

Interim Report 3rd quarter 2020

Gjensidige Pensjonsforsikring



Gjensidige

Highlights

Third quarter 2020 report

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

Year-to-date

- Profit/loss before tax expense: NOK 110.6 million (135.8)
- Operating income: NOK 313.6 million (301.6)
- Operating expenses: NOK 222.9 million (194.1)
- Operating margin: 28.93 per cent (35.65)
- Return on equity, annualised: 11.7 per cent (16.8)
- Solvency capital (SF): NOK 2,616.0 million (2,544.5)
- Solvency margin (SF): 153.9 per cent (136.7)
- Assets under management: NOK 39,018.9 million (35,372.1)

Third quarter

- Profit/loss before tax expense: NOK 41.3 million (43.0)
- Operating income: NOK 106.3 million (104.4)
- Operating expenses: NOK 72.0 million (66.8)
- Operating margin: 32.25 per cent (36.02)

Profit performance

| NOK millions | Q3 2020 | Q3 2019 | 1.1.-30.9.2020 | 1.1.-30.9.2019 | 1.1.-31.12.2019 |
|---|-------------|-------------|----------------|----------------|-----------------|
| Administration fees | 39.7 | 38.2 | 117.4 | 113.5 | 152.3 |
| Insurance income | 20.0 | 22.9 | 63.1 | 65.7 | 111.4 |
| Management income etc. | 46.6 | 43.2 | 133.0 | 122.4 | 167.2 |
| Operating expenses | (72.0) | (66.8) | (222.9) | (194.1) | (275.6) |
| Net operating income | 34.3 | 37.6 | 90.7 | 107.5 | 155.3 |
| Net financial income | 7.0 | 5.4 | 19.9 | 28.3 | 41.5 |
| Profit/(loss) before tax expense | 41.3 | 43.0 | 110.6 | 135.8 | 196.9 |
| Operating margin ¹ | 32.25% | 36.02% | 28.93% | 35.65% | 36.05% |

¹ Operating margin = net operating income/total income

A satisfactory quarter nearly on par with last year

Year-to-date development

Earnings performance

The profit before tax expense was NOK 110.6 million (135.8). The decline was due to lower net financial income and higher operating expenses. The Covid-19 pandemic had a minor impact on the company's results for the period, except from the effects from movements in interest rates and market prices.

Operating income

Total operating income amounted to NOK 313.6 million (301.6).

Administration fees were NOK 117.4 million (113.5) and insurance income was NOK 63.1 (65.7), reflecting the loss of one large client and higher reinsurance costs.

Management income increased to NOK 133.0 million (122.4) as a result of increased assets under management.

Operating expenses

Operating expenses increased to NOK 222.9 million (194.1), mainly driven by increased depreciation as a result of a shortened depreciation timeframe for IT-investments. Higher head counts in response to the growing business volume also had an impact on operating expenses.

Net financial income

Net financial income, including returns on both the group policy portfolio and the corporate portfolio, amounted to NOK 19.9 million (28.3). The decline was due to non-recurring gains from divestments last year and modest returns during the first quarter following the financial turmoil.

Paid-up policy portfolio

The recognised return on the paid-up policy portfolio was 1.4 per cent (2.8). The average annual interest guarantee was 3.4 per cent.

Assets under management

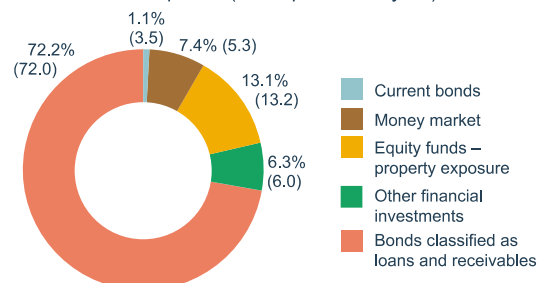
Assets under management increased by NOK 1,683.7 million from year end 2019. Total pension assets under management amounted to NOK 39,018.9 million (35,372.1) including the group policy portfolio of NOK 7,489.9 million (7,082.5).

Solvency position

The solvency margin reported at the end of the period was 153.9 per cent, up from 148.3 per cent in the last quarter.

Asset allocation in the group policy portfolio

At the end of the period (same period last year)



Development during the quarter

Earnings performance

The profit before tax expense was NOK 41.3 million (43.0). The covid-19 pandemic had a minor impact on the company's results for the quarter.

Operating income

Total operating income amounted to NOK 106.3 million (104.4).

Administration fees were NOK 39.7 million (38.2). Insurance income was NOK 20.0 million (22.9), the decline reflecting higher reinsurance costs. Management income was NOK 46.6 million (43.2), reflecting growth in assets under management.

Operating expenses

Operating expenses were NOK 72.0 million (66.8), for the same reasons as described above.

Net financial income

Net financial income was NOK 7.0 million (5.4) as a result of good returns on real estate investments and the recovery of the financial markets.

Events after the balance sheet date

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

Outlook

Gjensidige Pensjonsforsikring AS offers occupational pension and disability pension products to individuals. The defined contributions market remains competitive but highly active, creating ample business opportunities. The results achieved over the last few years substantiate the fact that the company is well positioned to further develop its business.

Income statement

| NOK millions | Q3 2020 | Q3 2019 | 1.1.-30.9.2020 | 1.1.-30.9.2019 | 1.1.-31.12.2019 |
|---|------------------|------------------|------------------|------------------|------------------|
| Technical account | | | | | |
| Gross written premium | 928.8 | 967.1 | 2,870.9 | 2,879.4 | 3,938.9 |
| Ceded reinsurance premiums | (16.7) | (15.8) | (59.0) | (49.5) | (65.4) |
| Transfer of premium reserves from other insurance companies/pension funds | 508.1 | 549.5 | 1,341.3 | 1,466.4 | 1,684.1 |
| Total premiums for own account | 1,420.2 | 1,500.8 | 4,153.2 | 4,296.4 | 5,557.6 |
| Income from investments in associates | 14.9 | 21.1 | 37.8 | 46.0 | 73.7 |
| Interest income and dividends etc. from financial assets | 40.8 | 40.7 | 123.8 | 122.0 | 170.4 |
| Unrealised gains and losses on investments | 3.4 | 3.5 | (15.9) | 19.7 | 17.7 |
| Realised gains and losses on investments | 1.6 | 1.2 | (47.2) | 16.3 | 18.3 |
| Total net income from investments in the group policy portfolio | 60.7 | 66.5 | 98.6 | 204.0 | 280.2 |
| Income from investments in associates | 23.4 | 18.9 | 52.8 | 41.3 | 66.2 |
| Interest income and dividends etc. from financial assets | | | 19.5 | 19.1 | 19.1 |
| Unrealised gains and losses on investments | 895.4 | 217.6 | (617.0) | 1,763.3 | 2,709.9 |
| Realised gains and losses on investments | 394.2 | 165.3 | 981.9 | 817.5 | 989.4 |
| Total net income from investments in the investment portfolio | 1,313.0 | 401.8 | 437.2 | 2,641.3 | 3,784.7 |
| Other insurance-related income | 46.6 | 43.2 | 133.0 | 122.4 | 167.2 |
| Gross claims paid | (161.8) | (175.7) | (473.6) | (478.8) | (635.5) |
| - Paid claims, reinsurers' share | (0.5) | | 5.4 | 19.2 | 19.2 |
| Transfer of premium reserve and statutory reserves to other insurance companies/pension funds | (698.6) | (542.8) | (2,402.5) | (1,849.5) | (2,143.7) |
| Total claims | (860.8) | (718.5) | (2,870.7) | (2,309.1) | (2,760.0) |
| Change in premium reserve, gross | (97.9) | (114.4) | (329.4) | (418.0) | (513.5) |
| Change in premium reserves, reinsurers' share | 14.8 | 15.0 | 50.4 | 44.9 | 63.1 |
| Change in statutory reserves | (1.3) | (0.2) | (1.5) | (1.3) | (42.5) |
| Change in value adjustment fund | (1.2) | (2.9) | 18.9 | (16.5) | (15.5) |
| Change in premium fund, deposit fund and the pension surplus fund | 0.4 | | 2.0 | 1.6 | 1.5 |
| Total changes in reserves for the group policy portfolio | (85.1) | (102.6) | (259.5) | (389.4) | (506.9) |
| Change in premium reserve | (2,359.6) | (1,268.1) | (3,341.5) | (5,469.7) | (7,455.2) |
| Change in other provisions | 586.7 | 200.5 | 1,941.8 | 1,280.8 | 1,426.5 |
| Total changes in reserves for investment portfolio | (1,773.0) | (1,067.6) | (1,399.7) | (4,188.9) | (6,028.7) |
| Profit on investment result | (8.1) | (13.0) | 33.5 | (26.7) | (3.9) |
| Risk result allocated to insurance contracts | (1.6) | (1.6) | 3.9 | (22.8) | (22.1) |
| Total funds allocated to the insurance contracts | (9.7) | (14.6) | 37.4 | (49.5) | (26.0) |
| Management expenses | (2.1) | (3.6) | (6.3) | (11.0) | (14.7) |
| Sales expenses | (5.9) | (5.5) | (16.4) | (16.2) | (19.7) |
| Insurance-related administration expenses (incl. commissions for reinsurance received) | (64.0) | (57.7) | (200.2) | (166.9) | (241.2) |
| Total insurance-related operating expenses | (72.0) | (66.8) | (222.9) | (194.1) | (275.6) |
| Profit/(loss) of technical account | 39.9 | 42.4 | 106.5 | 133.1 | 192.6 |
| Interest income and dividends etc. from financial assets | 1.7 | 1.3 | 12.8 | 3.7 | 11.1 |
| Unrealised gains and losses on investments | 0.3 | 2.6 | (4.0) | 6.5 | 3.2 |
| Realised gains and losses on investments | 1.7 | 0.2 | 4.8 | 2.5 | 3.4 |
| Total net income from investments in the company portfolio | 3.7 | 4.1 | 13.5 | 12.6 | 17.7 |
| Other expenses | (2.4) | (3.5) | (9.4) | (9.9) | (13.4) |
| Profit/(loss) on non-technical account | 1.3 | 0.6 | 4.1 | 2.7 | 4.3 |
| Profit/(loss) before tax expense | 41.3 | 43.0 | 110.6 | 135.8 | 196.9 |
| Tax expense | (10.3) | (10.7) | (27.6) | (33.9) | (48.6) |
| Profit/(loss) before other comprehensive income | 30.9 | 32.2 | 82.9 | 101.8 | 148.3 |
| Remeasurement of the net defined benefit liability/asset | | | | | (0.8) |
| Tax on items that are not reclassified to profit or loss | | | | | 0.2 |
| Total items that are not reclassified to profit or loss | | | | | (0.6) |
| Total comprehensive income | 30.9 | 32.2 | 82.9 | 101.8 | 147.7 |

Statement of financial position

| NOK millions | 30.9.2020 | 30.9.2019 | 31.12.2019 |
|--|-----------------|-----------------|-----------------|
| Assets | | | |
| Other intangible assets | 26.6 | 63.6 | 48.1 |
| Total intangible assets | 26.6 | 63.6 | 48.1 |
| <i>Buildings and other real estate</i> | | | |
| Right-of-use property | 8.2 | 25.6 | 10.3 |
| <i>Financial assets at amortised cost</i> | | | |
| Loans and receivables | 253.0 | 234.3 | 225.9 |
| <i>Financial assets measured at fair-value</i> | | | |
| Shares and similar interests | 10.6 | 18.6 | 6.3 |
| Bonds and other securities with fixed income | 819.9 | 718.1 | 751.5 |
| Total financial assets | 1,091.7 | 996.5 | 993.9 |
| Receivables related to direct operations | 16.4 | 7.7 | 7.8 |
| Other receivables | 126.0 | 92.3 | 232.3 |
| Total receivables | 142.4 | 100.0 | 240.1 |
| Cash and cash equivalents | 271.8 | 176.4 | 118.3 |
| Pension assets | 2.4 | 1.4 | 2.4 |
| Total other assets | 274.2 | 177.8 | 120.7 |
| Prepaid expenses and earned, not received income | 2.1 | 7.9 | 1.2 |
| Total assets in the company portfolio | 1,536.9 | 1,345.9 | 1,404.0 |
| <i>Subsidiaries and associates</i> | | | |
| Shares in associates | 978.6 | 936.9 | 958.2 |
| <i>Financial assets measured at amortised cost</i> | | | |
| Loans and receivables | 5,404.7 | 5,102.4 | 5,020.4 |
| <i>Financial assets measured at fair-value</i> | | | |
| Bonds and other securities with fixed income | 632.1 | 617.4 | 824.0 |
| Receivables in the group policy portfolio | 2.8 | 2.8 | |
| Cash and cash equivalents | 20.2 | 14.8 | 23.9 |
| Total investments in the group policy portfolio | 7,038.3 | 6,674.3 | 6,826.5 |
| Reinsurers' share of insurance-related liabilities in general insurance, gross | 504.7 | 430.8 | 454.2 |
| <i>Subsidiaries and associates</i> | | | |
| Shares in associates | 1,539.3 | 841.2 | 1,290.3 |
| <i>Financial assets measured at fair value</i> | | | |
| Shares and similar interests | 25,583.1 | 23,361.5 | 24,502.5 |
| Bonds and other securities with fixed income | 4,337.3 | 4,019.7 | 4,196.5 |
| Receivables in the investment option portfolio | 39.4 | 42.6 | 73.3 |
| Cash and cash equivalents | 29.9 | 24.5 | 68.2 |
| Total investments in the investment option portfolio | 31,528.9 | 28,289.5 | 30,130.9 |
| Total assets in the customer portfolio | 39,071.9 | 35,394.6 | 37,411.6 |
| Total assets | 40,608.8 | 36,740.5 | 38,815.6 |

| NOK millions | 30.9.2020 | 30.9.2019 | 31.12.2019 |
|--|-----------------|-----------------|-----------------|
| Equity and liabilities | | | |
| <i>Paid in capital</i> | | | |
| Share capital | 39.0 | 39.0 | 39.0 |
| Other paid-in capital | 82.7 | 82.2 | 82.3 |
| Total paid-in equity | 121.7 | 121.2 | 121.3 |
| <i>Retained equity</i> | | | |
| Risk equalisation fund | 38.0 | 15.3 | 38.0 |
| Other earned equity | 825.9 | 719.8 | 743.0 |
| Total earned equity | 863.9 | 735.1 | 780.9 |
| Total equity | 985.5 | 856.2 | 902.2 |
| Subordinated debt | 299.9 | 299.8 | 299.8 |
| Premium reserves | 7,238.7 | 6,766.6 | 6,896.1 |
| Additional statutory reserves | 285.4 | 242.8 | 284.0 |
| Market value adjustment reserves | 2.3 | 22.3 | 21.2 |
| Premium fund, deposit fund and the pension surplus fund | 0.9 | 1.4 | 2.9 |
| Unallocated surplus fond | (37.4) | 49.5 | |
| Total insurance obligations in life insurance - the group policy portfolio | 7,489.9 | 7,082.5 | 7,204.2 |
| Premium reserves | 31,263.7 | 27,996.1 | 29,843.5 |
| Premium fund, deposit fund and the pension surplus fund | 265.2 | 293.4 | 287.4 |
| Total insurance obligations in life insurance - the investment option portfolio | 31,528.9 | 28,289.5 | 30,130.9 |
| Pension liabilities etc. | 2.5 | 2.5 | 2.5 |
| <i>Tax liabilities</i> | | | |
| Period tax liabilities | 72.4 | 30.7 | 57.5 |
| Provisions for deferred taxes | 39.4 | 48.8 | 39.4 |
| Total provisions for liabilities | 114.3 | 82.0 | 99.5 |
| Liabilities related to direct insurance | 94.1 | 34.4 | 52.7 |
| Liabilities related to reinsurance | 37.9 | 32.8 | 32.9 |
| Other liabilities | 37.1 | 46.3 | 76.9 |
| Total liabilities | 169.2 | 113.4 | 162.5 |
| Accrued expenses and deferred income | 21.0 | 17.0 | 16.5 |
| Total equity and liabilities | 40,608.8 | 36,740.5 | 38,815.6 |

Statement of changes in equity

| NOK millions | Share capital | Other paid in capital | Remeasurement of the net defined benefit liab./asset | Risk equalisation fund | Other earned equity | Total equity |
|---|---------------|-----------------------|--|------------------------|---------------------|--------------|
| Equity as at 31.12.2018 | 39.0 | 81.8 | (0.4) | 15.3 | 618.4 | 754.0 |
| 1.1.-31.12.2019 | | | | | | |
| Comprehensive income | | | | | | |
| Profit/(loss) before comprehensive income | | | | | 148.3 | 148.3 |
| Total components of other comprehensive income | | | (0.6) | | | (0.6) |
| Total comprehensive income | | | (0.6) | | 148.3 | 147.7 |
| Risk equalisation fund | | | | 22.7 | (22.7) | |
| Transactions with owners of the company | | | | | | |
| Equity-settled share-based payment transactions | | 0.5 | | | | 0.5 |
| Equity as at 31.12.2019 | 39.0 | 82.3 | (1.0) | 38.0 | 743.9 | 902.2 |
| 1.1.-30.9.2020 | | | | | | |
| Comprehensive income | | | | | | |
| Profit/(loss) before comprehensive income | | | | | 82.9 | 82.9 |
| Total comprehensive income | | | | | 82.9 | 82.9 |
| Transactions with owners of the company | | | | | | |
| Equity-settled share-based payment transactions | | 0.4 | | | | 0.4 |
| Equity as at 30.9.2020 | 39.0 | 82.7 | (1.0) | 38.0 | 826.9 | 985.5 |
| 1.1.-30.9.2019 | | | | | | |
| Comprehensive income | | | | | | |
| Profit/(loss) before comprehensive income | | | | | 101.8 | 101.8 |
| Total comprehensive income | | | | | 101.8 | 101.8 |
| Transactions with owners of the company | | | | | | |
| Equity-settled share-based payment transactions | | 0.4 | | | | 0.4 |
| Equity as at 30.9.2019 | 39.0 | 82.2 | (0.4) | 15.3 | 720.2 | 856.2 |

Statement of cash flows

| NOK millions | 1.1.-30.9.2020 | 1.1.-30.9.2019 | 1.1.-31.12.2019 |
|---|----------------|----------------|-----------------|
| Cash flow from operating activities | | | |
| Premiums paid, net of reinsurance | 4,225.2 | 3,948.4 | 4,927.2 |
| Claims paid, net of reinsurance | (468.2) | (469.6) | (616.3) |
| Net receipts/payments of premium reserve transfers | (2,290.6) | (1,849.5) | (2,143.7) |
| Net receipts/payments from financial assets | (1,115.5) | (1,442.4) | (1,895.7) |
| Operating expenses paid, including commissions | (214.3) | (180.0) | (261.3) |
| Taxes paid | (12.8) | (15.8) | (12.5) |
| Net cash flow from operating activities | 123.8 | (9.0) | (2.4) |
| Cash flow from investing activities | | | |
| Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment | (0.8) | (19.2) | (27.1) |
| Dividend between Group companies | | (100.0) | (100.0) |
| Net cash flow from investing activities | (0.8) | (119.2) | (127.1) |
| Cash flow from financing activities | | | |
| Net receipts/payments on subordinated debt | (9.3) | (9.9) | (13.3) |
| Repayment of lease liabilities | (1.9) | (1.9) | (2.4) |
| Payment of interest related to lease liabilities | (0.2) | (0.6) | (0.7) |
| Net cash flow from financing activities | (11.5) | (12.3) | (16.4) |
| Net cash flow | 111.5 | (140.5) | (145.9) |
| Cash and deposits with credit institutions at the start of the period | 210.4 | 356.3 | 356.3 |
| Cash and deposits with credit institutions at the end of the period | 321.9 | 215.8 | 210.4 |
| Net cash flow | 111.5 | (140.5) | (145.9) |

Notes

1. Accounting policies

The financial statements as of the third quarter of 2020, concluded on 30 September 2020, comprise Gjensidige Pensjonsforsikring AS (GPF) and associated companies. Except of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2019.

The financial statements as of the third quarter of 2020 have been prepared in accordance with the Norwegian Accounting Act and Norwegian Financial Reporting Regulations for Insurance Companies (FOR 2015-12-12-1824). The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2019.

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 2020. They have not been applied when preparing these consolidated financial statements. Those that may be relevant to GPF are mentioned below. GPF does not plan early implementation of these standards.

IFRS 9 Financial instruments (2014) 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. 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 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.

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 2023. 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 2023, where all of the following conditions are met:

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

GPF is an entity that predominantly undertake insurance activities and has therefore decided to make use of this exception.

IFRS 17 Insurance Contracts (2017)

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. IFRS 17 is a complex standard that includes some fundamental differences to current accounting for liability measurement and profit recognition. Insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). If a group of contracts is or become loss-making, the loss will be recognised immediately. Insurance revenue, insurance service expenses and insurance finance income or expenses will be presented separately. IFRS 17 is effective from 1 January 2023. The standard is expected to have an effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

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

The preparation of interim accounts involves the application of assessments, estimates and assumptions that affect the use of accounting policies and the amounts recognised for assets and liabilities, revenues and expenses. The actual results may deviate from these estimates. The most material assessments involved in applying the accounting policies and the most important sources of uncertainty in the estimates are the same in connection with preparing the interim report as in the annual report for 2019.

All amounts are shown in NOK millions unless otherwise indicated. Due to rounding-off differences, figures and percentages may not exactly add up to the exact total figures.

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

2. Financial assets and liabilities

Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in an orderly transaction between market participants at the measurements date at the prevailing market conditions.

Different valuation techniques and methods are used to estimate fair value depending on the type of financial instruments and to which extent they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level of input that is significant to the fair value measurement in its entirety.

The different valuation levels and which financial assets/liabilities that are included in the respective levels are accounted for below.

Quoted prices in active markets

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

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

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

Valuation based on observable market data

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

A financial asset/liability is considered valued based on observable market data if fair value is estimated with reference

to prices that are not quoted, but are observable either directly (as prices) or indirectly (derived from prices).

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

- Currency futures, equity options, forward rate agreements and currency swaps, in which fair value is derived from the value of underlying instruments. These derivatives are valued using common valuation techniques for derivatives (option pricing models etc.).
- Equity funds, bond funds, hedge funds and combination funds, in which fair value is estimated based on the fair value of the underlying investments of the funds.
- Bonds, certificates or index bonds that are unlisted, or that are listed but where transactions are not occurring regularly. The unlisted instruments in this category are valued based on observable yield curves and estimated credit spreads where applicable.
- Interest-bearing liabilities (banking activities) measured at fair value. These liabilities are valued based on observable credit spreads.
- Listed subordinated notes where transactions are not occurring regularly.

Valuation based on non-observable market data

When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets/liabilities is estimated based on valuation techniques which are based on non-observable market data.

A financial asset/liability is considered valued based on non-observable market data if fair value is estimated without being based on quoted prices in active markets or observable market data. Financial assets/liabilities valued based on non-observable market data are classified as level three in the valuation hierarchy.

The only financial assets classified as level three in the valuation hierarchy are shares in Norsk Pensjon and Pensjonsregisteret AS.

| NOK millions | Carrying amount as at 30.9.2020 | Fair value as at 30.9.2020 | Carrying amount as at 30.9.2019 | Fair value as at 30.9.2019 |
|---|---------------------------------------|-------------------------------|---------------------------------------|-------------------------------|
| Financial assets | | | | |
| <i>Financial assets at fair value through profit or loss, designated upon initial recognition</i> | | | | |
| Shares and similar interests | 10.6 | 10.6 | 18.6 | 18.6 |
| Bonds and other fixed income securities | 1,451.9 | 1,451.9 | 1,335.5 | 1,335.5 |
| Shares and similar interests in life insurance with investment options | 25,583.1 | 25,583.1 | 23,361.5 | 23,361.5 |
| Bonds and other fixed income securities in life insurance with investment options | 4,337.3 | 4,822.8 | 4,019.7 | 4,019.7 |
| <i>Loans and receivables</i> | | | | |
| Bonds and other fixed income securities classified as loans and receivables | 5,657.6 | 6,162.4 | 5,336.6 | 5,562.4 |
| Receivables related to direct operations and reinsurance | 58.6 | 58.6 | 53.1 | 53.1 |
| Other receivables | 126.0 | 126.0 | 92.3 | 92.3 |
| Cash and cash equivalents | 321.9 | 321.9 | 215.8 | 215.8 |
| Total financial assets | 37,546.9 | 38,537.2 | 34,433.0 | 34,658.8 |
| Financial liabilities | | | | |
| <i>Financial liabilities at amortised cost</i> | | | | |
| Subordinated debt | 299.9 | 301.7 | 299.8 | 303.5 |
| Other liabilities | 37.1 | 37.1 | 46.3 | 46.3 |
| Liabilities related to direct insurance and reinsurance | 132.0 | 132.0 | 67.2 | 67.2 |
| Total financial liabilities | 469.1 | 470.9 | 413.2 | 417.0 |
| Gain/(loss) not recognised in profit or loss | | 503.0 | | 222.1 |

Valuation hierarchy 2020

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 | | | | |
| <i>Financial assets at fair value through profit or loss, designated upon initial recognition</i> | | | | |
| Shares and similar interests | | 9.7 | 0.9 | 10.6 |
| Bonds and other fixed income securities | | 1,451.9 | | 1,451.9 |
| Shares and similar interests in life insurance with investment options | | 25,583.1 | | 25,583.1 |
| Bonds and other fixed income securities in life insurance with investment options | | 4,337.3 | | 4,337.3 |
| <i>Financial assets at amortised cost</i> | | | | |
| Bonds and other fixed income securities classified as loans and receivables | | 6,162.4 | | 6,162.4 |
| <i>Financial liabilities at amortised cost</i> | | | | |
| Subordinated debt | | 301.7 | | 301.7 |

Investments in funds have been reclassified from level 1 to level 2 in the valuation hierarchy from 4Q2019

Valuation hierarchy 2019

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

| | 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 |
|---|--|---|--|----------|
| NOK millions | | | | |
| Financial assets | | | | |
| <i>Financial assets at fair value through profit or loss, designated upon initial recognition</i> | | | | |
| Shares and similar interests | 18.4 | | 0.2 | 18.6 |
| Bonds and other fixed income securities | | 1,335.5 | | 1,335.5 |
| Shares and similar interests in life insurance with investment options | 23,323.6 | 37.9 | | 23,361.5 |
| Bonds and other fixed income securities in life insurance with investment options | 3,996.5 | 23.2 | | 4,019.7 |
| <i>Financial assets at amortised cost</i> | | | | |
| Bonds and other fixed income securities classified as loans and receivables | | 5,562.4 | | 5,562.4 |
| <i>Financial liabilities at amortised cost</i> | | | | |
| Subordinated debt | | 303.5 | | 303.5 |

Reconciliation of financial assets valued based on non-observable market data (level 3) 2020

| | As at 1.1.2020 | Net realised/ unrealised gains recognised in profit or loss | Purch- ases | Sales | Settle- ments | Transfers into/out of level 3 | As at 30.9.2020 | Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.9.2020 |
|------------------------------|-------------------|--|----------------|-------|------------------|-------------------------------------|--------------------|---|
| NOK millions | | | | | | | | |
| Shares and similar interests | 0.2 | | 0.7 | | | | 0.9 | |
| Total | 0.2 | | 0.7 | | | | 0.9 | |

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

| | As at 1.1.2019 | Net realised/ unrealised gains recognised in profit or loss | Purch- ases | Sales | Settle- ments | Transfers into/out of level 3 | As at 30.9.2019 | Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.9.2019 |
|------------------------------|-------------------|--|----------------|-------|------------------|-------------------------------------|--------------------|---|
| NOK millions | | | | | | | | |
| Shares and similar interests | 0.2 | | | | | | 0.2 | |
| Total | 0.2 | | | | | | 0.2 | |

3. Related parties

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

4. Contingent liabilities

There are no contingent liabilities.

Alternative performance measures and key figures

| | | Q3 2020 | Q3 2019 | 1.1.-30.9.2020 | 1.1.-30.9.2019 | 1.1.-31.12.2019 |
|--|--------------|---------|---------|----------------|----------------|-----------------|
| Assets under management pension, at the end of the period | NOK millions | | | 39,018.9 | 35,372.1 | 37,335.1 |
| of which the group policy portfolio | NOK millions | | | 7,489.9 | 7,082.5 | 7,204.2 |
| Operating margin ^{1,9} | % | 32.25 | 36.02 | 28.93 | 35.65 | 36.05 |
| Recognised return on the paid-up policy portfolio ² | % | | | 1.43 | 2.81 | 4.34 |
| Value-adjusted return on the paid-up policy portfolio ³ | % | | | 0.96 | 3.34 | 4.72 |
| Share of shared commercial customers ⁴ | % | | | 66.7 | 68.0 | 67.5 |
| Return on equity, annualised ^{5,9} | % | | | 11.7 | 16.8 | 17.9 |
| Solvency capital (SF) ⁶ | NOK millions | | | 2,616.0 | 2,544.5 | 2,678.6 |
| Solvency margin (SF) ⁷ | % | | | 153.9 | 136.7 | 140.3 |
| Minimum capital requirement ⁸ | NOK millions | | | 736.3 | 685.0 | 670.2 |

¹ Operating margin = net operating income/total income

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

⁴ Shared customers = customers having both pension and general insurance products with Gjensidige

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

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

⁷ Solvency margin (SF) = Solvency capital available under the Solvency II standard formula

⁸ Minimum capital requirement under the Solvency II standard formula

⁹ Defined as alternative performance measure (APM). APMs are described on www.gjensidige.no/reporting in document named APMs Gjensidige Forsikring Group Q3 2020

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3,700 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer pension and savings.

Gjensidige Pensjonsforsikring is a wholly owned subsidiary that mainly offers defined contribution pension plans and risk coverage.

The Group's operating income was NOK 26 billion in 2019, while total assets were NOK 112 billion.