividend
Proposed and approved dividend per ordinary share

NOK millions	2019	2018
As at 31 December		
NOK 7.25 kroner (7.10) based on profit for the year [1]	3,625.0	3,550.0
NOK 5.00 kroner (0.00) based on excess capital distribution [1]	2,500.0	

[1] Proposed dividend for 2019 is not recognised at the reporting date, and it does not have any tax consequences.

Shareholders
Shareholders owning more than 1 per cent

Investor	Ownership in %
Gjensidigestiftelsen	62.24%
Folketrygdfondet	4.05%
Deutsche Bank	3.67%
Caisse de Depot et Placement du Quebec	2.99%
BlackRock Inc	2.58%
Nordea	1.48%
Danske Bank	1.34%
Societe Generale	1.13%
ORIX Corporation	1.03%
State Street Corporation	1.01%

The shareholder list is based on the VPS shareholder registry as of 31 December 2019.

18. Hybrid capital

Subordinated debt

	FRN Gjensidige Pensjonsforsikring AS 2016/2026 SUB	FRN Gjensidige Forsikring ASA 2014/2044 SUB
ISIN	NO0010767429	NO0010720378
Issuer	Gjensidige Pensjons-forsikring AS	Gjensidige Forsikring ASA
Principal, NOK millions	300	1,200
Currency	NOK	NOK
Issue date	23.6.2016	2.10.2014
Maturity date	23.6.2026	3.10.2044
First call date	23.6.2021	2.10.2024
Interest rate	NIBOR 3M + 2.90%	NIBOR 3M + 1.50%
General terms		
Regulatory regulation	Solvency II	Solvency II
Regulatory call	Yes	Yes
Conversion right	No	No

Perpetual Tier 1 capital

	FRN Gjensidige Forsikring ASA 2016/PERP C HYBRID
ISIN	NO0010771546
Issuer	Gjensidige Forsikring ASA
Principal, NOK millions	1,000
Currency	NOK
Issue date	8.9.2016
Maturity date	Perpetual
First call date	8.9.2021
Interest rate	NIBOR 3M + 3.60%
General terms	
Regulatory regulation	Solvency II
Regulatory call	Yes
Conversion right	No

19. Provisions and other liabilities

NOK millions	2019	2018
Other provisions and liabilities		
Restructuring costs [1]	74.4	128.3
Other provisions [2]	222.9	190.9
Total other provisions and liabilities	**297.3**	**319.3**
Restructuring costs [1]		
Provisions as at 1 January	128.3	117.0
New provisions	13.8	91.2
Reversal of provisions	0.0	(4.4)
Provisions used during the year	(67.6)	(74.4)
Exchange rate differences	(0.1)	(1.1)
Provision as at 31 December	**74.4**	**128.3**

[1] In 2019, NOK 13.8 million is allocated to restructuring provision, due to a decision of changes in Denmark and Baltic. The processes have been communicated to all entities affected by the changes.
[2] Other provisions are various bonus schemes.

	2019	2018
Other liabilites		
Outstanding accounts Fire Mutuals	32.6	27.6
Accounts payable	216.3	186.2
Liabilities to public authorities	272.5	290.3
Motor insurance tax to Norwegian Motor Insurers’ Bureau (TFF)	1,616.5	1,612.6
Other liabilities	597.5	721.7
Total other liabilities	**2,735.4**	**2,838.4**
Accrued expenses and deferred income		
Liabilities to public authorities	38.3	32.2
Accrued personnel cost	319.2	305.6
Other accrued expenses and deferred income	64.4	65.6
Total accrued expenses and deferred income	**422.0**	**403.3**

20. Related party transactions

Overview

Gjensidige Forsikring ASA is the Group's parent company. As at 31 December 2019 the following companies are regarded related parties. See note 5 in Gjensidige Forsikring ASA for specification of subsidiaries and joint ventures.

	Registered office	Interest held
Ultimate parent company		
Gjensigestiftelsen holds 62.24 per cent of the shares in Gjensidige Forsikring ASA	Oslo, Norway	
Other related parties / cooperating companies [1]		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	94.7 %

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

Transactions

Income statement

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

	2019		2018	
NOK millions	**Income**	**Expense**	**Income**	**Expense**
Earned premiums written and gross claims	28.1	50.0	1,157.0	815.3
Administration expenses	325.1	392.5	440.0	473.9
Interest income and expenses	60.4		39.9	
Gain and losses on sale and impairment losses on subsidiaries	3,093.3	153.2		76.0
Total	**3,507.0**	**595.8**	**1,636.9**	**1,365.2**

	2019		2018	
NOK millions	**Received**	**Given**	**Received**	**Given**
Group contributions				
NAF Forsikringsformidling AS				16.5
Gjensidige Tech AS (former Gjensidige Bolighandel AS)		24.2		24.9
Dividends				
Gjensidigestiftelsen		3,812.2		2,209.5
Gjensidige Pensjonsforsikring AS - inntektsført, ikke mottatt			100.0	
Nykredit Forsikring A/S - mottatt			89.9	
Nykredit Forsikring A/S - inntektsført, ikke mottatt			179.1	
Mondux Assurance Agentur A/S			5.0	
NAF Forsikringsformidling AS	0.2			
Total group contributions and dividends	**0.2**	**3,836.4**	**374.0**	**2,250.9**

Balances

The table below shows a summary of receivables/liabilities the parent company has from/to related parties.

	2019		2018	
NOK millions	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Non-interest-bearing receivables and liabilities	7.1	56.7	339.6	101.9
Interest-bearing receivables and liabilities	2,401.4		2,513.1	
Reinsurance deposits, premiums and claims provision		86.7	1,094.7	1,164.6
Total balances within the Group	**2,408.5**	**143.4**	**3,947.4**	**1,266.5**
Fire Mutuals and Gjensidige Pensjonskasse [2]	111.0	32.6	111.0	25.3
Total balances	**2,519.5**	**176.0**	**4,058.4**	**1,291.8**

[2] Gjensidige Forsikring ASA is a sponsor of Gjensidige Pensjonskasse and has contributed with funds equivalent to NOK 111.0 million.

Guarantees

Gjensidige Forsikring ASA is responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 21.

Transactions with related parties that are defined as core business (reinsurance, distribution, claims handling) as well as lending are priced based on market prices. Group functions of a purely administrative nature (such as IT, purchasing, accounting) are priced based on the cost-plus method.

21. Contingent liabilities

NOK millions	2019	2018
Guarantees and committed capital		
Committed capital, not paid	590.5	702.2
Credit facility Oslo Areal	1,598.6	1,486.9

As part of its ongoing financial management, Gjensidige has undertaken to invest up to NOK 590.5 million (702.2) in loan funds containing senior secured debt and various private equity and real estate investments, over and above amounts recognized in the balance sheet.

The timing of the outflow of capital is dependent on when the funds are making capital calls from their investors. Average remaining operating time for the funds, based on fair value, is slightly less than three years (four) and slightly less than four years (five) in average including option for of extension.

Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.4 billion (2.5) at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Gjensidige Forsikring is liable externally for any insurance claim arising in the cooperating mutual fire insurers' fire insurance operations.

According to the agreement with Gjensidige Pensjonskasse the return, if not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring.

22. Share-based payment

Description of the share-based payment arrangements

As at 31 December 2019, Gjensidige has the following share-based payment arrangements:

Share-based remuneration for executive personnel with settlement in equity and cash (remuneration scheme)
Gjensidige has established equity-settled share-based payment for the group management and more explicitly defined executive personnel.

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

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

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

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

Fair value measurement

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

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

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

	Remuneration scheme		Share savings programme	
	2019	2018	2019	2018
Weighted average share price (NOK)	143.00	149.10	163.02	130.55
Expected turnover	N/A	N/A	10%	10%
Expected sale	N/A	N/A	5%	5%
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share) [1]	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 80 per cent (70) of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

Payroll expenses

NOK millions	2019	2018
Share-based remuneration for key personnel	4.9	4.3
Share savings programme for employees	8.2	7.2
Total expenses (note 7)	**13.1**	**11.5**

Share savings programme

	2019	2018
The number of bonus shares		
Outstanding 1 January	99,015	83,946
Granted during the period	46,419	57,405
Forfeited during the period	(9,602)	(5,076)
Released during the period	(36,654)	(34,688)
Cancelled during the period	(4,024)	(2,572)
Outstanding 31 December	**95,154**	**99,015**
Exercisable 31 December	**0**	**0**
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	53,940	48,411	59,591	53,965
Granted during the period	25,121	22,518	23,070	20,501
Transferred in/out during the period	(14,535)	(12,826)	0	0
Exercised during the period	(28,343)	(25,583)	(30,010)	(27,340)
Cancelled during the period	0	0	(1,264)	(1,127)
Modification dividend during the period	2,270	2,152	2,553	2,412
Outstanding 31 December	**38,453**	**34,672**	**53,940**	**48,411**
Exercisable 31 December	**0**	**0**	**0**	**0**
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	184.25	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.

23. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

24. Earnings per share

NOK millions	2019	2018
Profit/(loss) for the year for continuing and discontinued operations	6,593.7	3,717.6
Profit/(loss) for the year for continuing operations	6,556.1	3,382.7
Weighted average number of shares [1]	499,983,151	499,978,103
Weighted average number of diluted shares share-based payment	110,456	119,756
Weighted average number of shares, diluted [1]	500,093,607	500,097,859
Earnings per share from continuing and discontinued operations (NOK), basis	**13.19**	**7.44**
Earnings per share from continuing and discontinued operations (NOK), diluted	**13.18**	**7.43**
Earnings per share from continuing operations (NOK), basis	**13.11**	**6.77**
Earnings per share from continuing operations (NOK), diluted	**13.11**	**6.76**

[1] Holdings of own shares are not included in the calculations of the number of shares.

25. Discontinued operations

On 2 July 2018 Gjensidige Forsikring ASA entered into a share purchase agreement with Nordea for the sale of Gjensidige Bank ASA. The agreed purchase price was NOK 5.6 billion, subject to certain adjustments based on the performance of the bank until closing of the transaction. Closing of the transaction took place 1 March 2019. Gjensidige Forsikring Group recorded a gain of approximately NOK 1.6 billion upon closing of the transaction while Gjensidige Forsikring ASA recorded a gain of approximately NOK 3.1 billion.

Income statement, financial position and cash flow items

NOK millions	1.1.-31.12.2019	1.1.-31.12.2018
Income statement		
Profit /(loss) before tax expense	50.1	447.3
Tax expense	(12.5)	(112.4)
Profit /(loss) after tax expense from discontinued operations (attributable to owners of the company)	**37.6**	**334.9**
Earnings per share from discontinued operations, NOK (basic and diluted)	**0.08**	**0.67**
Financial position		
Cash and claims from central banks		53.9
Net loans and receivables to credit institutions		422.6
Net loans and receivables to customers		51,253.0
Sertificates, bonds etc.		5,746.7
Other assets		422.5
Total assets		**57,898.8**
Deposits from and liabilities to customers		23,123.0
Debt through issuance of securities		29,382.4
Subordinated loans		549.8
Other liabilities		459.2
Perpetual Tier 1 capital instrument		444.8
Other equity		3,939.6
Total equity and liabilities		**57,898.8**

Income statement

Gjensidige Forsikring ASA

NOK millions	Notes	1.1.-31.12.2019	1.1.-31.12.2018
Premiums etc.			
Earned premiums, gross	4	24,236.4	23,105.9
Ceded reinsurance premiums		(712.9)	(715.9)
Total earned premiums, net of reinsurance		**23,523.5**	**22,389.9**
Claims			
Gross claims	4	(16,662.5)	(15,973.9)
Claims, reinsurers' share		412.6	324.5
Total claims incurred, net of reinsurance		**(16,249.9)**	**(15,649.4)**
Insurance-related operating expenses			
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses	7	(3,544.5)	(3,558.6)
Received commission for ceded reinsurance and profit share		45.2	51.0
Total insurance-related operating expenses		**(3,499.3)**	**(3,507.6)**
Other insurance-related operating expenses		(12.7)	
Profit/(loss) of technical account		**3,761.7**	**3,233.0**
Net income from investments			
Income from investments in subsidiaries, associates and joint ventures		3,093.3	374.0
Impairment losses of investments in subsidiaries, associates and joint ventures		(153.2)	(76.0)
Interest income and dividend etc. from financial assets		1,000.8	1,043.1
Changes in fair value on investments		1,451.6	(494.7)
Realised gain and loss on investments		(312.8)	143.2
Administration expenses related to investments, including interest expenses		(201.6)	(166.2)
Total net income from investments	**6**	**4,878.1**	**823.4**
Other income		12.7	10.3
Other expenses		(38.5)	(37.1)
Profit/(loss) of non-technical account		**4,852.3**	**796.6**
Profit/(loss) before tax expense		**8,613.9**	**4,029.5**
Tax expense	9	(1,153.6)	(995.0)
Profit/(loss) before components of other comprehensive income		**7,460.3**	**3,034.5**
Other comprehensive income			
Other comprehensive income that are not reclassified to profit or loss			
Changes in estimates related to defined benefit plans	10	(116.4)	(49.4)
Tax on other comprehensive income that are not reclassified to profit or loss	9	29.1	12.3
Total other comprehensive income that are not reclassified to profit or loss		**(87.3)**	**(37.0)**
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences from foreign operations		(65.1)	3.2
Tax on items that may be reclassified to profit or loss	9	17.1	(0.7)
Total other comprehensive income that may be reclassified to profit or loss		**(48.0)**	**2.5**
Comprehensive income		**7,325.1**	**3,000.0**

Statement of financial position

Gjensidige Forsikring ASA

NOK millions	Notes	31.12.2019	31.12.2018
Assets			
Goodwill		2,950.1	1,846.6
Other intangible assets		1,026.0	1,013.0
Total intangible assets	**11**	**3,976.2**	**2,859.5**
Investments			
Buildings and other real estate			
Owner-occupied property	12	28.5	28.5
Right-of-use property	12	966.7	
Subsidiaries and associates			
Shares in subsidiaries	5	2,063.8	3,832.7
Shares in subsidiaries, held for sale	5		2,461.5
Shares in associates and joint ventures	5	1,086.9	1,086.9
Interest-bearing receivables on subsidiaries and joint ventures	13, 20	2,401.4	2,513.1
Financial assets measured at amortised cost			
Bonds held to maturity	13		105.8
Loans and receivables	13, 15	14,714.8	15,471.3
Financial assets measured at fair value			
Shares and similar interests (incl. shares and similar interests measured at cost)	13, 14	6,545.3	5,061.4
Bonds and other fixed-income securities	13	28,446.3	22,152.3
Subordinated loans	13	2.2	44.3
Financial derivatives	13	934.1	577.9
Other investments	13	111.0	111.0
Reinsurance deposits			1,094.7
Total investments		**57,301.0**	**54,541.4**
Reinsurers' share of insurance-related liabilities in general insurance, gross			
Reinsurers' share of provision for unearned premiums, gross	16	42.3	39.6
Reinsurers' share of claims provision, gross	16	554.5	473.6
Total reinsurers' share of insurance-related liabilities in general insurance, gross		**596.8**	**513.2**
Receivables			
Receivables related to direct operations	13	6,843.3	6,323.5
Receivables related to reinsurance	13	23.7	75.5
Receivables within the group	20	7.1	339.6
Other receivables	13, 15	864.4	820.2
Total receivables		**7,738.4**	**7,558.9**
Other assets			
Plant and equipment	12	189.8	203.7
Cash and cash equivalents	13	1,796.1	1,656.4
Pension assets	10	241.8	155.2
Total other assets		**2,227.6**	**2,015.2**
Prepaid expenses and earned, not received income			
Other prepaid expenses and earned, not received income		37.7	46.2
Total prepaid expenses and earned, not received income		**37.7**	**46.2**
Total assets		**71,877.7**	**67,534.4**

NOK millions	Notes	31.12.2019	31.12.2018
Equity and liabilities			
Paid in equity			
Share capital		1,000.0	1,000.0
Own shares		(0.0)	(0.1)
Share premium		1,430.0	1,430.0
Perpetual Tier 1 capital		1,002.3	1,000.5
Other paid-in equity		67.4	58.2
Total paid in equity		**3,499.6**	**3,488.6**
Retained equity			
Funds etc.			
Natural perils capital		2,676.3	2,491.1
Guarantee scheme provision		676.3	653.9
Other retained earnings		11,459.6	10,655.3
Total retained earnings		**14,812.2**	**13,800.3**
Total equity	**17**	**18,311.9**	**17,288.9**
Subordinated debt	13, 18	1,198.6	1,198.3
Insurance-related liabilities in general insurance, gross			
Provision for unearned premiums, gross	4, 16	10,003.0	9,399.6
Claims provision, gross	4, 16	27,693.3	28,769.8
Provision for premium discounts and other profit agreements		77.3	75.4
Total insurance-related liabilities in general insurance, gross		**37,773.6**	**38,244.9**
Provision for liabilities			
Pension liabilities	10	608.1	559.9
Current tax	9	984.6	591.3
Deferred tax liabilities	9	1,391.4	1,289.0
Other provisions	19	294.5	316.5
Total provision for liabilities		**3,278.5**	**2,756.7**
Liabilities			
Liabilities related to direct insurance	13	380.9	381.5
Liabilities related to reinsurance	13	46.1	40.9
Financial derivatives	13	641.0	869.9
Accrued dividend		6,125.0	3,550.0
Other liabilities	12, 13, 19	3,711.2	2,766.0
Liabilities to subsidiaries and associates	13, 20	56.7	104.9
Total liabilities		**10,960.9**	**7,713.3**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	13, 19	354.2	332.3
Total accrued expenses and deferred income		**354.2**	**332.3**
Total equity and liabilities		**71,877.7**	**67,534.4**

Statement of changes in equity

Gjensidige Forsikring ASA

NOK millions	Share capital	Own shares	Share premium	Other paid-in capital	Perpetual Tier 1 capital	Exchange differ-ences	Changes in estimates related to def. benefit plans	Other earned equity	Total equity
Equity as at 31.12.2017	**1,000.0**	**(0.0)**	**1,430.0**	**45.1**	**999.8**	**383.8**	**(1,932.8)**	**15,945.9**	**17,871.7**
Adjustment due to amendment to IFRS 2				5.5					5.5
Equity as at 1.1.2018	**1,000.0**	**(0.0)**	**1,430.0**	**50.6**	**999.8**	**383.8**	**(1,932.8)**	**15,945.9**	**17,877.2**
1.1.-31.12.2018									
Comprehensive income									
Profit/(loss) before components of other comprehensive income					35.0			2,999.5	3,034.5
Total other comprehensive income				0.1		2.4	(37.0)		(34.5)
Comprehensive income				**0.1**	**35.0**	**2.4**	**(37.0)**	**2,999.5**	**3,000.0**
Transactions with the owners of the company									
Own shares		(0.0)						(10.9)	(11.0)
Accrued and paid dividend								(3,549.9)	(3,549.9)
Equity-settled share-based payment transactions				7.6					7.6
Perpetual Tier 1 capital					0.6			(0.6)	
Perpetual Tier 1 capital - interest paid					(34.9)				(34.9)
Equity as at 31.12.2018	**1,000.0**	**(0.1)**	**1,430.0**	**58.2**	**1,000.5**	**386.2**	**(1,969.8)**	**15,384.0**	**17,288.9**
Adjustment on initial application of IFRS 16								(61.4)	(61.4)
Merger losses								(65.7)	(65.7)
Equity as at 1.1.2019	**1,000.0**	**(0.1)**	**1,430.0**	**58.2**	**1,000.5**	**386.2**	**(1,969.8)**	**15,256.9**	**17,161.9**
1.1.-31.12.2019									
Comprehensive income									
Profit/(loss) before components of other comprehensive income					51.3			7,409.0	7,460.3
Total other comprehensive income						(48.0)	(87.3)		(135.3)
Comprehensive income					**51.3**	**(48.0)**	**(87.3)**	**7,409.0**	**7,325.1**
Transactions with the owners of the company									
Own shares		0.0						(9.2)	(9.2)
Accrued and paid dividend								(6,124.9)	(6,124.9)
Equity-settled share-based payment transactions				9.2					9.2
Perpetual Tier 1 capital					0.6			(0.6)	
Perpetual Tier 1 capital - interest paid					(50.1)				(50.1)
Equity as at 31.12.2019	**1,000.0**	**(0.0)**	**1,430.0**	**67.4**	**1,002.3**	**338.2**	**(2,057.1)**	**16,531.2**	**18,311.9**

See note 17 for further information about the equity items.

Statement of cash flows

Gjensidige Forsikring ASA

NOK millions	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operating activities		
Premiums paid, net of reinsurance	24,472.9	23,228.8
Claims paid, net of reinsurance	(18,080.4)	(17,918.9)
Net receipts/payments from financial assets	(3,708.6)	2,935.6
Operating expenses paid, including commissions	(3,180.4)	(2,988.5)
Taxes paid	(711.3)	(1,099.7)
Net cash flow from operating activities	**(1,207.8)**	**4,157.3**
Cash flow from investing activities		
Net receipts/payments from sale/acquisition of subsidiaries, associates and joint ventures	5,576.1	(28.4)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(397.1)	(325.7)
Dividends from subsidiaries	123.7	89.9
Group contributions paid	(21.9)	
Net cash flow from investing activities	**5,280.8**	**(264.2)**
Cash flow from financing activities		
Payment of dividend	(3,549.9)	(3,549.9)
Net receipts/payments on subordinated debt incl. interest	(34.2)	(29.8)
Net receipts/payments on loans between Group companies		1.0
Payments regarding intra-group equity transactions	(208.1)	(119.2)
Payments regarding intra-group equity transactions, subsidiary held for sale		(95.0)
Net receipts/payments on sale/acquisition of own shares	(9.2)	(11.0)
Repayment of lease liabilities	(146.0)	
Payment of interest related to lease liabilities	(30.4)	
Tier 1 interest payments	(50.9)	(46.6)
Net cash flow from financing activities	**(4,028.6)**	**(3,850.5)**
Effect of exchange rate changes on cash and cash equivalents	(5.2)	(11.2)
Net cash flow	**39.2**	**31.4**
Cash and cash equivalents at the start of the year	1,656.4	1,625.0
Adjustment to cash and cash equivalents at the start of the year due to merger	100.5	
Cash and cash equivalents at the end of the year [1]	1,796.1	1,656.4
Net cash flow	**39.2**	**31.4**
[1] Including source-deductible tax account	65.4	72.0

Reconciliation of changes in liabilities from financing activities is found in note 13.

Notes

1. Accounting policies

Reporting entity

Gjensidige Forsikring ASA is a publicly listed company domiciled in Norway. Gjensidige's head office is located at Schweigaardsgate 21, Oslo, Norway. The activities of Gjensidige consist of general insurance. Gjensidige does business in Norway, Sweden and Denmark.

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

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian Financial Reporting Regulations for Non-Life Insurance Companies (FOR-2015-12-18-1775). The Norwegian Financial Reporting Regulations for Insurance Companies is to a great extent based on IFRSs endorsed by EU, and interpretations.

New standards adopted

IFRS 16 Leases (2016)

Gjensidige 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 according to the modified retrospective method. For the largest rental agreements in Norway, Sweden and Denmark, Gjensidige has chosen to recognise the right-of-use asset at the carrying amount as if the standard had been applied since the date of implementation but discounted using the tenant's incremental borrowing rate at the date of initial application. The difference between this and the lease liability, less deferred tax, were recognised directly in equity on 1 January 2019.

The implementation effects were as follows:

- Right-of-use assets in the statement of financial position increased by MNOK 1,123.3
- Lease liability in the statement of financial position increased by MNOK 1,203.8
- Effect on equity amounted to MNOK 61.4 less deferred tax

Amendments to IAS 12: Changes in classification of tax on equity items that are classified as liability for tax purposes

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

The effect of this will vary with the size and interest rate of the tax debt. In Gjensidige, fund bonds are classified as debt for tax purposes, and the tax expense was reduced by NOK 12,8 million in 2019 compared with the previous principle.

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 Gjensidige are mentioned below. Gjensidige does not plan early implementation of these standards.

IFRS 9 Financial instruments (2014)

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

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

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

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

The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, IAS 39 Financial Instruments.

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

IFRS 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 remaing 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.

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

Basis of measurement

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

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

Functional and presentation currency

Functional currency

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

Presentation currency

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

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

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

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

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

All financial information is presented in NOK, unless otherwise stated.

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

Segment reporting

The operating segments are determined based on Gjensidige's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Forsikring Group, the Senior Group Management is responsible for evaluating and following up the performance of the segments and is considered the chief operating decision maker. Gjensidige reports on two operating segments, General insurance Private and General insurance Commercial, which are independently managed by managers responsible for the respective segments depending on the products and services offered, distribution and settlement channels, brands and customer profiles. Identification of the segments is based on the existence of segment managers who report directly to the Senior Group Management/CEO and who are responsible for the performance of the segment under their charge. In addition, the company comprises a Swedish and Danish branch that is reported as a part of the segment Nordic in the consolidated financial statements.

The recognition and measurement principles for Gjensidige's segment reporting are based on the IFRS principles adopted in the consolidated financial statements.

Inter-segment pricing is determined on arm's length distance.

Subsidiaries, associated companies and joint ventures

Subsidiaries, associated companies and joint ventures are recognised using the cost method.

Cash flow statement

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

Operational activities are primary activities within Gjensidige. Investment activities include the purchase and sale of assets that are not considered cash equivalents, and which are not included in Gjensidige's primary activities. Financing activities include raising and repaying loans, as well as collecting and servicing equity.

Cash and bank deposits with maturity less than three months ahead are considered cash. Certificates and bonds with a similar short residual maturity are not classified as cash equivalents.

Recognition of revenue and expenses

Premiums

Insurance premiums are recognised over the term of the policy. Gross premiums earned are calculated on the basis of the amounts Gjensidige has received or is owed for insurance contracts where the insurance period starts before the end of the period (gross premiums written). At the end of the period provisions are recorded, and premiums written that relate to subsequent periods are adjusted for (change in gross provision for unearned premiums). Earned premiums net of reinsurance are calculated by applying equivalent accrual to premium for ceded reinsurance, which reduces the corresponding gross premiums. Premiums for inward reinsurance are classified as gross premiums written and are earned according to the insurance period.

Claims incurred
Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in gross provision for claims, gross, also less reinsurers' share. Direct and indirect claims processing costs are included in claims incurred. The claims incurred contain run-off gains/losses on previous years' claims -provisions.

Insurance-related operating expenses
Insurance-related operating expenses consist of insurance-related administration expenses including commissions for received reinsurance and sales expenses, less received commissions for ceded reinsurance and profit share.

Net income from investments
Financial income consists of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income on interest rate instruments is recognised in profit or loss using the effective interest method.

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

Tangible assets

Owner-occupied property, plant and equipment

Recognition and measurement

Items of owner-occupied property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item. In cases where equipment or significant items have different useful lives, they are accounted for as separate components.

Owner-occupied property is defined as property that is used by Gjensidige for conducting its business.

Subsequent costs

Subsequent costs are recognised in the asset's carrying amount when it is probable that the future economic benefits associated with the asset will flow to Gjensidige, and the cost of the asset can be measured reliably. If the subsequent cost is a replacement cost for part of an item of owner-occupied property, plant and equipment, the cost is capitalized and the carrying amount of what has been replaced is derecognised. Repairs and maintenances are recognised in profit or loss in the period in which they are incurred.

Depreciation

Each component of plant and equipment are depreciated using the straight-line method over estimated useful life. Land, leisure houses and cottages are not depreciated. The estimated useful lives for the current and comparative periods are as follows, with technical installations having the highest depreciation rate

- owner-occupied property 10-50 years
- plant and equipment 3-10 years
- right-of-use property 2-10 years
- right-of-use plant and equipment 1-3 years

Depreciation method, expected useful life and residual values are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Leases

Gjensidige 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, Gjensidige 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 Gjensidige is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if Gjensidige is reasonably certain not to exercise that option.

Gjensidige applies a single discount rate to a portfolio of leases with reasonably similar characteristics (for example similar remaining lease term).

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 subsequent measurement of 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 liability is included in the accounting line Other liabilities in the statement of financial position.

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

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 asset is shown in a separate line in the statement of financial position.

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 in the line Administration expenses related to investments, including interest expenses.

Intangible assets

Goodwill

Goodwill acquired in acquisition of portfolios represents cost price of the acquisition in excess of Gjensidige's share of the net fair value of identifiable assets, liabilities and contingent liabilities in the acquired portfolio at the time of acquisition. Goodwill is recognised initially at cost and subsequently measured at cost less accumulated impairment losses.

Other intangible assets
Other intangible assets which consist of customer relationships, trademarks, internally developed software and other intangible assets that are acquired separately or as a group are recognised at historical cost less accumulated amortisation and accumulated impairment losses. New intangible assets are

capitalized only if future economic benefits associated with the asset are probable and the cost of the asset can be measured reliably.

Development expenditures (both internally and externally generated) is capitalized only if the development expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Gjensidige intends to and has sufficient resources to complete the development and to use or sell the asset.

Amortisation

Intangible assets, other than goodwill is amortised on a straight-line basis over the estimated useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows

- customer relationships 5–10 years
- internally developed software 5–8 years
- other intangible assets 1–10 years

The amortisation period and amortisation method are reassessed annually. An impairment loss is recognised if the carrying amount of an asset is less than the recoverable amount.

Impairment of non-financial assets

Indicators of impairment of the carrying amount of tangible and intangible assets are assessed at each reporting date. If such indicators exist, then recoverable amount of an assets or a cash generating unit is estimated. Indicators that are assessed as significant by Gjensidige and might trigger testing for an impairment loss are as follows

- significant reduction in earnings in relation to historical or expected future earnings
- significant changes in Gjensidige's use of assets or overall strategy for the business
- significant negative trends for the industry or economy
- other external and internal indicators

Goodwill is tested for impairment annually. The annual testing of goodwill is performed in the third quarter.

Recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets generating cash inflows that are largely independent of cash inflows from other assets or groups of assets (cash-generating unit). Goodwill is allocated to the cash-generating unit expecting to benefit from the acquisition.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated- first to the carrying amount of goodwill and then proportionally to the carrying amount of each asset in the cash-generating unit. Previously recognised impairment losses are for assets except for goodwill, reversed if the prerequisites for impairment losses are no longer present. Impairment losses will only be reversed if the recoverable amount does not exceed the amount that would have been the carrying amount at the time of the reversal if the impairment loss had not been recognised.

Impairment losses recognised for goodwill will not be reversed in a subsequent period. On disposal of a cash generating unit, the goodwill attributable will be included in the determination of the gain or loss on disposal.

Technical provisions

Provision for unearned premiums, gross

The provision for unearned premiums, gross reflects the accrual of premiums written. The provision corresponds to the unearned portions of the premiums written. No deduction is made for any expenses before the premiums written are accrued.

Claims provision, gross

The claims provision comprises provisions for anticipated future claims payments in respect of claims incurred, but not fully settled at the reporting date. These include both claims that have been reported (RBNS – reported but not settled) and those that have not yet been reported (IBNR – incurred but not reported). The provisions related to reported claims are assessed individually by the Claims Department, while the IBNR provisions are calculated based on empirical data for the time it takes from a loss or claim occurring (date of loss) until it is reported (date reported). Based on experience and the development of the portfolio, a statistical model is prepared to calculate the scope of post-reported claims. The appropriateness of the model is measured by calculating the deviation between earlier post-reported claims and post-reported claims estimated by the model.

Claims provisions are not normally discounted. For contracts with annuity payments over a long horizon, discounting is performed. IFRS 4 permits the use of different policies within Gjensidige in this area.

Claims provisions contain an element that is to cover administrative expenses incurred in settling claims.

Adequacy test

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to Gjensidige's liabilities. Current estimates for future claims payments for Gjensidige's insurance liabilities at the reporting date, as well as related cash flows, are used to perform the test. This includes both claims incurred before the reporting date (claims provisions) and claims that will occur from the reporting date until the next annual renewal (premium provisions). Any negative discrepancy between the original provision and the liability adequacy test will entail provision for insufficient premium level.

Reinsurers' share of insurance-related liabilities in general insurance, gross

Reinsurers' share of insurance-related liabilities in general insurance, gross is classified as an asset in the balance sheet. Reinsurers' share of provision for unearned premiums, gross and reinsurers' share of claims provision, gross are included in reinsurers' share of insurance-related liabilities in general -insurance, gross. The reinsurers' share is less expected losses on claims based on objective evidence of impairment losses.

Financial instruments

Financial instruments are classified in one of the following categories

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

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments that are not derivatives or measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Normally the initial recognition value will be equal to the transaction price. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when Gjensidige transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

At fair value through profit or loss

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if

- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

Transaction expenses are recognised in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

The category at fair value through profit or loss comprise the classes shares and similar interests and bonds and other fixed income assets.

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

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

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

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

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

Interest-free loans are issued to finance fire alarm systems within agriculture for loss prevention purposes. These loans are repaid using the discount granted on the main policy when the alarm system is installed.

The category loans and receivables comprises the classes loans, receivables related to direct operations and reinsurance, other receivables, cash and cash equivalents, bonds and other fixed income securities classified as loans and receivables and receivables within Gjensidige.

Financial derivatives
Financial derivatives are used in the management of exposure to equities, bonds and foreign exchange in order to achieve the desired level of risk and return. The instruments are used both for trading purposes and for hedging of other balance sheet items. Any trading of financial derivatives is subject to strict limitations.

Gjensidige uses financial derivatives, amongst other to hedge foreign currency exchanges arising from the ownership of foreign subsidiaries with other functional currency.

Transaction expenses are recognised in profit or loss when they incur. Subsequent to initial recognition financial derivatives are measured at fair value and changes in fair value are recognised in profit or loss.

The category financial derivatives comprise the class financial derivatives at fair value through profit or loss.

Financial liabilities at amortised cost
Financial liabilities are measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

The category financial liabilities at amortised cost comprises subordinated debt, interest-bearing liabilities, other financial liabilities, liabilities related to direct insurance and reinsurance and liabilities within Gjensidige.

Financial liabilities classified as equity
Gjensidige has perpetual tier 1 capital accounted for as equity. The instruments are perpetual, but the principal can be repaid on specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's CRR/Solvency II regulations and the instruments are included in Gjensidige's Tier 1 capital for solvency purposes. These regulatory requirements mean that Gjensidige has a unilateral right not to repay interest or the principal to the investors. As a consequence of these terms, the instruments do not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in other equity.

Other items classified as equity
Natural perils capital and guarantee scheme provision are accounted for as equity because the funds belong to the group. As a consequence, they do not meet the requirement for liability in IAS 32 and are therefore presented as funds within equity.

Definition of fair value
Subsequent to initial recognition, investments at fair value through profit or loss are measured at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. For financial instruments traded in active markets, listed market prices or traders' prices are used, while for financial instruments not traded in an active market, fair value is determined using appropriate valuation methods.

For further description of fair value, see note 13.

Definition of amortised cost
Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

Impairment of financial assets
Loans, receivables and investments held to maturity
For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.

An assessment is first made to whether objective evidence of impairment of financial assets that are individually significant exists. Financial assets that are not individually significant or that are assessed individually, but not impaired, are assessed in groups with respect to impairment. Assets with similar credit risk characteristics are grouped together.

If there is objective evidence that the asset is impaired, impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in profit or loss.

Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal shall not result in the carrying amount of the financial asset exceeding the amount of the amortised cost if the impairment had not been recognised at the time the loss was reversed. Reversal of previous losses on impairment is recognised in profit or loss.

Dividend

Dividend from investments is recognised when Gjensidige has an unconditional right to receive the dividend. Proposed dividend is recognised as a liability in accordance with the Accounting Act and Regulations on Simplified Application of International Accounting Standards (FOR 2008-01-21 no. 57). This implies that dividend reduces equity in the fiscal year the dividend provision relates to.

Provisions

Provisions are recognised when Gjensidige has a legal or constructive obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

Provision for restructuring are recognised when Gjensidige has approved a detailed and formal restructuring plan which has commenced or has been announced. Provisions are not made for future expenses attributed to the operations.

Events after the balance sheet date

New information after the balance sheet date of Gjensidige's financial position at the balance sheet date is taken into account in the financial statement. Events after the balance sheet date that do not affect the company's financial position at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if this is material.

Pensions

Pension liabilities are assessed at the present value of future pension benefits that are recognised as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the retirement date. Pension assets are valued at fair value. Net pension liability is the difference between the present value of future pension benefits and the fair value of the pension assets. Employer's social security cost is recognised during the period under which an underfunding occurs. Net pension liability is shown in the balance sheet on the line Pension liabilities. Any overfunding is recognised to the extent that it is likely that the overfunding can be utilised. An overfunding in a funded plan cannot be offset against an underfunding in an unfunded plan. If there is a net overfunding in the funded plan, it is recognised as Pension assets.

The period's pension cost (service cost) and net interest expense (income) are recognised in the income statement and are presented as an operating cost in the income statement. Net interest expense is calculated using the discount rate for the liability at the beginning of the period of the net liability. Net interest expense therefore consists of interest on the obligation and return on the assets.

Deviations between estimated pension liability and estimated value of pension assets in the previous financial year and actuarial pension liability and fair value of pension assets at the beginning of the year are recognised in other comprehensive income. These will never be reclassified through profit or loss.

Gains and losses on curtailment or settlement of a defined benefit plan are recognised in the income statement at the time of the curtailment or settlement.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

Share-based payment

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

The share-based payment arrangements are measured at fair value at the time of allocation and is 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 and possible market conditions are reflected in the measurement of fair value, and no adjustment of the amount recognised as expenses is done upon failing to meet such conditions.

The cost of share-based transactions with employees is recognised as an expense over the average recovery period. For arrangements that are settled in shares, the value of the allocated shares in the period is recognised as a salary expense in the income statement with a corresponding increase in other paid-in equity. For arrangements settled in cash, which is only applicable for Gjensidige's obligation to withold an amount for the employee's 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 22 for a further description of Gjensidige's share-based payment arrangements and their measurements 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.

Deferred tax liabilities are recognised for temporary differences resulting from investments in subsidiaries and associates, except in cases where Gjensidige is able to control the reversal of temporary differences, and it is probable that the temporary difference will not be reversed in foreseeable future. Deferred tax assets that arise from deductible temporary differences for such investments are only recognised to the extent that it is probable that there will be sufficient taxable income to utilise the asset from the temporary difference, and they are expected to reverse in the foreseeable future.

Recognition
Current tax and deferred tax are recognised as an expense or income in the income statement, with the exception of deferred tax on items that are recognised in other comprehensive income, where the tax is recognised in other comprehensive income, or in cases where deferred tax arises as a result of a business combination. For business combinations, deferred tax is calculated on the difference between fair value of the acquired assets and liabilities and their carrying amount. Goodwill is recognised without provision for deferred tax.

Related party transactions
Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The provider of intra-group services, that are not considered core activities, will as a main rule, allocate its incurred net costs (all costs included) based on a Cos 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.

Transactions with affiliated companies
The Fire Mutuals operate as agents on behalf of Gjensidige Forsikring. For these services commission is paid. The Fire Mutuals are also independent insurance companies with fire and natural damage on their own account. Gjensidige provides various services to support this insurance business. For these services and to reinsure the Fire Mutuals' fire insurance, Gjensidige receives payment based on arm's length distance.

Non-current assets held for sale and discontinued operations
A discontinued operation is a part of Gjensidige that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition. The management must be committed to a plan to sell the asset, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

When Gjensidige is committed to a plan to sell, which involves loss of control of a subsidiary, all the assets and liabilities fo that subsidiary shall be classified as held for sale when the criteria above is met, regardless of whether Gjensidige will retain a non-controlling interest in its former subsidiary after the sale.

Since Gjensidige Bank represented a separate and significant business in Gjensidige, Gjensidige Bank was presented as a discontinued operation. See note 25 in the group's financial statement for further information.

The shares in Gjensidige Bank was presented on a separate line in the statement of financial position in 2018.

2. Use of estimates

The preparation of the financial statements under IFRS and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated prerequisites are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

Assumptions and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of insurance-related liabilities within the next financial year are discussed below.

Insurance-related liabilities
Use of estimates in calculation of insurance-related liabilities is primarily applicable for claims provisions.

Insurance products are divided in general into two main categories; lines with short or long settlement periods. The settlement period is defined as the length of time that passes after a loss or injury occurs (date of loss) until the claim is reported and then paid and settled. Short-tail lines are e.g. property insurance, while long-tail lines primarily involve accident and health insurances. The uncertainty in short-tail lines of business is linked primarily to the size of the loss.

For long-tail lines, the risk is linked to the fact that the ultimate claim costs must be estimated based on experience and empirical data. For certain lines within accident and health insurances, it may take ten to 15 years before all the claims that occurred in a calendar year are reported to the company. In addition, there will be many instances where information reported in a claim is inadequate to calculate a correct provision. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party's future work capacity etc. Many personal injury claims are tried in the court system, and over time the level of compensation for such claims has increased. This will also be of consequence to claims that occurred in prior years and have not yet been settled. The risk linked to provisions for lines related to insurances of the person is thus affected by external conditions. To reduce this risk, the company calculates its claims liability based on various methods and follows up that the registered provisions linked to ongoing claims cases are updated at all times based on the current calculation rules. See note 3 (in the consolidated group accounts) and note 16.

3. Risk and capital management

For information about insurance and financial risk please refer to note 3 in the consolidated financial statements that cover both Gjensidige Forsikring ASA and Gjensidige Forsikring Group.

4. Premiums and claims etc. in general insurance

For segment information according to IFRS 8 please refer to note 4 in the consolidated financial statements. The information below is worked out based on the requirements in the Norwegian Financial Reporting Regulations for Non-Life Insurance Companies.

Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)

NOK millions	Medical exp. in- surance	Income pro- tection in- surance	Work- ers' comp.- sation in- surance	Motor vehicle liability in- surance	Other motor in- surance	Marine, aviation and tran- sport in- surance	Fire and other damage to property in- surance	General liability insur.	Assi- stance	Miscell- aneous financial loss	Health in- surance
Premiums written											
Gross - direct business and accepted proportional reinsurance	1,078.0	1,267.0	885.0	2,664.0	4,856.0	306.0	8,767.0	833.0	1,130.0	1,283.0	1,487.0
Gross - accepted non-proportional reinsurance											
Reinsurers' share			(0.4)	(0.4)		(9.4)	(703.0)	(0.4)			
Net	**1,078.5**	**1,267.2**	**885.0**	**2,663.2**	**4,855.5**	**296.3**	**8,063.7**	**832.8**	**1,129.9**	**1,283.0**	**1,486.9**
Premiums earned											
Gross - direct business and accepted proportional reinsurance	1,062.0	1,248.0	876.0	2,695.0	4,666.0	304.0	8,598.0	794.0	1,105.0	1,268.0	1,471.9
Gross - accepted non-proportional reinsurance											
Reinsurers' share			(0.4)	(0.4)		(9.0)	(699.2)	(0.4)			
Net	**1,062.2**	**1,247.7**	**875.6**	**2,694.9**	**4,666.0**	**295.0**	**7,898.4**	**794.1**	**1,105.1**	**1,268.4**	**1,471.9**
Claims incurred											
Gross - direct business and accepted proportional reinsurance	(816.0)	(710.0)	(536.0)	(995.0)	(3,540.0)	(283.0)	(6,133.0)	(550.0)	(796.0)	(1,062.0)	(1,134.0)
Gross - accepted non-proportional reinsurance											
Reinsurers' share			2.0			94.0	312.0				
Net	**(816.5)**	**(710.4)**	**(534.1)**	**(995.1)**	**(3,540.4)**	**(189.2)**	**(5,821.1)**	**(550.3)**	**(795.8)**	**(1,061.6)**	**(1,134.2)**
Gross claims incurred	(816.0)	(710.0)	(536.0)	(995.0)	(3,540.0)	(283.0)	(6,133.0)	(550.0)	(796.0)	(1,062.0)	(1,134.0)
Incurred during the year	(829.7)	(890.3)	(688.9)	(1,786.5)	(3,498.7)	(283.2)	(6,203.6)	(557.5)	(795.6)	(1,153.0)	(1,094.3)
Incurred previous years	13.3	179.8	153.2	791.2	(41.7)	(0.2)	70.1	7.2	(0.2)	91.4	(39.9)
Provision for unearned premiums, gross	320.0	471.0	241.0	1,168.0	2,416.0	39.0	3,934.0	282.0	471.0	325.0	336.0
Claims provision, gross	188.0	3,813.0	8,573.0	5,889.0	635.0	213.0	4,668.0	1,113.0	186.0	374.0	1,844.0

Non-proportional reinsurance obligations

NOK millions	Health re-insurance	Casualty re-insurance	Marine, aviation, transport re-insurance	Property re-insurance	Total
Premiums written					
Gross - direct business and accepted proportional reinsurance					24,555.6
Gross – accepted non-proportional reinsurance	4.0	16.9	1.6	125.0	147.4
Reinsurers' share				(3.5)	(717.1)
Net	**4.0**	**16.9**	**1.6**	**121.5**	**23,985.9**
Premiums earned					
Gross - direct business and accepted proportional reinsurance					24,088.5
Gross – accepted non-proportional reinsurance	4.1	16.5	1.6	125.7	148.0
Reinsurers' share				(3.5)	(712.9)
Net	**4.1**	**16.5**	**1.6**	**122.3**	**23,523.5**
Claims incurred					
Gross - direct business and accepted proportional reinsurance					(16,557.2)
Gross – accepted non-proportional reinsurance	(20.3)	(14.4)	(1.2)	(69.4)	(105.3)
Reinsurers' share		1.6		2.6	412.6
Net	**(20.3)**	**(12.8)**	**(1.2)**	**(66.8)**	**(16,249.9)**
Gross claims incurred	(20.3)	(14.4)	(1.2)	(69.4)	(16,662.5)
Incurred during the year	(20.3)	(14.4)	(1.2)	(69.4)	(17,886.7)
Incurred previous years					1,224.2
Provision for unearned premiums, gross					10,003.0
Claims provision, gross	42.9	46.3	1.0	107.6	27,693.3

NOK millions	Norway	Sweden	Denmark
Breakdown of revenue by geographical area			
Gross premium written direct business	17,986.3	1,512.5	5,986.1

5. Shares in subsidiaries and joint ventures

NOK millions	Registered office	Interest held	Cost 31.12.2019	Carrying amount 31.12.2019	Cost 31.12.2018	Carrying amount 31.12.2018
Subsidiaries						
Gjensidige Norge AS	Oslo, Norway	100%	195.7	0.2	195.7	1.2
Gjensidige Pensjonsforsikring AS	Oslo, Norway	100%	681.9	681.9	681.9	681.9
Samtrygd AS	Oslo, Norway	100%	1.3	0.1	1.3	0.8
Lokal Forsikring AS	Oslo, Norway	100%	31.4	7.8	31.4	11.3
Nykredit Forsikring A/S[1]	Copenhagen, Denmark	100%			1,625.1	1,342.4
Ejendomsselskabet Krumtappen 2 A/S	Copenhagen, Denmark	100%	1.1	1.1	1.1	1.1
Försäkringshuset Amb & Rosèn AB	Stockholm, Sweden	100%	7.4	4.4	7.4	7.4
NAF Forsikringsformidling AS (liquidated 2019)	Oslo, Norway	100%			90.9	22.8
Mølholm Forsikring A/S[1]	Odense, Denmark	100%			496.3	496.3
Gjensidige Business Services AB	Stockholm, Sweden	100%	231.0	231.0		
Gjensidige Tech AS (former Gjensidige Bolighandel AS)	Oslo, Norway	100%	140.3	2.4	116.2	116.2
ADB Gjensidige	Vilnius, Lithuania	100%	1,068.7	1,017.3	1,068.7	1,017.3
Vardia Försäkring AB	Stockholm, Sweden	100%	89.5	84.8	89.5	89.5
Försäkringsakademin JW AB	Stockholm, Sweden	100%	44.5	32.9	44.4	44.4
Total subsidiaries			**2,492.8**	**2,063.8**	**4,449.9**	**3,832.7**

[1] Merged with Gjensidige Forsikring ASA in 2019

Shares in subsidiaries, held for sale (see note 25 in Gjensidige Forsikring Group's financial statement)						
Gjensidige Bank ASA	Oslo, Norway	100%			2,461.5	2,461.5
Joint ventures						
Oslo Areal AS	Oslo, Norway	50%	1,086.9	1,086.9	1,086.9	1,086.9

NOK millions	Assets	Equity	Liabilities	Revenues [1]	Profit/(loss)
For the whole company 2019					
Subsidiaries - additional information					
Gjensidige Norge AS	0.2	0.2			
Gjensidige Pensjonsforsikring AS	38,815.6	902.2	37,913.4	1,047.2	148.3
Samtrygd AS	0.1	0.1			
Lokal Forsikring AS	7.9	7.8			0.1
Försäkringshuset Amb & Rosèn AB	2.5	2.5			1.2
NAF Forsikringsformidling AS (liquidated 2019)					0.2
Gjensidige Business Services AB	235.5	233.9	1.5		(0.7)
ADB Gjensidige	2,208.6	946.1	1,262.5	1,127.1	68.6
Gjensidige Tech AS (former Gjensidige Bolighandel AS)	9.6	8.5	1.1	2.1	(27.6)
Ejendomsselskabet Krumtappen 2 A/S	1.4	1.4			(0.0)
Vardia Försäkring AB	18.7	15.7	3.0		(0.0)
Försäkringsakademin JW AB	16.6	15.8	0.8		0.6
Certes Sak AB	5.5	5.5			0.2
Total subsidiaries	**41,322.2**	**2,139.8**	**39,182.4**	**2,176.5**	**190.7**
For the whole company 2018					
Subsidiaries - additional information					
Gjensidige Norge AS	0.1	0.2			
Gjensidige Pensjonsforsikring AS	32,370.3	854.0	31,516.3	934.3	125.4
Samtrygd AS	0.1	0.1			
Lokal Forsikring AS (group)	7.8	7.8			
Nykredit Forsikring A/S	1,717.7	471.0	1,246.7	57.6	155.6
Försäkringshuset Amb & Rosèn AB	0.4	1.3	(1.0)		0.4
NAF Forsikringsformidling AS	22.9	22.9			4.5
Mølholm Forsikring A/S	469.1	213.4	255.6	526.5	26.7
ADB Gjensidige	2,114.0	880.5	1,233.5	1,079.4	49.8
Gjensidige Bolighandel AS	94.6	89.9	4.7	2.0	(26.0)
Ejendomsselskabet Krumtappen 2 A/S	1.4	1.4			
Vardia Försäkring AB	37.7	16.3	21.4		2.0
Försäkringsakademin JW AB	16.5	15.9	0.6		2.0
Certes Sak AB	5.6	5.6			0.7
Total subsidiaries	**36,858.3**	**2,580.3**	**34,277.9**	**2,599.8**	**341.1**
Subsidiaries, held for sale - additional information					
Gjensidige Bank ASA (group)	57,898.8	4,384.4	53,514.4	1,744.6	334.9

[1] Operating income. For companies where financial income is operating income, financial income is included. For other companies, financial income is not included.

For the whole company

Joint ventures - additional information

Oslo Areal AS

NOK millions	2019	2018
Total comprehensive income	914.4	614.4
Equity	4,720.8	4,102.5

Receivables from joint ventures

Oslo Areal AS

NOK millions	2019	2018
Gjensidige's share of loan	2,401.4	2,513.1
Total receivables from joint ventures	**2,401.4**	**2,513.1**

Percentage of votes held is the same as percentage of interest held for all investments.

Gjensidige and Oslo AMF Pensionsforsäkring (AMF) owns Oslo Areal AS as a joint venture (50/50), as each party has rights to its share of the net assets of the arrangement. The parties will make joint investments in the Norwegian real estate market through Oslo Areal. The investment is recognised at cost of NOK 1.1 billion at year end. Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.4 billion at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Oslo Areal has entered into contractual commitments to invest about NOK 100.0 million (99.0) in existing and new properties. The commitment falls due during the period until 31 December 2020.

6. Net income from investments

NOK millions	2019	2018
Net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures		
Income from investments in subsidiaries, associated companies and joint ventures	0.2	374.0
Impairment investments in subsidiaries, associated companies and joint ventures	(153.2)	(76.0)
Net gains/(losses) from sale of investments in subsidiaries, associated companies and joint ventures	3,093.1	
Total net income and gains/(losses) from investments in subsidiaries, associated companies and joint ventures	**2,940.1**	**298.0**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition		
Shares and similar interests		
Dividend income	6.7	5.1
Unrealised gains/(losses) from shares and similar interests	656.5	(323.9)
Net realised gains/(losses) from shares and similar interests	284.0	431.5
Total net income and gains/(losses) from shares and similar interests	**947.2**	**112.7**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	271.8	200.7
Unrealised gains/(losses) from bonds and other fixed-income securities	344.1	13.8
Net realised gains/(losses) from bonds and other fixed-income securities	163.9	85.5
Total net income and gains/(losses) from bonds and other fixed-income securities	**779.8**	**300.1**
Derivatives		
Net interest income/(expenses) from derivatives	30.6	35.2
Unrealised gains/(losses) from derivatives	506.2	(312.3)
Net realised gains/(losses) from derivatives	(854.1)	(251.6)
Total net income and gains/(losses) from derivatives	**(317.2)**	**(528.7)**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated upon initial recognition	**1,409.8**	**(115.9)**
Net income and gains/(losses) from bonds held to maturity		
Net interest income from bonds held to maturity	0.5	24.3
Total net income and gains/(losses) from bonds held to maturity	**0.5**	**24.3**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	606.3	703.1
Net gains/(losses) from loans and receivables	228.3	(3.4)
Net gains/(losses) from changes in exchange rates on loans and receivables	5.6	0.8
Total net income and gains/(losses) from loans and receivables	**840.2**	**700.4**
Net other financial income/(expenses) [1]	(81.1)	(64.9)
Discounting of claims provision classified as interest expense	(33.2)	(71.6)
Change in discount rate claims provision	(198.1)	53.1
Total net income from investments	**4,878.1**	**823.4**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Total interest income from financial assets not recognised at fair value through profit or loss	837.9	724.0
Total interest expenses from financial assets not recognised at fair value through profit or loss	(39.4)	(31.0)
Specification of other financially related income and expenses not recognised in net income from investments		
Net interest from bank deposits and subordinated loan classified as other income and other expenses	(25.8)	(25.8)

[1] Net other financial income/(expenses) include financial income and expenses not attributable to individual classes of financial assets or liabilities, and financial administration costs.

7. Expenses

NOK millions	2019	2018
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses		
Depreciation and value adjustments (note 11 and note 12), excl. depreciation properties	627.4	405.1
Employee benefit expenses (note 8)	2,751.1	2,746.1
ICT costs	362.4	376.2
Consultants' and lawyers' fees	129.9	85.2
Commissions	466.8	408.8
Other expenses [1]	(793.2)	(462.9)
Total insurance-related operating expenses incl. commissions for received reinsurance and sales expenses	**3,544.5**	**3,558.6**
Of which sales expenses		
Employee benefit expenses	1,071.9	996.8
Commission	497.0	529.6
Other sales expenses	747.1	624.5
Total sales expenses	**2,315.9**	**2,150.9**
Other specifications		
Employee benefit expenses		
Wages and salaries	1,980.1	1,994.0
Social security cost	481.8	472.2
Pension cost - defined contribution plan (note 10)	203.9	197.1
Pension cost - multi-employer plan (AFP) (note 10)	22.7	21.7
Pension cost - defined benefit plan (note 10)	51.0	50.7
Share-based payment (note 22)	11.6	10.3
Total employee benefit expenses	**2,751.1**	**2,746.1**
Auditor's fee (incl. VAT)		
Statutory audit	3.5	2.4
Other assurance services	0.1	0.0
Other non-assurance services	0.7	0.9
Tax consultant services	0.6	0.2
Total auditor's fee (incl. VAT)	**4.9**	**3.4**

[1] Other expenses include cost reductions for Gjensidige Forsikring ASA regarding duties performed for subsidiaries and cost allocations to claims and finance.

8. Salaries and remuneration

The average number of employees in the company was 2,890 (2,839).

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

Gjensidige's remuneration policy

The Group has established a remuneration system that applies to all employees. The system is meant to secure that Gjensidige attracts and keeps colleagues who performs, develops, learns and shares. The remuneration shall be competitive, but the Group shall not be a wage leader. Employees are expected to see the remuneration and benefits offered by the Group as an overall whole. The Group's remuneration systems shall be open and performance-based, so that they, as far as possible, are perceived as being fair and predictable. The remuneration that is paid shall correspond to the agreed performance.

Guidelines for remuneration and career development shall be linked to achievement of the Group's strategic and financial goals and core values, and both quantitative and qualitative targets shall be taken into consideration. The measurement criteria shall promote the desired corporate culture and long-term value creation, and, as far as possible, take actual capital costs into account. The remuneration system shall contribute to promoting and providing incentives for good risk management, prevent excessive risk-taking and contribute to avoiding conflicts of interest. A fixed basic salary shall be the main element of the overall remuneration, which also consists of variable remuneration, pension, insurance and payments in kind. Variable remuneration shall be used to reward performances that is agreed through performance agreements or that exceeds expectations, where both results and behaviour in form of compliance with the core values, brand and management principles are to be assessed.

Variable remuneration shall be performance-based without being a risk driver, and shall reflect the results and contributions on company, division, department and individual level. Other elements of compensation offered should be considered attractive from both new and current employees. There is an upper limit for variable remuneration.

The senior group management is defined as senior executives and they are responsible for activities that may be critical to the company's risk exposure. The level of remuneration will take into account both qualitative criteria for their role and quantitative criteria, as well as an individual assessment of their impact on the company's risk.

Decision-making process

The Board has established a remuneration committee consisting of three members; the Chairman of the Board and two board members.

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

- The Board's annual statement of Gjensidige's remuneration policy
- The annual evaluation of and matters concerning salary and other remuneration to the CEO
- The annual evaluation of and matters concerning salary and remuneration to the company's internal auditor
- Guidelines for salary and other remuneration to senior executives
- Statement of determining salary and other remuneration to senior executive, including
    - Guidelines for determining salary and other remuneration for the upcoming financial year
    - Guidelines for the Management Salary Policy that hast taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
    - An account of the management salary policy that has taken place during the previous financial year, including how the guidelines for the executive salary determination have been implemented
- Other important personnel matters relating to executive personnel
- The Board's treatment of completed HR processes, including talent and successor development and strategic manpower management

Guidelines for the upcoming financial year

Remuneration of the CEO

The CEO's salary and other benefits are stipulated by the Board on the basis of an overall assessment that takes into account Gjensidige's remuneration scheme and market salary for corresponding positions.

The fixed salary is assessed and stipulated annually on the basis of the wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) is decided by the Board on the basis of agreed goals and deliveries. It can amount to up to 50 per cent of the fixed salary including holiday pay. Variable remuneration is earned annually and is based on an overall assessment of financial and non-financial performance over the last two years. Variable remuneration is not included in the pension basis. The assessment takes into account the enterprise's overall performance targets for return on equity adjusted for dividends related to distribution of excess capital and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it emphasizes the CEO's personal contribution to the Group's historical and future results and wealth creation, compliance with the Group's vision, values, ethical guidelines and management principles.

Variable remuneration relating to Gjensidige's performance is decided on the basis of the past two years' performance. Half of the variable remuneration is paid in the form of a promise of shares in Gjensidige Forsikring ASA, 1/3 of which will be released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions. The CEO does not receive performance-based benefits over and above the above-mentioned bonus but may receive payments in kind such as a company car and the coverage of costs for electronic communication. Payments in kind shall be related to the CEO's function in the Group, and otherwise be in line with market practice.

The retirement age of the CEO is 62. It is possible to step down after reaching the age of 60 if the Board or CEO so wishes. The CEO has pension rights pursuant to Gjensidige's closed defined-benefit pension scheme. Pursuant to the CEO's employment contract, he is entitled to a pension corresponding to 100 per cent of his annual salary on retirement at the age of 62, which is then reduced in steps to 70 per cent upon reaching the age of 67 at full vesting period.

On retirement at the age of 60, a corresponding agreed reduction applies from 100 per cent upon retirement to 70 per cent upon reaching the age of 67. From the age of 67, the pension is calculated on the basis of the Company's ordinary entitlement earning period of 30 years and is 70 per cent of the fixed salary with a full earning period. Company car arrangements and other benefits are retained until the age of 67.

The CEO has a period of notice of six months and is not entitled to severance pay or termination benefits if he leaves the Company earlier.

Remuneration of executive personnel and employees who can materially influence the Group's risk

Remuneration of the senior group management is stipulated by the CEO, in accordance with limits discussed with the remuneration committee and on the basis of guidelines issued by the Board. Correspondingly, the Group's guidelines are used as the basis for other executive personnel and employees who can materially influence risk.

The overall remuneration is decided on the basis of the need to offer competitive terms in the various business areas. It shall contribute to attracting and retaining executive personnel with the desired expertise and experience who promote the Group's core values and development.

The fixed salary is assessed and stipulated annually on the basis of wage growth in society in general and in the financial industry in particular. Variable remuneration (bonus) to executive personnel is earned annually and is based on an overall assessment of financial and non-financial performance over the two last years. The assessment takes into account a combination of the enterprise's overall performance targets for return on equity adjusted for extraordinary dividends and transactions and combined ratio, as well as developments in customer satisfaction. In addition, it evaluates the target achievement of the business unit in question, as well as personal contribution relating to compliance with the Group's vision, values, ethical guidelines and management principles. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are released in each of the following three years. Restricted variable remuneration that has not yet been disbursed may be reduced if subsequent results and developments indicate that it was based on incorrect assumptions.

The individual variable remuneration may amount to up to 30 per cent of the annual salary including holiday pay. Variable pay is not included in the pension basis.

After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary to be able to offer competitive terms. Payments in kind to executive personnel shall be related to their function in the Group, and otherwise be in line with market practice.

The retirement age for some members of the senior group management is 62, the others have a retirement age of 70. Of the current members of the senior group management, six are members of the closed Norwegian defined-benefit pension scheme. Given the full earnings period, they are entitled to a pension of 70 per cent of final salary at the full vesting period of 30 years at age 67. Four members are part of the Company's defined-contribution pension scheme. The Company continues a previously agreed individual pension agreement for one member of the senior group management.

In Sweden, the general retirement age is 65 years, but is under consideration. In Denmark, the general retirement age is 70 years.

Members of the senior group management have a period of notice of six months. No members of the senior group management today have agreements of severance pay or payment of pay after termination of employment.

In accordance with practice in Denmark and the Baltic, there are certain individual agreements on severance pay in connection with resignation in Gjensidige Forsikring ASA in Denmark and the Baltic.

Remuneration of personnel with supervisory tasks

The remuneration of personnel with control and supervisory tasks shall be independent of the performance of the business area they are in charge of.

None of the executive personnel with supervisory tasks currently has variable bonus schemes. The fixed salary is based on the Group's general principles of competitively, but not leading wages.

Pension benefits and payments in kind follow the Group's general arrangement.

Remuneration of officers of the Company and other employees with remuneration corresponding to executive personnel

The remuneration shall follow the guidelines set out above. There are currently no such employees.

Binding guidelines for shares, subscription rights etc. for the upcoming financial year

Of the variable remuneration earned in 2019 by the CEO and other employees covered by the Regulations relating to remuneration in financial institutions, 50 per cent of the gross earned variable remuneration will be given in the form of a promise of shares in Gjensidige Forsikring ASA. One third of the shares will be released in each of the following three years.

The Board has decided to continue the Group's share savings programme for employees in 2020. The CEO and executive personnel are entitled to take part in the programme on a par with other Gjensidige employees. Under the current programme, employees can save through deductions from their salary for the purchase of shares in Gjensidige Forsikring ASA for up to NOK 90,000 per year. Purchases take place quarterly following publication of the results. A discount of 20 per cent of the purchase price is offered, limited upwards to NOK 3,000. For those who keep the shares and are still employed in the Group, one bonus share is awarded for every four share they have owned for more than two years.

Report on executive remuneration in the preceding financial year

In accordance with the guidelines, one employee in the finance department has been offered up to 50 per cent variable remuneration.

The Board confirms that the guidelines on the remuneration of executive personnel for 2019 set out in last year's statement have been complied with.

Key management personnel compensation 2019

NOK thousands	Fixed salary/ fee	Earned variable salary	Calc. value of total benefits other than cash	Rights earned in the financial year acc. to pension plan	Annual vesting share-based payment	Number of shares granted	Number of shares exercised	Number of shares not exercised [6]	Number of shares held	Retirement conditions
The senior group management										
Helge Leiro Baastad, CEO	5,332.4	1,355.2	171.3	1,638.1	1,364.0	7,797	8,257	14,903	60,231	2
Jørgen Inge Ringdal, Executive Vice President	2,804.4	557.7	166.1	732.4	566.5	2,561	2,719	5,116	26,310	2
Catharina Hellerud, Executive Vice President	3,155.4	493.5	175.2	460.5	502.3	2,624	2,999	5,328	21,589	3
Sigurd Austin, Executive Vice President	3,088.9	480.1	188.2	697.3	488.8	3,067	3,122	5,996	16,324	3
Kaare Østgaard, Executive Vice President	2,966.6	465.1	222.0	854.5	468.8	2,595	2,587	4,838	16,718	3
Mats C. Gottschalk, Executive Vice President [5]	4,589.0	921.5	159.7	478.8	643.4	2,739	3,372	5,893	18,117	3
Jostein Amdal, Executive Vice President	3,537.2	557.7	169.7	650.1	566.5	3,182	1,185	5,180	15,935	
Janne Merethe Flessum, Executive Vice President	2,530.2	399.7	169.6	279.6	401.0	1,868	95	1,969	4,349	
Aysegul Cin, Executive Vice President [5]	2,524.9	560.1	151.5	185.3	360.1	707		707	1,489	
Lars Gøran Bjerklund, Executive Vice President	2,756.7	435.3	277.7	274.0	421.0	847		847		
The Board										
Gisele Marchand, board member, Chairman [8]	696.5		2.3						1,481	
John Giverholt [8]	404.5		2.3						3,500	
Per Arne Bjørge [7, 8]	449.0		3.7						10,542	
Eivind Elnan [8]	326.2		6.8						2,200	
Hilde Merete Nafstad [8]	363.5		2.3						2,946	
Vibeke Krag [8]	396.0		11.5						1,500	
Terje Seljeseth [8]	363.5		2.3							
Gunnar Mjåtvedt, staff representative [4, 8]	396.0								2,319	
Anne Marie Nyhammer, staff representative [4]	326.2									
Lotte Kronholm Sjøberg, staff representative [4, 8]	363.5		2.3						914	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Earned variable salary includes expatriation allowance.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 157.5 thousand for 2019.
[8] Remuneration includes remuneration in other committees.

Key management personnel compensation 2018

NOK thousands	Fixed salary/ fee	Earned variable salary	Calc. value of total benefits other than cash	Rights earned in the financial year acc. to pension plan [5]	Annual vesting share-based payment	Number of shares granted	Number of shares exercised	Number of shares not exercised [6]	Number of shares held	Retirement conditions
The senior group management										
Helge Leiro Baastad, CEO	5,197.2	1,016.1	169.9	1,577.0	1,015.3	6,768	9,021	15,363	55,300	2
Jørgen Inge Ringdal, Executive Vice President	2,726.1	335.1	202.7	702.4	334.3	2,506	2,871	5,274	24,322	2
Kim Rud-Petersen, Executive Vice President (1.1.18-31.8.18) [1, 10]	1,919.8	273.8	189.9	675.9	253.1	2,079	3,147	4,885		
Hege Yli Melhus Ask, Executive Vice President (1.1.18-31.8.18) [1, 9]	1,869.8	18.5	110.7	406.1	4.9	1,205	1,567	2,842		3
Catharina Hellerud, Executive Vice President	3,067.4	342.6	175.6	455.7	341.8	2,652	3,287	5,703	20,047	3
Sigurd Austin, Executive Vice President	3,115.8	401.0	186.6	665.0	400.2	2,929	3,209	6,051	14,124	3
Kaare Østgaard, Executive Vice President	2,881.8	345.2	240.9	825.2	331.6	2,237	2,809	4,830	14,951	3
Mats C. Gottschalk, Executive Vice President	3,069.7	451.5	160.8	470.6	450.7	3,255	3,515	6,526	15,772	3
Jostein Amdal, Executive Vice President	3,085.8	382.9	168.3	569.3	382.1	2,579	366	3,183	14,761	
Janne Merethe Flessum, Executive Vice President (1.3.18-31.12.18) [1]	2,012.0	217.6	137.8	218.1	207.8	80	69	196	3,819	
Aysegul Cin, Executive Vice President (1.9.18-31.12.18) [1]	780.4	30.0	116.2	60.8	30.0				1,489	
Lars Gøran Bjerklund, Executive Vice President (1.9.18-31.12.18) [1, 11]	956.8	38.4	91.6	250.7	38.4					
Anne-Mari Kalager, acting Executive Vice President (1.9.18-31.12.18) [1, 12]	885.4	20.1	55.4	217.3	20.1					
The Board										
Inge K. Hansen, Chairman (1.1.18-5.4.18) [1, 8]	339.2		3.4							
Gisele Marchand, board member (1.1.18-5.4.18), Chairman (5.4.18-31.12.18) [8]	541.1		10.1						1,481	
John Giverholt [8]	363.5		5.1						3,500	
Per Arne Bjørge [7, 8]	442.5		6.0						10,542	
Eivind Elnan [8]	290.7		9.6						2,200	
Hilde Merete Nafstad [8]	368.3		5.1						2,946	
Vibeke Krag (5.4.18-31.12.18) [1, 8]	186.4		1.7						1,500	
Terje Seljeseth (5.4.18-31.12.18) [1, 8]	170.2		1.7							
Gunnar Mjåtvedt, staff representative [4, 8]	392.2								2,208	
Anne Marie Nyhammer, staff representative [4]	283.0									
Lotte Kronholm Sjøberg, staff representative [4, 8]	346.0		5.1						752	

[1] The stated remuneration applies to the period the individual in question has held the position/office.
[2] Age 62, 100 per cent salary reducing gradually to 70 per cent at age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[3] Age 62, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] For staff representatives only remuneration for the current position is stated.
[5] Everyone in the senior group management has pension plans, benefit or contribution based.
[6] Including bonus shares in the share saving's programme for employees. See note 22 for terms and further description of the scheme.
[7] Remuneration includes remuneration as Chairman in the Audit Committee honoured with NOK 155 thousand for 2018.
[8] Remuneration includes remuneration in other committees.
[9] Hege Yli Melhus Ask's remuneration is presented until her resignation 31 August 2018.
[10] Kim Rud-Petersen resigned from his position 31 August 2018. End-pay is agreed to amount to NOK 9,129 thousand.
[11] Borrower in Gjensidige Bank ASA with NOK 2,516.7 thousand outstanding. Applicable terms are 2.19% interest for housing credit and 2.55% for top-up loan. Maturity date for top-up loan is 20.9.2030.
[12] Borrower in Gjensidige Bank ASA with NOK 3,105.2 thousand outstanding. Applicable terms are 2.19% interest and loan maturity as at 28.11.2023.

9. Tax

NOK millions	2019	2018
Specification of tax expense		
Tax payable	(1,117.0)	(788.7)
Correction previous years	74.9	(26.6)
Change in deferred tax	(111.5)	(179.7)
Total tax expense	**(1,153.6)**	**(995.0)**
Taxable temporary differences		
Property, plant and equipment and intangible assets	1,135.8	1,215.2
Shares, bonds and other securities	1,199.6	293.0
Profit and loss account	100.2	125.2
Account for deferred income from technical provisions including security provision	3,780.2	4,223.7
Total taxable temporary differences	**6,215.7**	**5,857.2**
Deductible temporary differences		
Loans and receivables	(14.1)	(31.9)
Provisions for liabilities	(294.5)	(308.5)
Net pension liabilities	(326.8)	(360.8)
Total deductible temporary differences	**(635.4)**	**(701.2)**
Net temporary differences	**5,580.4**	**5,156.0**
Deferred tax liabilities	**1,391.4**	**1,289.0**
Reconciliation of tax expense		
Profit before tax expense	8,613.9	4,029.5
Estimated tax of profit before tax expense (25%)	(2,153.5)	(1,007.4)
Tax effect of		
Dividend received	1.8	1.2
Tax exempted income and expenses	912.8	56.6
Tax on interest on Perpetual Tier 1 capital	12.8	
Non-tax-deductible expenses	(3.5)	(18.8)
Profit with lower tax rate	1.1	
Correction previous years	74.9	(26.6)
Total tax expense	**(1,153.6)**	**(995.0)**
Effective rate of income tax	13.4%	24.7%
Change in deferred tax		
Deferred tax liabilities as at 1 January	1,289.0	1,122.5
Change in deferred tax recognised in profit or loss	111.5	179.7
Change in deferred tax recognised in other comprenehsive income		
Pensions	(29.1)	(12.3)
Exchange differences	(0.3)	(0.8)
Change in deferred tax recognised directly in the balance sheet		
Adjustment related to merger with Nykredit and Mølholm	40.5	
Adjustment related to initial application of IFRS 16	(20.1)	
Net deferred tax liabilities as at 31 December	**1,391.4**	**1,289.0**
Tax recognised in other comprehensive income		
Deferred tax pensions	29.1	12.3
Tax payable on exchange rate differences	17.1	(0.7)
Total tax recognised in other comprehensive income	**46.2**	**11.7**

Tax expense

In connection with the conversion of Gjensidige Forsikring BA to a public limited company the Ministry of Finance has consented to an exemption from capital gains taxation on the transfer of business to the newly formed public limited company under certain conditions. The consequences of the tax relief decision, as calculated by the company, have been incorporated into the tax expense and tax liabilities from the fourth quarter 2010. The tax relief decision involves greater complexity related to taxable gains from the assets and liabilities which were transferred, which entails a greater degree of uncertainty with respect to the tax expense and tax liabilities until all the effects have ultimately been evaluated by the tax authorities.

The main result from the tax relief decision mentioned above, is that an increase in taxable gain from sale of shares in Gjensidige held by Gjensidigestiftelsen, leads to an increase in the taxable basis for depreciation in Gjensidige, which in turn give a decrease in tax payable. In February 2015, Gjensidige received a decision from the Central Tax Office for Large Enterprises in connection with the calculation of a tax gain as a result of the conversion of Gjensidige Forsikring BA into a public limited company (ASA) in 2010. The decision means that the tax payable for 2010 is reduced by around NOK 35 million. The tax will be further reduced for the ensuing years, by a total of around NOK 134 million at known tax rates. Gjensidigestiftelsen received a similar decision, and they have appealed the decision on the grounds that there is no basis for the change and that the tax office has based its decision on an incorrect valuation. Gjensidige agrees with Gjensidigestiftelsen's assessment.

The appeal was processed by the Tax Appeal Board on 27th January 2020 but was not accepted. The decision of the Tax Appeal Board implies a further decrease of tax payable for Gjensidige for 2010 and the ensuing years. The total decrease in tax payable for 2010 and ensuing years is NOK 205 million assuming the decision of the Tax Appeal Board is upheld. For the time being it is not decided whether legal actions will be taken to alter the decision of the Tax Appeal Board.

Gjensidige has not recognised any effect in the accounts related to the decisions mentioned above.

10. Pension

Gjensidige Forsikring is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

Gjensidige has both defined contribution and defined benefit plans for its employees. The defined benefit plan has been placed in a separate pension fund and is closed to new employees. New employees become members of the defined contribution pension plan.

Defined contribution plan

Defined contribution pension is a private pension plan that supplements the National Insurance scheme. Benefits from the pension plan come in addition to retirement pension from the National Insurance scheme. The retirement age is 70.

The defined contribution plan is a post-employment benefit plan under which Gjensidige pays fixed contributions into a separate entity and there is no legal or constructive obligation to pay further amounts. The rates are seven per cent of earnings between 0 and 7.1 times the National Insurance basic amount (G) and 20 per cent of earnings between 7.1 and 12 G.

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

Gjensidige Forsikring's branches and some of its subsidiaries have a defined contribution pension plan corresponding to the plan in Gjensidige Forsikring in Norway.

Defined benefit plan

Description of the plan

Together with benefits from the National Insurance scheme and any paid-up policies from former employment relationships, the retirement pension amounts to approximately 70 per cent of the final salary, given a full earning period of 30 years. The retirement age is 70, but it is 65 for underwriters.

The defined benefit plan is a post-employment benefit plan that entitles employees to contractual future pension benefits. Disability pension, spouse/cohabitant pension and child's pension are also included in the plan subject to more detailed rules.

In addition, Gjensidige has pension liabilities to some employees over and above the ordinary group pension agreement. This applies to employees with a lower retirement age, employees who earn more than 12 times the National Insurance basic amount (G) and supplementary pensions.

The ordinary retirement pension is a funded plan where the employer contributes by paying into the pension assets. Pension over and above the ordinary group pension agreement is an unfunded plan that is paid for through operations.

Actuarial assumptions

Actuarial assumptions are shown in the table. The discount rate is the assumption that has the greatest impact on the value of the pension liability. Wage growth, pension increases, and the adjustment of the National Insurance basic amount are based on historical observations and expected future inflation. Wage growth is set at 3.1 per cent (3.2) and is adjusted for age based on a decreasing trend. The year-on-year nominal wage growth 2019/20 is calculated to be 1.55 per cent (1.91). 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 57.9 years (56.8).

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

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

Risk

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

Gjensidige is exposed to financial risk since the pension assets are managed in Gjensidige Pensjonskasse as an investment choice portfolio. The financial risk is related to investments in equities, interest-bearing securities and property. Most of the investments are in securities funds and bonds. The financial risk comprises stock market, interest rate, credit, currency and liquidity risk, whereas the greatest risk factor is interest rate risk. Financial risk in pension assets is estimated using defined stress parameters for each asset class and assumptions about how the development of the different asset classes will co-vary.

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

Interest rate risk

The pension assets' exposure to interest rate risk is deemed to be moderate because the market value-weighted duration is approximately 3.6 years. The portfolio value will fall by approximately 3.6 per cent in the event of a parallel shift in the yield curve of plus one percentage point.

The pension liability will increase by approximately 12 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 approximately 10 per cent in the event of an interest rate increase of one percentage point.

Credit risk

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

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

Life expectancy and disability

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

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

Gjensidige's employees could be involved in big disaster-like events such as plane crashes, bus crashes, as spectators at sporting events or through incidents in the workplace. If such an event occurs, the pension liability could significantly increase. Gjensidige has invested in disaster insurance that means that it will receive compensation if such an event occurs.

Wage growth

Future pension benefits depend on future wage growth and the development of the National Insurance basic amount (G). If wage growth in the Company is lower than the increase in G, the benefits will be reduced.

Wage growth will deviate from the path defined by employees getting higher or lower wage growth than what the job indicates. Gjensidige manages employees' wage growth based on collective agreements and individual agreements. Salary levels can increase strongly from one year to the next.

If wage growth is one percentage point higher, it will lead to approximately 3.6 per cent increase in the liability. If wage growth is one percentage point lower, it will lead to approximately 2.7 per cent decrease in the liability. If G is one percentage point higher it will lead to approximately 1.3 per cent decrease in the liability.

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

If the level of the pension assets falls below a lower limit, Gjensidige will have to pay extra pension contributions to bring them up to the lower limit. On certain conditions, Gjensidige will also be repaid pension assets.

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

Private collective pension (AFP)

As a member of Finance Norway, Gjensidige has a collective (AFP) pension agreement for its employees. AFP is a defined benefit scheme funded jointly by many employers. The administrator of the pension plan has not presented calculations that allocate the pension assets or liabilities in the plans to the individual member enterprises. Gjensidige therefore recognises the plan as a defined contribution plan.

If the administrator of the AFP plan presents such allocation figures, this could result in the plan being recognised as a defined benefit plan. It is difficult, however, to arrive at an allocation key that is acceptable to Gjensidige. An allocation key based on the Gjensidige's share of total annual pay will not be acceptable since such a key is too simple and will not adequately reflect the financial liabilities.

NOK millions	Funded 2019	Unfunded 2019	Total 2019	Funded 2018	Unfunded 2018	Total 2018
Present value of the defined benefit obligation						
As at 1 January	2,043.7	559.9	2,603.6	2,149.1	552.2	2,701.3
Current service cost	24.5	9.6	34.1	25.0	9.2	34.2
Employers' national insurance contributions of current service cost	4.7	1.8	6.5	4.8	1.8	6.5
Interest cost	59.4	15.1	74.5	55.2	13.2	68.4
Actuarial gains and losses	145.0	62.8	207.8	(59.4)	24.6	(34.8)
Benefits paid	(112.7)	(34.5)	(147.3)	(99.0)	(36.7)	(135.7)
Employers' national insurance contributions of benefits paid	(26.4)	(6.3)	(32.8)		(6.7)	(6.7)
Settlements					2.1	2.1
Business combinations	(4.2)		(4.2)			
The effect of the asset ceiling	(50.9)		(50.9)	(32.0)		(32.0)
Foreign currency exchange rate changes		(0.2)	(0.2)		0.2	0.2
As at 31 December	**2,082.9**	**608.1**	**2,691.0**	**2,043.7**	**559.9**	**2,603.6**
Amount recognised in the balance sheet						
Present value of the defined benefit obligation	2,082.9	608.1	2,691.0	2,043.7	559.9	2,603.6
Fair value of plan assets	(2,324.7)		(2,324.7)	(2,198.8)		(2,198.8)
Net defined benefit obligation/(benefit asset)	**(241.8)**	**608.1**	**366.3**	**(155.2)**	**559.9**	**404.7**
Fair value of plan assets						
As at 1 January	2,198.8		2,198.8	2,353.6		2,353.6
Interest income	64.0		64.0	60.5		60.5
Return beyond interest income	40.5		40.5	(116.2)		(116.2)
Contributions by the employer	164.8	6.3	171.2		6.7	6.7
Benefits paid	(112.7)		(112.7)	(99.0)		(99.0)
Employers' national insurance contributions of benefits paid	(26.4)	(6.3)	(32.8)		(6.7)	(6.7)
Business combinations	(4.4)		(4.4)			
As at 31 December	**2,324.7**		**2,324.7**	**2,198.8**		**2,198.8**

NOK millions	Funded 2019	Unfunded 2019	Total 2019	Funded 2018	Unfunded 2018	Total 2018
Pension expense recognised in profit or loss						
Current service cost	24.5	9.6	34.1	25.0	9.2	34.2
Interest cost	59.4	15.1	74.5	55.2	13.2	68.4
Interest income	(64.0)		(64.0)	(60.5)		(60.5)
Settlement					2.1	2.1
Employers' national insurance contributions	4.7	1.8	6.5	4.8	1.8	6.5
Pension cost	**24.5**	**26.5**	**51.0**	**24.5**	**26.3**	**50.7**

NOK millions	Funded 2019	Unfunded 2019	Total 2019	Funded 2018	Unfunded 2018	Total 2018
The expense is recognised in the following line in the income statement						
Insurance-related adm. expenses including provisions for received reinsurance and sales expenses	24.5	26.5	51.0	24.5	26.3	50.7
Remeasurement of the net defined benefit liability/asset recognised in other comprehensive income						
Cumulative amount as at 1 January			(2,685.3)			(2,635.9)
Return on plan assets			40.5			(116.2)
Changes in demographic assumptions			(133.4)			(23.8)
Changes in financial assumptions			(74.4)			58.6
The effect of the asset ceiling			50.9			32.0
Exchange rate differences			(0.0)			0.1
Cumulative amount as at 31 December			**(2,801.7)**			**(2,685.3)**
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%
Other specifications						
Amount recognised as expense for the defined contribution plan			203.9			197.1
Amount recognised as expense for Fellesordningen LO/NHO			22.7			21.7
Expected contribution to Fellesordningen LO/NHO next year			23.8			22.0
Expected contribution to the defined benefit plan for the next year			142.7			0.0

[1] Future salary increases represent our expected average future salary increase for the industry. Since Gjensidige has a closed plan, average future salary increase for Gjensidige's 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	12.2%	12.5%
+ 1%-point discount rate	(10.1%)	(9.8%)
- 1%-point salary adjustment	(2.7%)	(3.1%)
+ 1%-point salary adjustment	3.6%	3.9%
- 1%-point social security base amount	1.6%	1.7%
+ 1%-point social security base amount	(1.3%)	(1.5%)
+ 1%-point future pension increase	10.3%	12.4%
10% decreased mortality	2.8%	2.7%
10% increased mortality	(3.8%)	(3.6%)

Valuation hierarchy 2019 NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total as at 31.12.2019
Shares and similar interests		199.9		199.9
Bonds		2,066.6		2,066.6
Loans, receivables and bank deposits		58.1		58.1
Total		**2,324.7**		**2,324.7**

Valuation hierarchy 2018 NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total as at 31.12.2018
Shares and similar interests		129.7		129.7
Bonds		2,020.7		2,020.7
Derivatives		48.4		48.4
Total		**2,198.8**		**2,198.8**

11. Goodwill and intangible assets

NOK millions	Goodwill	Customer relationship	Software	Other intangible assets	Total
Cost					
As at 1 January 2018	1,943.4	749.9	1,097.7	366.1	4,157.1
Additions		2.1	216.8		218.9
Disposals/reclassifications			(14.5)	(9.9)	(24.4)
Exchange differences	3.1	1.1	0.8	(5.8)	(0.8)
As at 31 December 2018	**1,946.6**	**753.2**	**1,300.7**	**350.3**	**4,350.7**
Uncompleted projects			195.7		195.7
As at 31 December 2018, including uncompleted projects	**1,946.6**	**753.2**	**1,496.4**	**350.3**	**4,546.5**
Amortisation and impairment losses					
As at 1 January 2018	(100.0)	(534.9)	(583.4)	(115.7)	(1,334.0)
Amortisation		(61.2)	(209.9)	(89.2)	(360.3)
Disposals/reclassifications			3.7	9.9	13.6
Exchange differences		(2.7)	(1.7)	(1.8)	(6.2)
As at 31 December 2018	**(100.0)**	**(598.8)**	**(791.4)**	**(196.7)**	**(1,686.9)**
Carrying amount					
As at 1 January 2018	1,843.4	215.0	603.4	250.4	2,912.2
As at 31 December 2018	**1,846.6**	**154.3**	**705.1**	**153.6**	**2,859.5**
Cost					
As at 1 January 2019	1,946.6	753.2	1,300.7	350.3	4,350.7
Additions through merger	1,123.9	487.5	13.8	329.8	1,955.0
Additions			229.3		229.3
Disposals/reclassifications		(26.6)	(534.2)	(57.1)	(617.9)
Exchange differences	(20.3)	(8.3)	(6.0)	(11.7)	(46.3)
As at 31 December 2019	**3,050.1**	**1,205.7**	**1,003.6**	**611.3**	**5,870.8**
Uncompleted projects			280.6		280.6
As at 31 December 2019, including uncompleted projects	**3,050.1**	**1,205.7**	**1,284.3**	**611.3**	**6,151.4**
Amortisation and impairment losses					
As at 1 January 2019	(100.0)	(598.8)	(791.4)	(196.7)	(1,686.9)
Additions through merger		(349.9)	(4.3)	(291.1)	(645.4)
Amortisation		(127.5)	(235.5)	(70.8)	(433.8)
Disposals/reclassifications		26.6	493.1	57.1	576.9
Exchange differences		5.3	2.4	6.3	14.0
As at 31 December 2019	**(100.0)**	**(1,044.3)**	**(535.7)**	**(495.3)**	**(2,175.3)**
Carrying amount					
As at 1 January 2019	1,846.6	154.3	705.1	153.6	2,859.5
As at 31 December 2019	**2,950.1**	**161.4**	**748.6**	**116.0**	**3,976.2**
Amortisation method	N/A	Straight-line	Straight-line	Straight-line	
Useful life (years)	N/A	5-10	5-8	1-10	

The company's intangible assets are either acquired or internally developed. Goodwill, customer relationships and parts of other intangible assets are all acquired through acquisition of portfolios or mergers and are a result of a purchase price allocation of initial cost of the acquisition. Software is developed for use in the insurance business. External and internal assistance used in relation developed software is developed for use in the insurance business. External and internal assistance is used in relation with implementation or substantial upgrade of software, including adjustment of standard systems, are capitalized as intangible assets. Amortisation is included in the accounting line Insurance-related administration expenses including commissions for received reinsurance and sales expenses.

The company has not acquired any portfolio or company in 2019 but have merged with Nykredit Forsikring A/S and Mølholm Forsikring A/S in 2019. Goodwill in connection with the merged companies are reported as separate portfolios.

Impairment testing goodwill

The carrying amount of goodwill in the company as at 31 December 2019 is NOK 2,950.1 million.

NOK millions	2019	2018
Goodwill		
Gjensidige Forsikring, Danish branch	1,493.3	1,508.1
Nykredit portfolio	892.2	
Mølholm portfolio	227.3	
Gouda portfolio	87.0	87.6
Gjensidige Forsikring, Swedish branch	121.7	122.2
Gjensidige Forsikring, white label	128.7	128.7
Total	**2,950.1**	**1,846.6**

Each of the units above is the smallest identifiable group of assets that generates cash inflows and considered as separate cash-generating units. The annual assessment of impairment losses was carried out in the third quarter of 2019. There has also been carried out indication assessments during other quarters in order to assess whether there is new evidence that calls for a new impairment assessment.

Recoverable amount for the cash-generating units is determined based on an assessment of value in use. The value in use is based on a discounting of future cash flows, with a relevant discount rate that takes into account maturity and risk.

Budgets/prognoses and the period for which the cash flows are projected

The projection of cash flows is based on budget and forecast for the next four years reviewed by the management and approved by the Board. The growth in this five-year period is higher than the long-term growth expectancy. In the period after 2023 a lower annual growth has been used than in the budget period to arrive at a normal level before a terminal value is calculated. The terminal value is calculated in 2028.

Gjensidige normally has a ten-year horizon on its models, as the acquired companies are in a growth phase and a shorter period will give a less correct view of expected cash flows. The long-term growth rate beyond the board approved plan, is no higher than the long-term growth in the market for the respective cash generating units.

The management's method

As far as possible, the management has sought to document the assumptions upon which the models are based through external information. External information is first and foremost used in the assessment of discount rate and exchange rates. When it comes to future cash flows, the management has also considered the degree of historical achievement of budgets. If expected budgeted results are not achieved, the management has conducted a deviation analysis. These deviation analyses are reviewed by the Board of the respective subsidiaries, as well as the management in Gjensidige Forsikring.

Level of combined ratio (CR)

The expected CR level is both in the growth period and when estimating the terminal value considered to be from 89.0 to 93.0.

Cash-generating units	CR-level in growth period	CR-level when calculating terminal value
Gjensidige Forsikring, Danish branch	84.4-90.0%	90.0%
Nykredit portfolio	85,0-89,0%	89,0%
Mølholm portfolio	92,3-94,1%	93,0%
Gouda portfolio	90.2-100.5%	90.2%
Gjensidige Forsikring, Swedish branch	91.0-97.4%	91.0%
Gjensidige Forsikring, white label	78,4-82,7 %	82,7 %

The growth rate in terminal value calculation

The growth rate is determined to 2.5 per cent in Scandinavia and the same that was used in 2018.

Discount rate

The discount rate is before tax, and is composed of a risk-free interest rate, a risk premium and a market beta. As a rate specific to the asset is not directly available in the market, a rate with similar characteristics is used to estimate the discount rate. To determine the discount rate, we use the capital value model. The risk-free rate is equivalent to a ten-year interest rate on government bonds in the respective countries where the subsidiaries and branches operate in and in addition a risk premium is added. The risk premium varies so that the discount rate is 6.5 per cent for all companies. This corresponds to the discount rate of the group and is reduced from 7,5 per cent in 2018. The group's discount rate represents the group's assumption of risk and is the same independent of country. Country-risk has been adjusted directly in the cash flow of all units.

Sensitivity analysis to key assumptions

The excess values related to the acquisitions are based on different key assumptions. If these assumptions change significantly from what they are expected to be in the impairment models, a need for impairment may arise. See table.

Sensitivity table goodwill	Discount rate increases by 1%	Growth reduces by 2% compared to expected next 3 years	CR increases by 2% next 3 years	All circumstances occur simultaneously
Gjensidige Forsikring, Danish branch	Need for impairment app. NOK 301 million	No need for impairment	No need for impairment	Need for impairment app. NOK 623 million
Nykredit portfolio	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Mølholm portfolio	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gouda portfolio	No need for impairment	No need for impairment	No need for impairment	Need for impairment app. NOK 9 million
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gjensidige Forsikring, white label	No need for impairment	No need for impairment	No need for impairment	No need for impairment

12. Owner-occupied and right-of-use property, plant and equipment

NOK millions	Owner-occupied property	Right-of-use property	Plant and equipment [1]	Right-of-use plant and equipment	Total
Cost					
As at 1 January 2018	27.0		451.8		478.8
Additions	1.5		21.0		22.5
Disposals			(15.6)		(15.6)
Exchange differences			(0.7)		(0.7)
As at 31 December 2018	**28.5**		**456.6**		**485.1**
Uncompleted projects			45.4		45.4
As at 31 December 2018, including uncompleted projects	**28.5**		**502.1**		**530.5**
Depreciation and impairment losses					
As at 1 January 2018			(265.8)		(265.8)
Depreciation			(44.8)		(44.8)
Disposals			11.9		11.9
Exchange differences			0.3		0.3
As at 31 December 2018			**(298.4)**		**(298.4)**
Carrying amount					
As at 1 January 2018	27.0		236.2		263.2
As at 31 December 2018	**28.5**		**203.7**		**232.2**
Cost					
As at 1 January 2019	28.5		456.6		485.1
Implementation of IFRS 16		1,110.3		13.0	1,123.3
Merger	(0.0)		2.3		2.2
Additions		35.5	29.3	3.6	68.4
Disposals		(33.2)	(103.2)		(136.4)
Exchange differences		(2.9)	(1.5)	(0.0)	(4.4)
As at 31 December 2019	**28.5**	**1,109.7**	**383.5**	**16.5**	**1,538.1**
Uncompleted projects			48.4		48.4
As at 31 December 2019, including uncompleted projects	**28.5**	**1,109.7**	**431.9**	**16.5**	**1,586.5**
Depreciation and impairment losses					
As at 1 January 2019			(298.4)		(298.4)
Merger			(0.7)		(0.7)
Depreciation		(143.0)	(44.4)	(6.2)	(193.6)
Disposals			90.1		90.1
Exchange differences		(0.1)	1.1	(0.0)	1.0
As at 31 December 2019		**(143.1)**	**(252.3)**	**(6.2)**	**(401.6)**
Carrying amount					
As at 1 January 2019	28.5		203.7		232.2
As at 31 December 2019	**28.5**	**966.7**	**179.5**	**10.3**	**1,184.9**
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	
Useful life (years)	10-50	2-10	3-10	1-3	

[1] Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.

Owner-occupied property in Gjensidige Forsikring ASA mainly consists of leisure houses and cottages that are not depreciated.

There are no restrictions on owner-occupied property, plant and equipment. Owner-occupied property, plant and equipment are not pledged as security for liabilities.

Lease liabilities

NOK millions	2019
Lease liability 31 December 2018	
Operational lease liability 31 December 2018	1,352.1
Effect of discounting of the lease liability	(148.3)
Lease liability recognized 1 January 2019	**1,203.8**
Summary of the lease liability in the financial statements	
At initial application 1 January 2019	1,203.8
Change in lease liability	27.3
New lease liabilities recognized in the year	(21.4)
Paid installment (Cash flow)	(146.0)
Paid interest (Cash flow)	(30.4)
Accrued interest (Profit and loss)	30.4
Exchange rate differences (Other comprehensive income)	(3.2)
As at 31 December 2019	**(143.3)**
Expenses related to short-term contracts (including short-term low value contracts)	2.6
Expenses related to low value contracts (excluding short-term low value contracts)	0.9
Undiscounted lease liability and maturity of cash flows	
Less than 1 year	181.4
1-2 years	175.6
2-3 years	160.135
3-4 years	142.248
4-5 years	119.899
More than 5 years	387.831
Total undiscounted lease liability as at 31 December 2019	**1167.17**
Weighted average interest rate	2,26 %

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 considered to be the case for office leases, leases for cars and some office machines etc. However, the main part of the latter group is exempted for recognition due to low value. IT agreements are not considered to fall under IFRS 16 since these are based on the purchase of capacity that is not physically separated and thus not identifiable.

The rental period 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 for each of the countries in which Gjensidige operates. The interest rates are adapted to the actual lease contracts duration and currency. The discount rate for the leasing cars is determined based on an assessment of which loan interest Gjensidige would achieve for financing cars from a financing company.

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 agreements.

Gjensidige has recognised its lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application, as well as the recognition of related right-of-use assets to an amount corresponding to the lease liability according to the modified retrospective approach. However, for the largest rental agreements in Norway, Sweden and Denmark, Gjensidige has chosen to recognise the right-of-use asset at the carrying amount as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Comparative figures were not adjusted. Transaction costs are not included.

Gjensidige has chosen to recognise deferred tax on the net value of assets and liabilities. This represented a deferred tax asset of NOK 20.1 million. The difference between this and the lease liability, less deferred tax, amounted to NOK 61.4 million and was recognised directly in equity on 1 January 2019.

13. Financial assets and liabilities

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date at the prevailing market conditions.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities that are included in the respective levels are accounted for below.

Quoted prices in active markets

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

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

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

Valuation based on observable market data

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

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

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

- Currency derivatives, equity options and forward rate agreements, in which fair value is derived from the value of underlying instruments. These derivatives are valued using common valuation techniques for derivatives (option pricing models etc.).
- Equity funds, bond funds, hedge funds and combination funds, in which fair value is estimated based on the fair value of the underlying investments of the funds.
- Bonds, certificates or index bonds that are unlisted, or that are listed but where transactions are not occurring regularly. The unlisted instruments in this category are valued based on observable yield curves and estimated credit spreads where applicable.
- Listed subordinated notes where transactions are not occurring regularly.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

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

- Unlisted private equity investments. The private equity investments that are not organized as funds are valued using cash flow analysis, price multiples and recent market transactions. The private equity investments that are organized as funds are valued based on NAV (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture Capital Valuation. Because of late reporting from the funds, the NAV from the previous quarterly reporting is used in estimating fair value. The NAV is then assessed for discretionary adjustments based on objective events since the last reporting date. Objective events may be the development in underlying values of listed companies since the last reporting, changes in regulations or substantial market movements.
- Loan funds with secured loans and real estate funds. The funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.

The valuation process for financial assets classified as level three

In consultation with the Investment Performance and Risk Measurement department, the Chief Investment Officer decides which valuation models will be used when valuing financial assets classified as level three in the valuation hierarchy. The models are evaluated as required. The fair value and results of the investments and compliance with the stipulated limits are reported weekly to the Chief Financial Officer and Chief Executive Officer, and monthly to the Board.

Sensitivity financial assets level three

Shares and similar interests (mainly unlisted private equity investments and loan funds and real estate funds), as well as bonds and other fixed-income securities are included in level three in the valuation hierarchy. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in the value of shares and similar interests. Bonds and other fixed-income securities primarily have interest rate and credit risk as a result of changes in the yield curve or losses due to unexpected default on Gjensidige's debtors. However, the sensitivity to change in the yield curve is reduced through hedging using interest rate swaps classified as level 2

NOK millions	Notes	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 derivatives					
Financial derivatives at fair value through profit or loss		934.1	934.1	577.9	577.9
Financial assets at fair value through profit or loss, designated upon initial recognition					
Shares and similar interests	14	6,545.3	6,545.3	5,061.4	5,061.4
Bonds and other fixed income securities		28,446.3	28,446.3	22,152.3	22,152.3
Loans		2.2	2.2		
Financial assets held to maturity					
Bonds held to maturity				105.8	106.1
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	15	14,705.4	15,226.1	15,341.4	16,112.0
Loans		2,410.8	2,410.8	2,687.3	2,687.3
Receivables related to direct operations and reinsurance		6,867.0	6,867.0	6,399.0	6,399.0
Receivables from group companies	20	7.1	7.1	60.5	60.5
Other receivables		975.4	975.4	931.2	931.2
Cash and cash equivalents		1,796.1	1,796.1	1,656.4	1,656.4
Total financial assets		**62,689.5**	**63,210.2**	**54,973.2**	**55,744.1**
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		641.0	641.0	869.9	869.9
Financial liabilities at amortised cost					
Subordinated debt	18	1,198.6	1,201.6	1,198.3	1,186.3
Other liabilities	19	2,650.7	2,650.7	2,766.0	2,766.0
Liabilities related to direct insurance and reinsurance		427.0	437.8	422.4	425.5
Liabilities within the group	20	56.7	45.8	104.9	101.9
Total financial liabilities		**4,973.9**	**4,976.9**	**5,361.5**	**5,349.6**
Gain/(loss) not recognised in profit or loss			**517.6**		**782.9**

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 derivatives				
Financial derivatives at fair value through profit or loss		934.1		934.1
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	69.2	5,170.0	1,306.1	6,545.3
Bonds and other fixed income securities	10,051.3	17,686.4	708.6	28,446.3
Loans			2.2	2.2
Financial assets at amortised cost				
Bonds and other fixed income securities classified as loans and receivables		15,226.1		15,226.1
Loans			2,410.8	2,410.8
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		641.0		641.0
Financial liabilities at amortised cost				
Subordinated debt		1,201.6		1,201.6

Valuation hierarchy 2018

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

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		577.9		577.9
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	55.0	3,653.8	1,352.5	5,061.4
Bonds and other fixed income securities	9,193.6	12,180.0	778.7	22,152.3
Financial assets at amortised cost				
Bonds held to maturity		106.1	(0.0)	106.1
Bonds and other fixed income securities classified as loans and receivables		16,108.1	3.8	16,112.0
Loans			2,687.3	2,687.3
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		869.9		869.9
Financial liabilities at amortised cost				
Subordinated debt		1,186.3		1,186.3

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	Trans- fers into/ out of level 3	Curr. effect	As at 31.12.2019	Amount of net realised/unreal. gains rec. in profit or loss that are attributable to instruments held as at 31.12.2019
Shares and similar interests	1,352.5	(41.9)	184.8	(189.4)				1,306.1	(42.8)
Bonds and other fixed income securities	778.7	89.2		(155.4)			(3.9)	708.6	
Loans		0.0		(1.7)		3.8		2.2	0.0
Total	**2,131.2**	**47.3**	**184.8**	**(346.5)**		**3.8**	**(3.8)**	**2,016.9**	**(42.8)**

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

NOK millions	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Purch- ases	Sales	Settle- ments	Trans- fers into/ out of level 3	Curr. effect	As at 31.12.2018	Amount of net realised/unreal. gains rec. in profit or loss that are attributable to instruments held as at 31.12.2018
Shares and similar interests	1,442.5	96.6	126.4	(159.5)		(153.5)		1,352.5	70.1
Bonds and other fixed income securities	904.3	60.7		(187.6)			1.3	778.7	
Total	**2,346.8**	**157.4**	**126.4**	**(347.1)**		**(153.5)**	**1.3**	**2,131.2**	**70.1**

Reconciliation of liabilities arising from financing activities 2019

			Non-cash flows			
NOK millions	As at 1.1.2019	Cash flows	Aqui- sitions	Exchan ge diffe- rences	Other changes	As at 31.12.2019
Perpetual Tier 1 capital [1]	1,000.5				1.8	1,002.3
Subordinated debt	1,198.3				0.3	1,198.6

[1] Including accrued interest, NOK 3.3 million.

Reconciliation of liabilities arising from financing activities 2018

			Non-cash flows			
NOK millions	As at 1.1.2018	Cash flows	Aqui- sitions	Ex- change diffe- rences	Other changes	As at 31.12.2018
Perpetual Tier 1 capital [1]	999.8				0.7	1,000.5
Subordinated debt	1,198.0				0.3	1,198.3

[1] Including accrued interest after tax, NOK 2.1 million.

14. Shares and similar interests

NOK millions	Organisation number	Type of fund	31.12.2019
Gjensidige Forsikring ASA			
Norwegian financial shares and primary capital certificates			
SpareBank 1 BV	944 521 836		9.8
SpareBank 1 Østlandet	920 426 530		8.5
SpareBank 1 Ringerike Hadeland	937 889 275		7.8
Sparebanken Vest	832 554 332		5.7
SpareBank 1 SMN	937 901 003		4.5
DNB ASA	981 276 957		1.6
Sogn Sparebank	837 897 912		0.5
Total Norwegian financial shares and primary capital certificates			**38.4**
Other shares			
SOS International A/S			55.7
Sector Asset Management AS	887 139 342		15.9
Bonheur ASA	830 357 432		10.9
Aker ASA	886 581 432		7.6
Norsk Hydro ASA	914 778 271		7.5
Entra ASA	999 296 432		7.3
Scalepoint Technologies Limited			7.1
Helgeland Invest AS	939 150 234		6.7
Paydrive AB			6.1
Equinor ASA	923 609 016		4.8
Lerøy Seafood Group ASA	975 350 940		4.7
Drilling Company of 1972			4.7
Yara International ASA	986 228 608		4.2
Nordic Credit Rating AS	917 685 991		3.7
Tun Media AS	982 519 985		3.7
Kongsberg Gruppen ASA	943 753 709		2.7
Svenska Handelsbanken AB			2.7
Quantafuel AS	915 119 484		2.6
Midvest I A	991 773 754		2.5
Nordea Bank Abp			2.5
Wallenius Wilhelmsen ASA	995 216 604		2.3
Scatec Solar ASA	990 918 546		2.3
Norinnova AS	957 915 035		2.1
Other shares			15.4
Total other shares			**185.4**
Funds [1]			
Shenkman Global Convertible Bond Fund		Convertible bond fund	1,725.3
Wells Fargo Lux Worldwide EM Equity Fund		Equity fund	721.7
RBC Funds Lux - Global Equity Focus Fund		Equity fund	643.9
Nordea Stabile Aksjer Global	989 851 020	Equity fund	565.8
Sector Healthcare - A USD		Hedge fund	322.4
Storebrand Global Indeks B	989 133 241	Equity fund	299.6
AB SICAV I - Global Core Equity Portfolio		Equity fund	197.3
INVESTEC GS GLOBAL EQTY-I$		Equity fund	182.1
Incentive Active Value Fund Cl. A EUR Unrestricted		Hedge fund	141.0
HitecVision VI LP		Private equity fund	114.1
Danske Invest Norske Aksjer Institusjon I	981 582 020	Equity fund	105.7
HitecVision Asset Solution KS		Private equity fund	105.1
Storebrand Norge I	981 672 747	Equity fund	103.5
Pareto Aksje Norge	883 610 512	Equity fund	99.8
HitecVision Private Equity V LP		Private equity fund	99.7
HitecVision Private Equity IV LP		Private equity fund	77.8
Norvestor VII LP		Private equity fund	76.2
Invesco Credit Partners LPA		Hedge fund	62.5
Argentum Secondary III		Private equity fund	53.0
Viking Venture III DIS		Private equity fund	52.6
HitecVision VII		Private equity fund	45.2
Northzone VII L.P.		Private equity fund	36.9

NOK millions	Organisation number	Type of fund	31.12.2019
Northzone VIII L.P.		Private equity fund	33.4
Other funds			450.5
Total funds			**6,314.8**

[1] Norwegian Private Equity funds organised as internal partnerships doesn't have organisation number.

Shares and similar interests owned by branches	
Shares and similar interests owned by Gjensidige Forsikring ASA, Danish branch	6.6
Total shares and similar interests owned by branches	**6.6**
Total shares and similar interests owned by Gjensidige Forsikring ASA	**6,545.3**

15. Loans and receivables

NOK millions	2019	2018
Loans and receivables		
Bonds classified as loans and receivables	14,705.4	15,341.4
Other loans	9.4	129.9
Total loans and receivables	**14,714.8**	**15,471.3**
Other receivables		
Receivables in relation with asset management	776.9	730.0
Other receivables	87.5	90.3
Total other receivables	**864.4**	**820.2**

Bonds are securities classified as loans and receivables in accordance with IAS 39.

Receivables in relation with asset management is short-term receivables regarding financial investments.

Beyond the liabilities that arise from insurance contracts, Gjensidige Forsikring has not issued guarantees for which provisions have been made.

16. Insurance-related liabilities and reinsurers' share

NOK millions		2019			2018	
Movements in insurance-related liabilities and reinsurers' share	Gross	Reinsurers' share	Net of re-insurance [1]	Gross	Reinsurers' share	Net of re-insurance [1]
Claims and claims handling costs						
Claims reported and claims handling costs	13,593.0	(473.6)	13,119.4	13,774.4	(698.0)	13,076.4
Claims incurred, but not reported	15,176.8		15,176.8	16,902.2		16,902.2
Total as at 1 January	**28,769.8**	**(473.6)**	**28,296.2**	**30,676.6**	**(698.0)**	**29,978.6**
Additions through merger	55.6		55.6			
Claims paid, prior year claims	(5,550.8)	104.7	(5,446.1)	(7,358.6)	331.4	(7,027.1)
Increase in liabilities						
Arising from current year claims	18,395.3	(330.9)	18,064.4	18,269.3	(313.6)	17,955.7
- of this paid	(12,865.5)	214.3	(12,651.2)	(10,528.5)	211.7	(10,316.8)
Arising from prior year claims (run-off)	(1,245.7)	(81.7)	(1,327.4)	(2,295.3)	(11.0)	(2,306.3)
Other changes, including effects from discounting	231.4		231.4	13.5		13.5
Exchange differences	(96.6)	12.7	(83.9)	(7.1)	5.8	(1.3)
Total as at 31 December	**27,693.4**	**(554.5)**	**27,138.9**	**28,769.8**	**(473.6)**	**28,296.2**
Claims reported and claims handling costs	13,843.6	(554.5)	13,289.1	13,593.0	(473.6)	13,119.4
Claims incurred, but not reported	13,849.7	0.0	13,849.7	15,176.8	0.0	15,176.8
Total as at 31 December	**27,693.3**	**(554.5)**	**27,138.8**	**28,769.8**	**(473.6)**	**28,296.2**
Provisions for unearned premiums						
As at 1 January	9,399.6	(39.6)	9,360.1	8,769.5	(41.4)	8,728.0
Addition through merger	172.8		172.8			
Increase in the period	24,703.4	(716.3)	23,987.2	23,795.3	(714.2)	23,081.1
Earned in the period	(24,236.4)	712.9	(23,523.5)	(23,148.0)	715.9	(22,432.0)
Exchange differences	(36.4)	0.6	(35.8)	(17.2)	0.1	(17.0)
Total as at 31 December	**10,003.0**	**(42.3)**	**9,960.7**	**9,399.6**	**(39.6)**	**9,360.1**

[1] For own account.

NOK millions	2019	2018
Discounted claims provision, gross - annuities	5,904.9	5,941.8
Nominal claims provision, gross - annuities	6,203.7	6,573.4

The claims provisions shall cover future claims payments. The claims provisions for insurances with annuity payments are converted to present value (discounted), whereas other provisions are undiscounted.

The reason why the claims provisions for annuities are discounted is due to very long cash flows and substantial future interest income. The claims for occupational injuries in Denmark are paid either as annuities or as lump-sum indemnities (which are calculated mainly as discounted annuities). Therefore, it is most expedient to regard the whole portfolio as annuities. For Swedish MTPL personal injuries are paid as lifelong annuities. The discount rate used is the swap rate.

Over the next three years, average annual run-off gains are expected to be around NOK 1,000 million, moving the expected reported combined ratio to the lower end of the 86-89 corridor (undiscounted).

17. Equity

Share capital
At the end of the year the share capital consisted of 500 million ordinary shares with a nominal value of NOK 2, according to the statutes. All issued shares are fully paid in.

The owners of ordinary shares have dividend and voting rights. There are no rights attached to the holding of own shares.

In thousand shares	2019	2018
Issued 1 January	500,000	500,000
Issued 31 December	500,000	500,000

Own shares
In the column for own shares in the statement of changes in equity the nominal value of the company's holdings of own shares is presented. Amounts paid in that exceeds the nominal value is charged to other equity so that the cost of own shares reduces the Group's equity. Gains or losses on transactions with own shares are not recognised in the income statement.

At the end of the year the number of own shares was 18,529 (31,371).

A total of 238,679 (306,489) own shares at an average share price of NOK 162.16 (131.59) have been acquired to be used in Gjensidige's share-based payment arrangements. Of these 186,524 (231,493) shares have been sold to employees, at the same price, but with a discount in the form of a contribution, see note 22. In addition, 28,343 (30,010) shares have been allocated to executive personnel within the share-based remuneration scheme and 36,654 (34,688) bonus shares have been allocated to employees in the share savings programme. The number of own shares is reduced by 12,842 (increased by 10,298) through the year.

Share premium
Payments in excess of the nominal value per share are allocated to share premium.

Other paid-in capital
Other paid in equity consists of wage costs that are recognised in profit and loss as a result of the share purchase program for employees.

Perpetual Tier 1 capital
Perpetual Tier 1 capital consists of a perpetual hybrid instrument, classified as equity.

Exchange differences
Exchange differences consist of exchange differences that occur when converting foreign branches, and when converting liabilities that hedge the company's net investment in foreign branches.

Remeasurement of the net defined benefit liability/asset
Remeasurement of the net defined benefit liability/asset consists of the return of plan assets beyond interest income and gains/losses occurring by changing the actuarial assumptions used when calculating pension liability.

Other earned equity
Other earned equity consists of this year's and previous year's retained earnings that are not disposed to other purposes and includes provisions for compulsory funds (natural perils fund, guarantee scheme).

Natural perils capital
All insurance companies that take out fire insurance in Norway are obliged under Norwegian law to be a member of the Norwegian Natural Perils Pool. Objects in Norway and Svalbard that are insured against fire damage are also insured against natural damage, if the damage to the thing in question is not covered by other insurance. Natural peril is defined as claim in direct relation to natural hazard, such as landslide, storm, flood, storm surge, earthquake or eruption It is the individual insurance company that is the insurer, ie issues insurance certificates, settles and has direct contact with the customers. The Natural Perils Pool administers the equalization between the companies. Natural perils capital is capital that can only be used to cover claims for natural damage, but which in an insolvent situation can also be used to cover other obligations.

Guarantee scheme
Norwegian companies and companies from the EEA area with a branch in Norway are members of the Guarantee Scheme for non-life insurance. The purpose of the guarantee scheme is to prevent or reduce losses for individuals and small and medium-sized businesses if their insurance companies are unable to meet their obligations. The provision for guarantee scheme is restricted capital and shall contribute to securing claims arising from an agreement on direct non-life insurance, to the insured and injured third party.

Dividend
Proposed and approved dividend per ordinary share

NOK millions	2019	2018
As at 31 December		
NOK 7.25 kroner (7.10) based on profit for the year	3,625.0	3,550.0
NOK 5.00 kroner (0.00) based on excess capital distribution	2,500.0	

Shareholders
Shareholders owning more than 1 per cent

Investor	Ownership in %
Gjensidigestiftelsen	62.24%
Folketrygdfondet	4.05%
Deutsche Bank	3.67%
Caisse de Depot et Placement du Quebec	2.99%
BlackRock Inc	2.58%
Nordea	1.48%
Danske Bank	1.34%
Societe Generale	1.13%
ORIX Corporation	1.03%
State Street Corporation	1.01%

The shareholder list is based on the VPS shareholder registry as of 31 December 2019.

18. Hybrid capital

	Subordinated debt	Perpetual Tier 1 capital
	FRN Gjensidige Forsikring ASA 2014/2044 SUB	FRN Gjensidige Forsikring ASA 2016/PERP C HYBRID
ISIN	NO0010720378	NO0010771546
Issuer	Gjensidige Forsikring ASA	Gjensidige Forsikring ASA
Principal, NOK millions	1,200	1,000
Currency	NOK	NOK
Issue date	02.10.2014	08.09.2016
Maturity date	03.10.2044	Perpetual
First call date	02.10.2024	08.09.2021
Interest rate	NIBOR 3M + 1.50%	NIBOR 3M + 3.60%
General terms		
Regulatory regulation	Solvency II	Solvency II
Regulatory call	Yes	Yes
Conversion right	No	No

19. Provisions and other liabilities

NOK millions	2019	2018
Other provisions and liabilities		
Restructuring costs [1]	71.6	125.6
Other provisions [2]	222.9	190.9
Total other provisions and liabilities	**294.5**	**316.5**
Restructuring costs [1]		
Provision as at 1 January	125.6	107.6
New provisions	11.3	86.8
Provisions used during the year	(65.2)	(67.8)
Exchange rate difference	(0.1)	(1.0)
Provision as at 31 December	**71.6**	**125.6**

[1] In 2019 NOK 11.3 million is allocated to restructuring provision, due to a decision of changes in processes in Denmark. The processes have been communicated to all entities affected by the changes.
[2] Other provisions are various bonus schemes.

	2019	2018
Other liabilities		
Outstanding accounts Fire Mutuals	32.6	27.6
Accounts payable	211.5	179.3
Liabilities to public authorities	266.3	270.8
Motor insurance tax to Norwegian Motor Insurers' Bureau (TFF)	1,616.5	1,612.6
Lease liabilities	1,060.5	
Other liabilities	523.9	675.8
Total other liabilities	**3,711.2**	**2,766.0**
Other accrued expenses and deferred income		
Liabilities to public authorities	30.9	29.7
Accrued personnel costs	303.1	283.7
Other accrued expenses and deferred income	20.2	18.9
Total other accrued expenses and deferred income	**354.2**	**332.3**

20. Related party transactions

Overview

Gjensidige Forsikring ASA is the Group's parent company. As at 31 December 2019 the following companies are regarded related parties. See note 5 in Gjensidige Forsikring ASA for specification of subsidiaries and joint ventures.

	Registered office	Interest held
Ultimate parent company		
Gjensigestiftelsen holds 62.24 per cent of the shares in Gjensidige Forsikring ASA	Oslo, Norway	
Other related parties / cooperating companies [1]		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	94.7 %

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

Transactions

Income statement

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

	2019		2018	
NOK millions	**Income**	**Expense**	**Income**	**Expense**
Earned premiums written and gross claims	28.1	50.0	1,157.0	815.3
Administration expenses	325.1	392.5	440.0	473.9
Interest income and expenses	60.4		39.9	
Gain and losses on sale and impairment losses on subsidiaries	3,093.1	153.2		76.0
Total	**3,506.8**	**595.8**	**1,636.9**	**1,365.2**

	2019		2018	
NOK millions	**Received**	**Given**	**Received**	**Given**
Group contributions				
NAF Forsikringsformidling AS				16.5
Gjensidige Tech AS (former Gjensidige Bolighandel AS)		24.2		24.9
Dividends				
Gjensidigestiftelsen		3,812.2		2,209.5
Gjensidige Pensjonsforsikring AS - inntektsført, ikke mottatt			100.0	
Nykredit Forsikring A/S - mottatt			89.9	
Nykredit Forsikring A/S - inntektsført, ikke mottatt			179.1	
Mondux Assurance Agentur A/S			5.0	
NAF Forsikringsformidling AS	0.2			
Total group contributions and dividends	**0.2**	**3,836.4**	**374.0**	**2,250.9**

Balances

The table below shows a summary of receivables/liabilities the parent company has from/to related parties.

	2019		2018	
NOK millions	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Non-interest-bearing receivables and liabilities	7.1	56.7	339.6	101.9
Interest-bearing receivables and liabilities	2,401.4		2,513.1	
Reinsurance deposits, premiums and claims provision		86.7	1,094.7	1,164.6
Total balances within the Group	**2,408.5**	**143.4**	**3,947.4**	**1,266.5**
Fire Mutuals and Gjensidige Pensjonskasse [2]	111.0	32.6	111.0	25.3
Total balances	**2,519.5**	**176.0**	**4,058.4**	**1,291.8**

[2] Gjensidige Forsikring ASA is a sponsor of Gjensidige Pensjonskasse and has contributed with funds equivalent to NOK 111.0 million.

Guarantees

Gjensidige Forsikring ASA is responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 21.

Transactions with related parties that are defined as core business (reinsurance, distribution, claims handling) as well as lending are priced based on market prices. Group functions of a purely administrative nature (such as IT, purchasing, accounting) are priced based on the cost-plus method.

21. Contingent liabilities

NOK millions	2019	2018
Guarantees and committed capital		
Committed capital, not paid	590.5	568.7
Credit facility Oslo Areal	1,598.6	1,486.9

As part of its ongoing financial management, Gjensidige has undertaken to invest up to NOK 590.5 million (568.7) in loan funds containing senior secured debt and various private equity and real estate investments, over and above amounts recognised in the balance sheet.

The timing of the outflow of capital is dependent on when the funds are making capital calls from their investors. Average remaining operating time for the funds, based on fair value, is slightly less than three years (four) and slightly less than four years (five) in average including option for extension.

Gjensidige Forsikring has granted a loan to Oslo Areal amounting to NOK 2.4 billion (2.5) at year end. The loan is interest-bearing and total loan limit is NOK 4.0 billion.

Gjensidige Forsikring is liable externally for any insurance claim arising in the cooperation mutual fire insurers' fire insurance operations.

According to the agreement with Gjensidige Pensjonskasse, the return, if not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring.

22. Share-based payment

Description of the share-based payment arrangements

As at 31 December 2019, Gjensidige has the following share-based payment arrangements:

Share-based remuneration for executive personnel with settlement in equity and cash (remuneration scheme)
Gjensidige has established equity-settled share-based payment for the group management and more explicitly defined executive personnel.

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

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

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

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

Fair value measurement

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

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

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

	Remuneration scheme		Share savings programme	
	2019	2018	2019	2018
Weighted average share price (NOK)	143.00	149.10	163.02	130.55
Expected turnover	N/A	N/A	10%	10%
Expected sale	N/A	N/A	5%	5%
Lock-in period (years)	3	3	2	2
Expected dividend (NOK per share) [1]	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 80 per cent (70) of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

Payroll expenses

NOK millions	2019	2018
Share-based remuneration for key personnel	3.7	3.4
Share savings programme for employees	7.9	6.9
Total expenses (note 7)	**11.6**	**10.3**

Share savings programme

	2019	2018
The number of bonus shares		
Outstanding 1 January	88,765	76,354
Granted during the period	44,326	51,454
Forfeited during the period	(3,692)	(4,929)
Released during the period	(34,533)	(31,595)
Cancelled during the period	(3,854)	(2,418)
Movement to/(from) during the period	(528)	(101)
Outstanding 31 December	**90,484**	**88,765**
Exercisable 31 December	**0**	**0**
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	31,885	28,868	37,349	34,060
Granted during the period	14,084	12,869	13,256	11,919
Exercised during the period	(17,097)	(15,565)	(18,986)	(17,418)
Cancelled during the period	0	0	(1,264)	(1,127)
Modification dividend during the period	1,318	1,233	1,530	1,434
Outstanding 31 December	**30,190**	**27,405**	**31,885**	**28,868**
Exercisable 31 December	**0**	**0**	**0**	**0**
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	184.25	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.

23. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Statement from the Board and the CEO

The Board of Directors and the CEO have today considered and approved the integrated annual report for Gjensidige Forsikring ASA, the Group and parent company, for the 2019 calendar year and as of 31 December 2019. The integrated annual report includes the annual accounts, the Directors' report and statements on corporate governance and corporate social responsibility.

The consolidated accounts have been prepared in accordance with the EU-approved IFRS standards and pertaining interpretation statements applicable as of 31 December 2019, disclosure requirements that follow from the Norwegian Accounting Act as of 31 December 2019, and more detailed disclosure requirements that follow from the Regulations relating to annual accounts for general insurance companies (Regulations No 1775 of 18 December 2015) issued pursuant to the Accounting Act.

We hereby declare that, to the best of our knowledge:

- the 2019 annual accounts for the Group and the parent company have been prepared in accordance with applicable accounting standards;
- the information in the accounts gives a true and fair picture of the Group and the parent company's assets, liabilities, financial position and overall performance as of 31 December 2019;
- the integrated annual report, prepared in accordance with the International Integrated Reporting Framework (IR), meets the requirements for the content of the Directors' report, the statement on corporate governance, and the Global Reporting Initiative's (GRI) standards for corporate social responsibility and sustainability reporting;
- the integrated annual report for the Group and the parent company, including the Directors' report, gives a true and fair picture of
  - the Group and the parent company's development, performance and position,
  - key risk and uncertainty factors facing the Group and the parent company.

13. February 2020

The Board of Gjensidige Forsikring ASA

Gisele Marchand
Chair

Lotte K. Sjøberg
Board member

Eivind Elnan
Board member

John Giverholt
Board member

Per-Arne Bjørge
Board member

Vibeke Krag
Board member

Gunnar Mjåtvedt
Board member

Anne Marie Nyhammer
Board member

Hilde M. Nafstad
Board member

Terje Seljeseth
Board member

Helge Leiro Baastad
CEO

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To the General Meeting of Gjensidige Forsikring ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gjensidige Forsikring ASA, which comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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Measurement of claims provision

Key audit matter	How the matter was addressed in the audit
Measurement of the Groups claims provisions is based on different methods and models, complex calculations and a number of assumptions and estimates related to future developments that are uncertain. The accounting principles are described in note 1, significant accounting estimates are described in in note 2, insurance risk is described in note 3 and insurance provisions are specified in note 16. The calculation models, assumptions and estimates applied are of great significance when measuring the claims provisions. The most important assumptions and estimates relate to: • Estimate of future claims payments, which, among other, are based on historic payment patterns,. • Determination of the margin included in the claims provisions to address the uncertainty related to calculated provisions. The calculation models, assumptions and estimates are essential for the measurement of claims provisions and are therefore identified as a key audit matter.	Gjensidige has established various control activities related to the measurement of claims provisions. We assessed and tested the design of control activities related to data source, calculation models and determination of assumptions. For a sample of these controls, we tested if they operated effectively in the reporting period. We challenged and evaluated the choice of models and the use of assumptions and estimates in the measurement of claims provisions. We assessed whether the disclosure information related to claims provisions is adequate. We have involved our own actuaries in the work to assess choice of models and the use of assumptions.

IT systems: Controls relevant for financial reporting and data quality

Key audit matter	How the matter was addressed in the audit
Gjensidige has an extensive IT environment with a variety of different IT systems that support financial reporting. IT systems include both in-house developed and standardized systems with different degrees of adaptations and changes. A significant part of the IT operations and infrastructure is outsourced to service providers. The IT systems are essential to recording and reporting of transactions and to provide data for significant estimates and calculations as well to as obtain relevant additional information. Refer to note 3 for further information on operational risk in Gjensidige. Good governance and control of IT systems in Gjensidige and service providers are essential for ensuring accurate, complete and reliable financial reporting and is thus identified as a key audit matter.	Gjensidige has established an overall governance model and control activities related to its IT systems. We have obtained an understanding of the overall governance model for IT systems that are relevant for financial reporting. We have assessed the design of control activities related to IT operations that are relevant for financial reporting, change management and access controls. For a sample of these controls, we tested if they operated effectively in the reporting period. We assessed the third party confirmation (ISAE 3402) from several of Gjensidige's service providers to assess whether the service provider had adequate internal controls in areas that are important for Gjensidige's financial reporting. We used our own IT specialists to understand the overall governance model for IT systems and in the assessment and testing of control activities related to IT.

Other information

Management is responsible for the other information. The other information comprises information in the Integrated 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 of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Integrated annual report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Integrated annual report concerning the financial statements, required by the Norwegian Accounting Act section 3-3a, 3-3b and 3-3c (the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility) 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 Aa. Lundgaard
State Authorised Public Accountant (Norway)

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

Appendix 1
– Checklist GRI and Board's report

Description of the GRI-principles and requirements to the Board's report – with references

The requirements according to GRI and the Board's report are listed below, with reference to where the issue is covered in the integrated report. We believe all the requirements to both GRI and the Board's report are fully covered.

Abbreviations used: Rskl = Accounting act, NRS = Norwegian Accounting Standards Board, Vphl = Securities Trading Act, Vpf = Regulations to the Securities Trading Act

Overview of requirements in GRI and the Board's report

Disclosure number GRI	Requirements Board's report	Disclosure description	Comment	Page
1. Organisational profile	Rskl§ 3-3a			
102-1		Name of the organization	Gjensidige Forsikring ASA	
102-2	NRS 16 2-4	Activities, brands, products, and services	Gjensidige's business model Insurance segments	28 36-40
102-3	NRS 16 2-4	Location of headquarters	Oslo, Norway	
102-4	NRS 16 2-4	Location of operations	Note 5 Gjensidige Forsikring ASA	
102-5		Ownership and legal form	Commitment to our owners	83
102-6		Markets served	Insurance segments	36-40
102-7		Scale of the organization	Insurance segments	36-40
102-8		Information on employees and other workers	Engaged employees	73-75
102-9		Supply chain	Business model	28
102-10		Significant changes to the organization and its supply chain	Not applicable (NA)	
102-11		Precautionary principle or approach	Sustainability policy states: "Our activities shall be based on the UN safety first-principle for protection of the environment, and work to minimise the impact of our own waste into the environmentt"	
102-12		External initiatives	See appendix 2	
102-13		Membership of associations	See appendix 2	
2. Strategy				
102-14	NRS 16 2	Statement from senior decision-maker	Gjensidige's strategy	22-25
102-15	NRS 16 2.7	Key impacts, risks, and opportunities	Threats and opportunities	56-60
3. Ethics and integrity				
102-16		Values, principles, standards, and norms of behavior	Mission, vision and position "Code-of-conduct" Our core values	17-19 49-51 71
4. Governance				
102-18 – 102-39	Rskl §3-3b / Vphl5-8a	Governance structure	Risk understanding and mitigation are essential for long term value creation	46-55

Disclosure number GRI	Requirements Board's report	Disclosure description	Comment	Page
5. Stakeholder				
102-40		List of stakeholder groups	Creating values for our stakeholders	31
102-41		Collective bargaining agreements	Engaged employees: ILO and cooperation with union representatives	74
102-42		Identifying and selecting stakeholders	Creating values for our stakeholders	31
102-43		Approach to stakeholder engagement	Creating values for our stakeholders	31
102-44		Key topics and concerns raised	Creating values for our stakeholders	31
6. Reporting practice				
102-45		Entities included in the consolidated financial statements	Note 5 Gjensidige Forsikring ASA	180
102-46		Defining report content and topic Boundaries	Introduction	7
102-47		List of material topics	Risk and materiality judgement	31
102-48		Restatements of information	NA	
102-49		Changes in reporting	Introduction	7
102-50		Reporting period	1.1.2019-31.12.2019	
102-51		Date of previous report	1.1.2018-31.12.2018	
102-52		Reporting cycle	Quarterly reporting	
102-53		Contact point	www.gjensidige.no/group/investor-relations/ir-contacts	
102-54		Claims of reporting in accordance with the GRI Standards	Introduction	7
102-55		GRI content index	Appendix 1	212
102-56		External assurance	Audit report from Deloitte	207
Economic Performance				
201	Rskl §3-3a	**Economic Performance**	Statement concerning the annual accounts	98-108
103-1	NRS 16 2.5/2.6	Explanation of the material topic and its Boundary	Statement concerning the annual accounts	98-108
103-2	NRS 16 2.5/2.6	The management approach and its components	Statement concerning the annual accounts	98-108
103-3	NRS 16 2.5/2.6	Evaluation of the management approach	Statement concerning the annual accounts	98-108
201-1	NRS 16 2.5/2.6	Direct economic value generated and distributed	Statement concerning the annual accounts	98-108
201-2	NRS 16 2.7/2.10	Financial implications and other risks and opportunities due to climate change	Threats and opportunities Risk – the core of the business Our climate and environmental commitment Reducing carbon intensity	56-60 80-81 92-95
202		**Market presence**		
103-1		Explanation of the material topic and its Boundary	Our markets	36-40
103-2		The management approach and its components	Our markets	36-40
103-3		Evaluation of the management approach	Our markets	36-40
203		Indirect economic impact	Business model	27-30
204		Procurement practices	Our engagement for our suppliers	82

Disclosure number GRI	Requirements Board's report	Disclosure description	Comment	Page
103-1		Explanation of the material topic and its Boundary	Our engagement for our suppliers	82
103-2		The management approach and its components	Our engagement for our suppliers	82
103-3		Evaluation of the management approach	Reducing carbon intensity	92-95
205	Rskl §3-3c	**Anti-corruption**		
205-2	NRS 16 2.2	Communication and training about anti-corruption policies and procedures	Anti-corruption	50
103-1	NRS 16 2.2	Explanation of the material topic and its Boundary	Anti-corruption	50
103-2	NRS 16 2.2	The management approach and its components	Anti-corruption	50
103-3	NRS 16 2.2	Evaluation of the management approach	Anti-corruption	50
206		Anti-competitive behavior	No fines in 2019	
207		**Tax**		
103-1		Explanation of the material topic and its Boundary	Our business model Creating value for our stakeholders	28 31
103-2		The management approach and its components	Our business model Creating value for our stakeholders	28 31
103-3		Evaluation of the management approach	Taxes paid locally	91
Environmental				
301		Materials	Management and control of climate risk Our climate and environmental commitment Reducing carbon intensity	56-60 80-81 92-95
302		Energy	Management and control of climate risk Our climate and environmental commitment Reducing carbon-intensity	56-60 80-81 92-95
305		Emissions	Management and control of climate risk Our climate and environmental commitment Reducing carbon intensity	56-60 80-81 92-95
305-4		GHG emissions and intensity	Management and control of climate risk Our climate and environmental commitment Reducing carbon intensity	56-60 80-81 92-95
306	NRS 16 2.10	Effluents and Waste	Management and control of climate risk Our climate and environmental commitment Reducing carbon intensity	56-60 80-81 92-95
307	NRS 16 2.10	Environmental Compliance	Management and control of climate risk Our climate and environmental commitment Reducing carbon intensity	56-60 80-81 92-95
103-1		Explanation of the material topic and its Boundary	Our business model Creating value for our stakeholders	28 31
103-2		The management approach and its components	Management and control of climate risk Our climate and environmental commitment	51-53 80-81
103-3		Evaluation of the management approach	Reducing carbon intensity	51-53 80-81
GRI 308		Supplier Environmental Assessment	Our commitment to our suppliers Reducing carbon intensity	
103-1		Explanation of the material topic and its Boundary	Our commitment to our suppliers	82
103-2		The management approach and its components	Our commitment to our suppliers	82

Disclosure number GRI	Requirements Board's report	Disclosure description	Comment	Page
103-3		Evaluation of the management approach	Reducing carbon intensity	94
Social				
401	NRS 16 2.10	**Labor/Employment**		
402		Labor/Management Relations	Engaged employees A safer society	73-75 86-91
403		Occupational Health and Safety	Engaged employees A safer society	73-75 86-91
404		Training and Education	Engaged employees A safer society	73-75 86-91
405		Diversity and Equal Opportunity	Engaged employees A safer society	73-75 86-91
405-2		Ratio of basic salary and renumeration of women to men	A safer society	86-91
406	NRS 16 2.10	Non-discrimination	Engaged employees A safer society	73-75 86-91
407	NRS 16 2.10	Freedom of Association and Collective Bargaining	Engaged employees A safer society	73-75 86-91
408		Child labor	Engaged employees A safer society	73-75 86-91
409		Forced or Compulsory Labor	Engaged employees A safer society	73-75 86-91
410		Security Practices	Engaged employees GDPR and notification	73-75 49-50
411		Rights of Indigenous people	Prohibited according to local law and according to Sustainability policy to comply with Global Compact	
412		Human Rights Assessment	Engaged employees A safer society	73-75 86-91
103-1		Explanation of the material topic and its Boundary	Stakeholder analysis	31
103-2		The management approach and its components	Engaged employees	73-75
103-3		Evaluation of the management approach	Engaged employees A safer society	73-75 86-91
412-3		Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Our asset management Socially responsible investments	41-43 96-97
413		Local Communities	Gjensidige has distribution and claims handling at several local offices in all countries and contribute to jobs and local tax income	
414		Supplier social assessment	Our commitment to our suppliers Reducing carbon intensity	82 94
414-1		Percentage of new suppliers that were screened using social criteria	Our commitment to our suppliers Reducing carbon intensity	82 94
103-1		Explanation of the material topic and its Boundary	Stakeholder analysis	31
103-2		The management approach and its components	Our commitment to our suppliers	73-75
103-3		Evaluation of the management approach	Reducing carbon intensity	73-75 86-91
415		Public Policy	Gjensidige does not give any financial or in-kind political contributions, neither directly nor indirectly	

Disclosure number GRI	Requirements Board's report	Disclosure description	Comment	Page
103-1		Explanation of the material topic and its Boundary	Stakeholder analysis	31
103-2		The management approach and its components	Areas subject to strict follow-up of compliance	49-50
103-3		Evaluation of the management approach	Areas subject to strict follow-up of compliance	49-50
416		Customer health	Business mode A safer society - sustainable products	28-30 88-89
417		**Marketing and Labeling**		
417-2		Incidents of non-compliance concerning product and service information and labeling	A safer society – customer complaints	91
417-3		Incidents of non-compliance concerning marketing communications	A safer society - customer complaints	91
103-1		Explanation of the material topic and its Boundary	Stakeholder analysis	31
103-2		The management approach and its components	Areas subject to strict follow-up of compliance	49-50
103-3		Evaluation of the management approach	Areas subject to strict follow-up of compliance	49-50
418		Customer Privacy	Code-of-conduct	
418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	A safer society - customer complaints	91
103-1		Explanation of the material topic and its Boundary	Stakeholder analysis	31
103-2		The management approach and its components	Areas subject to strict follow-up of compliance	49-50
103-3		Evaluation of the management approach	Areas subject to strict follow-up of compliance	49-50
Other legal requirements to be reported				
	NRS 3	Events after the balance sheet date	Statement concerning the annual accounts	108
	NRS 16 2.5	Research and development	Statement concerning the annual accounts	98
	NRS 16 2.5.3	Cash flow	Statement concerning the annual accounts	101
	NRS 16 2.5.2	Financial position and liquidity	Statement concerning the annual accounts	100
	NRS 16 2.8	Going concern	Statement concerning the annual accounts	98
	NRS 16 2.9	Allocation of the profit before other income and expenses	Statement concerning the annual accounts	108
	Vphl §5-5/ Vpf §5-2	Statement from the Board and the CEO		206

Appendix 2 –
Description of ratings and whom we support

Membership, obligations, certifications.

Rating	**Result**
Morgan Stanley (MSCI)	BBB
Sustainalytics	BBB
Standard & Poor's (S&P)	A/Stable
Carbone Disclosures Project (CDP)	C
Ipsos	Nr 1. The best financial undertaking in Ipsos's reputation survey in Norway
Sustainable Brand	Nr 1. The most sustainable brand in the Norwegian financial industry
Bearingpoint	Nr 1. Most digital insurance company in Norway
Universum	Nr 1. Most attractive insurance company among students in Norway
We support	
Paris 2015 UN Global Compact NORSIF Carbone Disclosures Project (CDP) The Church City Mission	
Certified	
Eco-lighthouse in Norway	

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.

The Group's operating income was NOK 26 billion in 2019, while total assets were NOK 112 billion.

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