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GJENSIDIGE

ANNUAL REPORT 2011

Simpler products and modern self-service solutions shall ensure customers have a positive experience, whether they are purchasing insurance products or seeking assistance and settlement in connection with a claim.

EVENTS IN 2011

February	Cooperation agreement with Falck on the provision of roadside assistance services to Gjensidige's customers.
May	Dividend of NOK 2.35 billion distributed to the shareholders. Through the Gjensidige Foundation, NOK 1.65 billion was passed on to Norwegian general insurance customers.
	The customer centre in Gjensidige Bank was rated best in Norway.
June – July	Large number of claims in Eastern Norway following the major flood in June. Copenhagen experienced extensive damage following the torrential downpour in July.
August	The health services company Hjelp24 was sold.
November	Launched new share purchase scheme for employees.
December	Gjensidige celebrated one year as a listed company. Bonus shares distributed to Norwegian shareholders. Launched mobile phone solution for reporting of claims.
	Extensive damage following storms.

FINANCIAL CALENDAR 2012

19 April	General meeting
4 May	Q1-result
17 July	Q2-result
24 October	Q3-result

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THIS IS GJENSIDIGE

HELGE LEIRO BAASTAD:

A GOOD YEAR

Gjensidige delivered a good financial performance in its first year as a listed company. At the same time, the work on customer orientation continued throughout the organisation.

The Group is well positioned for the next step. Our ambition is high: We aim to set a new standard for sale and service in the Nordic general insurance industry.

The profit of NOK 2,747.9 million after tax expense provides a basis for paying a dividend in 2012 as well as in previous years. The insurance result in 2011 was very good, with a combined ratio of 91.9 per cent (95,3 per cent in 2010) for the Group's overall general insurance business. The total return of the share was 26.6 per cent in 2011, and Gjensidige's share value developed more positively than the main index on Oslo Børs in a year dominated by fluctuations and uncertainty in the financial market.

Our vision – knowing the customers best and caring most – has been an important guiding principle for us throughout 2011, a year that was dominated by climate-related events in both Norway and Denmark. The flood in Eastern Norway in the early summer, the torrential downpour in Copenhagen in July and the two storms Berit and Dagmar resulted in major challenges for many customers and also affected our insurance results. Gjensidige wishes to cooperate with local and national authorities on measures to prevent climate change, and we are eager to share our experience and statistics to ensure that our customers do not suffer. We took several initiatives in 2011, among other things toward the Ministry of the Environment, to push Norwegian municipalities to take greater responsibility for meeting climate change and extreme weather in the years ahead.

In 2011, Gjensidige maintained its position as the biggest general insurance company in Norway in a market characterised by increasingly tough competition from traditional players, banks and niche companies. Our strategy of prioritising profitability over growth remains unchanged. Correct pricing of insurance products is becoming increasingly important, in addition to efficient utilisation of customer and market data. The number of local branch offices will be reduced in 2012. At the same time, we are developing a new office concept for the biggest towns and cities, with increased focus on advisory services. Work continues on simplifying products and terms, together with measures aimed at facilitating self-service solutions on the internet and via mobile phone. Towards the end of 2011, we launched a new service for reporting claims by mobile phone, and in January 2012, we introduced our online shop on Facebook. These are examples of new services that increase our accessibility and make it easier for customers to buy and update insurance policies.

The quality of the customer portfolio has improved throughout 2011. Customers who choose to stay with Gjensidige have more products and a lower loss ratio than customers who choose to leave us. Gjensidige has a strong position in the commercial market. In order to meet tomorrow's challenges in this market, various measures have been implemented to ensure more systematic customer follow-up and marketing in the Commercial segment.

General insurance outside Norway accounts for about a quarter of the Group's earned premiums. Measures to ensure improved profitability in the portfolio will continue in the time ahead. In addition to general insurance, we offer banking services, pension and savings products to both private and commercial customers in Norway. Individuals and companies with more than one Gjensidige product are among our most satisfied customers. Gjensidige Pensjon og Sparing entered into new distribution agreements and took over responsibility for several customer portfolios in 2011. The business recorded a profit in 2011, for the first time since it was established in 2006. The development in Gjensidige Bank is also positive, with a solid improvement in profit performance, new product launches and the introduction of new consumer loans in 2011. The bank has implemented necessary measures to improve profitability, and the effect of these measures is expected to be fully realised in 2012.

In 2011, we distributed a record-high dividend of NOK 2.35 billion to our owners. The Gjensidige Foundation, our biggest owner, passed on NOK 1.5 billion of the dividend to our customers in Norway. This is a unique model that contributes to customer satisfaction and loyalty. Nearly half of Gjensidige's employees purchased shares in the Group in connection with the Company's listing on the stock exchange in 2010, and many of them participate in a newly established share savings programme. This confirms our employees' belief in the Company.

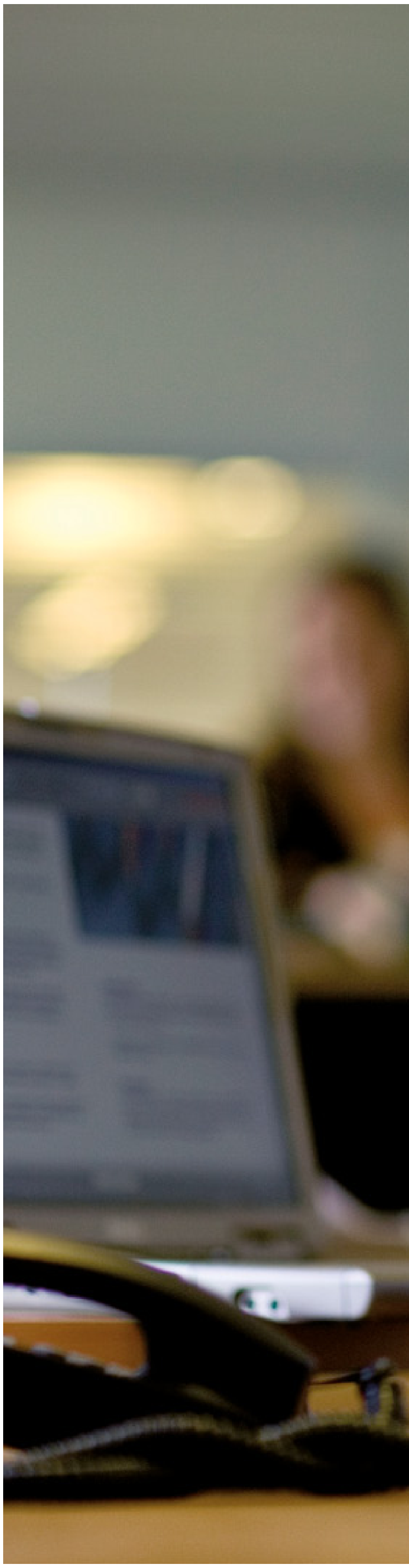
Tight cost control, rationalisation and capital discipline will be prioritised in 2012. A dedicated programme is aimed at making life easier for both employees and customers. The programme involves changed work processes, simplified service solutions, system support and improved self-service solutions. In the course of 2012, we will also renew Gjensidige's visual profile and our web portals to demonstrate that we are serious about our vision: to know the customer best and care the most.

Gjensidige's staff have great expertise and are very loyal to the Group. The sense of responsibility they feel for customers was clearly demonstrated in the way queries and claims were dealt with following both the terrorist attack on 22 July and the extreme weather incidents that occured in 2011. Through the Gjensidige Academy, we focus on continuouslyimproving skills all levels of the organisation, in order to both retain and attract competence. It is our employees who deliver our brand and ensure that all our customers regard their dealings with us as a good experience – the Gjensidige Experience.

Helge Leiro Baastad

CUSTOMER FIRST

Gjensidige is one of the leading players in general insurance in the Nordic countries, and has an ambition of taking the position as the most customer oriented company in the Nordic insurance industry.



OPERATIONS

The operations are divided into six segments. These are described on pages 12-25:

- General insurance Private Norway
- General insurance Commercial Norway
- General insurance Nordic
- General insurance Baltics
- Pension and savings
- Banking

General insurance is the Group's core business.

Gjensidige is one of Norway's best-known brands. Both the company logo and the Watchman have a high recognition factor. The roots of the general insurance operations can be traced back to the 1820s, while the Watchman has been the trademark for insurance business for more than 75 years. The Watchman logo was introduced in markets outside Norway in 2007 and 2008,

THE GJENSIDIGE EXPERIENCE

Gjensidige is one of the strongest brands in Norway and we are building brand awareness in the Nordic and Baltic countries. Our aim is to build a distinct, business oriented and relevant brand inn all markets in which we operate.

Gjensidige has wanted to combine the company strategy of customer orientation with the management of our brand.

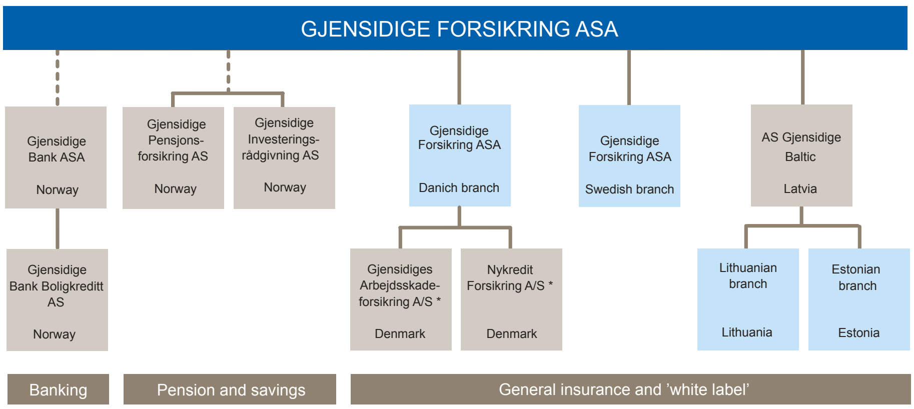
The development of what we call the Gjensidige Experience is a key element.

Gjensidige has established a common framework for the Group's customer orientation based on four organisational principles:

- We keep our promises
- We always provide quality
- We make the complicated simple
- We ensure that the customer is satisfied

These four principles shall provide directions for the organisation and provide a platform for Gjensidige's value-adding services.

The Gjensidige Experience shall characterise our interactions with our customers. It shall distinguish us from our competitors and ensure that Gjensidige will be one of the most customer-oriented companies in the insurance industry.



The figure shows principal operational subsidiaries and branches in Gjensidige

* Gjensidiges Arbejdsskadeforsikring A/S and Nykredit Forsikring A/S are owned by Gjensidige Forsikring ASA, but run by the Danish branch


VISION
WE SHALL KNOW THE CUSTOMER BEST AND CARE THE MOST!

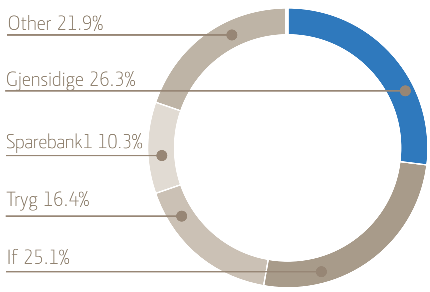
MARKETS

The Scandinavian general insurance markets are consolidated. This is particularly true for Norway and Sweden, where the three largest players account for 67.8 and 63.4 per cent of the market, respectively. In Denmark, the three largest players account for a total of 52.0 per cent of the market.

The Scandinavian insurance markets are characterised by cost-efficient players that focus on profitability. However, new players have entered the field in recent years – both established financial groups with a more extensive new range of products, foreign insurance companies, as well as a few minor niche players. This has resulted in a market with strong competition among the providers.

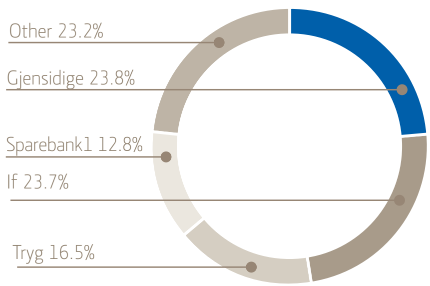
In the Baltics, the biggest players are foreign financial groups. Only one of the five largest companies is locally owned. The distribution model deviates somewhat from the Scandinavian one, with more extensive use of agents, as illustrated by the substantially higher cost ratio among the Baltic players.

MARKET SHARES NORWAY, TOTAL



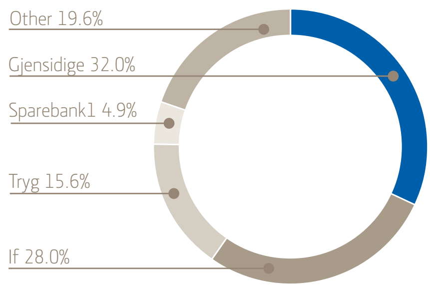
Based on gross premiums written 2011

MARKET SHARES NORWAY, PRIVATE



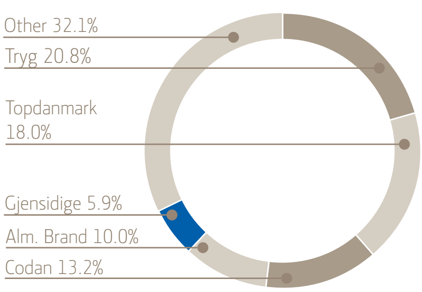
Based on gross premiums written 2011

MARKET SHARES NORWAY, COMMERCIAL



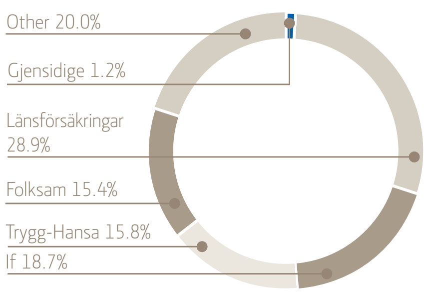
Based on gross premiums written 2011

MARKET SHARES DENMARK



Based on gross premiums written 2010

MARKET SHARES SWEDEN



Based on gross premiums written 2011

SOURCES:
1 Finance Norway, general insurance statistics, Q4 2011. Sparebank1 Skadeforsikring and Sparebank1 Livsforsikirng presented together.
2 The Danish Insurance Association, general insurance statistics 4th quarter 2010, Nykredit Forsikring included
3 The Swedish Insurance Federation, general insurance statistics, 4th quarter 2011
4 Insurance Supervisory Authorities of Latvia, Lithuania, Estomia; Estonia Statistics; Gjensidige Baltic reports, Swedbank Varakirdiustus interim report 4th quarter 2011; with manual corrections.

PRESERVING SECURITY

The roots of today's Gjensidige Group can be traced back to the inner parts of Eastern Norway in the years around 1820, when Lands Private Brandassuranceforening was founded as the first mutual fire insurer. By 1920, the number of mutual fire insurers had increased to 260. The Group's life insurance business can be traced back to the establishment of Christiania Almindelige Gjensidige Forsørgelsesanstalt in 1847.

1922
The Company was established under the name of Samtrygd as a joint reinsurance company for the mutual fire insurers in Norway.

1932
The Watchman was put to use as the logo of Gjensidige Liv together with the slogan "Time passes; Gjensidige endures."

1958
The Company offered insurance directly to the market. At the same time, the insurance coverage and range of products were expanded.

1974
Samtrygd merged with Norsk Bilforsikring Gjensidige (NBG) and became the biggest car insurance company in the Norwegian market. Later that year, collaboration was entered into with Gjensidige Liv under the Gjensidige brand and the Watchman logo. The companies were placed under joint management in 1985.

1993
The acquisition of Forenede Forsikring resulted in a significant expansion of the Company's business.

1998
Gjensidige had evolved into a financial group with a full range of general and life insurance, pension and other financial services as well as online banking services.

1999
Sixteen regional mutual fire insurers merged with Gjensidige Forsikring, transforming Gjensidige from a mutual federation of Gjensidige companies into an integrated mutual group. Later that year, Gjensidige, Gjensidige Liv and Sparebanken NOR merged and combined their business operations to form the financial group Gjensidige NOR .

2001
The Group acquired Falck and became active in the Norwegian health service market.

2002
Gjensidige NOR was divided into two, cooperating groups: Gjensidige NOR Forsikring, the general insurance group, and Gjensidige NOR ASA, listed banking and life insurance company.

2003
Gjensidige NOR ASA merged with DnB Holding ASA and established DnB NOR ASA. A strategic cooperative agreement was established between the new group and Gjensidige.

2005
The cooperative agreement between Gjensidige and DnB NOR was terminated. Gjensidige expanded its geographical area to include Denmark, Sweden and the Baltic States.

2006
The Group started new operations in pensions and savings.

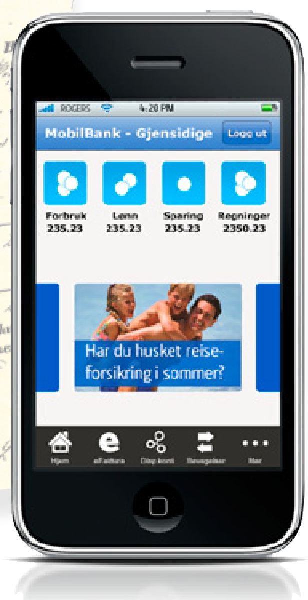
2007
The online internet bank Gjensidige Bank was established. 25 per cent of the equity in Gjensidige Forsikring BA was re-classified to equity certificate capital, and transferred to the Gjensidige Foundation

2009
Gjensidige Bank acquired Citibank's Norwegian business in consumer financing.

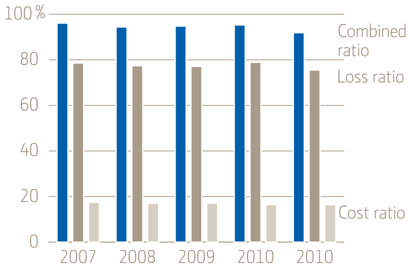
2010
Gjensidige Forsikring BA was converted into a public limited company (ASA). At the same time, the Gjensidige Foundation was converted into a financial foundation and became the owner of all of the shares in the Group. Gjensidige Forsikring ASA was listed on the stock exchange in December. The Gjensidige Foundation sold nearly 40 per cent of its shares.

2011
The Health Care company Hjelp24 was sold.

THE GROUP HAS BEEN PRESERVING SECURITY FOR NEARLY 200 YEARS

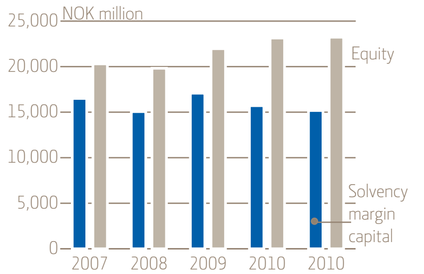


COMBINED RATIO DEVELOPMENT



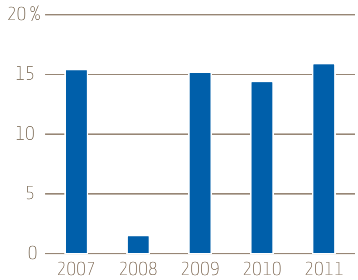
Combined ratio = Loss ratio + Cost ratio

EQUITY AND SOLVENCY MARGIN CAPITAL



Solvency margin capital = Net subordinated capital including share of security provisions (based on the company accounts for Gjensidige Forsikring ASA)

RETURN ON EQUITY



Return on equity = Profit before tax expense / average equity for the period.

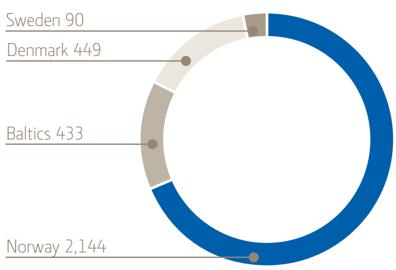
FINANCIAL KEY FIGURES

RESULTS		2011	2010	2009	2008	2007
Earned premiums, general insurance	NOK million	17,548.1	17,063.3	15,660.4	15,481.9	14,848.0
Other operating income	NOK million	1,833.4	1,727.5	1,010.3	989.5	481.5
Net income from investments	NOK million	2,375.6	2,748.2	2,788.0	(258.7)	2,809.6
Claims incurred, general insurance	NOK million	(13,249.3)	(13,456.6)	(12,071.0)	(11,983.8)	(11,696.5)
Other claims incurred, losses etc.	NOK million	(987.9)	(743.0)	(390.3)	(393.3)	(90.7)
Operating expenses, general insurance	NOK million	(2,877.9)	(2,810.4)	(2,771.5)	(2,638.3)	(2,598.9)
Other operating expenses	NOK million	(994.6)	(1,274.9)	(1,059.2)	(890.1)	(741.1)
Tax expense	NOK million	(899.5)	(303.6)	(861.8)	(55.0)	(541.3)
Profit for the year	NOK million	2,747.9	2,950.4	2,304.8	252.3	2,470.5
Underwriting result, general insurance [1]	NOK million	1,421.0	796.3	817.9	859.8	552.6
Run-off results, general insurance [2]	NOK million	366.3	301.1	310.2	417.3	49.5
Combined ratio [3]	Per cent	91.9%	95.3%	94.8%	94.4%	96.3%
Loss ratio [4]	Per cent	75.5%	78.9%	77.1%	77.4%	78.8%
Cost ratio [5]	Per cent	16.4%	16.5%	17.7%	17.0%	17.5%

BALANCE SHEET		2011	2010	2009	2008	2007
Investment portfolio [6]	NOK million	54,486.7	52,347.0	50,669.1	47,771.8	46,803.0
Provisions for unearned premiums, gross	NOK million	9,531.4	9,078.3	7,671.7	6,760.9	6,060.2
Claims provisions, gross	NOK million	29,961.6	28,339.3	25,857.2	25,561.5	23,147.1
Equity	NOK million	23,228.6	23,137.8	21,968.2	19,585.9	20,302.5
Total equity and liabilities	NOK million	88,491.9	84,106.8	74,868.9	65,551.4	58,159.9
Solvency margin capital [7]	NOK million	15,179.3	15,712.1	17,081.4	15,409.3	13,423.5
Solvency margin [8]	Per cent	535.2	581.9	713.8	642.2	561.3
Capital adequacy ratio [9]	Per cent	16.2	16.1	18.9	20.7	26.1

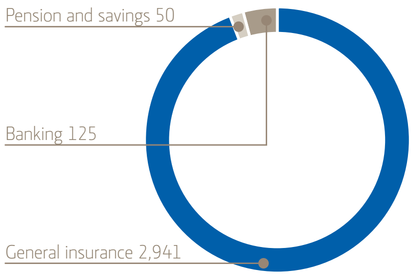
RETURN		2011	2010	2009	2008	2007
Return on financial assets (ROI) [10]	Per cent	4.4	5.2	5.5	(0.6)	6.3
Return on equity (ROE) [11]	Per cent	15.9	14.4	15.2	1.5	15.4

NUMBER OF EMPLOYEES PER COUNTRY



The Group had a total of 3,116 employees at the end of 2011

NUMBER OF EMPLOYEES BY SEGMENT



NON-FINANCIAL KEY FIGURES

HEALT, SAFETY AND THE ENVIRONMENT		2011	2010	2009	2008	2007
Sickness absence, Gjensidige Forsikring Norway	Per cent	4.6	5.2	5.0	3.8	4.0
Injuries, Gjensidige Forsikring	Number	0	0	0	0	0
Turnover of employees, Gjensidige Forsikring	Per cent	16.6	11.6	11.4	12.6	19.6

EMPLOYEES		2011	2010	2009	2008	2007
Group as a whole	Persons	3,116	3,917	3,780	3,640	3,460
Average age, Gjensidige Forsikring	Years	44.4	44.4	44.6	45.1	45.7
Average amount spent on skills development per employee*	NOK	16,400	10,420	10,000	5,400	9,300
Participation in a training programme	Days	4,500	6,200	3,231	4,756	2,485

* 2011 includes Gjensidige Academy

DEFINITIONS:

1. Underwriting-result, general insurance = earned premiums - claims incurred etc - operating expenses
2. Run-off result, general insurance = change in estimates from earlier periods
3. Combined ratio = claims ratio + cost ratio
4. Loss ratio = claims incurred etc. / earned premium
5. Cost ratio = operating expenses / earned premium
6. Investment portfolio = includes all investment funds in the Group, except Pension and savings and banking
7. Solvency margin capital = net subordinated capital including share of security provisions
   (based on the company accounts for Gjensidige Forsikring ASA in accordance with NGAAP)
8. Solvency margin is calculated at company level according to regulations from the Financial Supervisory Authority of Norway.
9. Capital adequacy ratio = net subordinated capital / risk-weighted calculation basis (based on the consolidated accounts in accordance with NGAAP).
10. Return on financial assets = net financial income as a percentage of the average financial assets including property
    (excluding Pensions and savings and banking)
11. Return on equity = profit before tax / average equity for the period

FINANCIAL TARGETS AND STRATEGIES

Gjensidige's overarching target is to be a leading, profitable, customer-oriented general insurance company in the Nordic market. Product simplification and better self-service solutions are important focus areas.

Gjensidige is currently a full-fledged provider of products in general insurance and accident and health insurance to Norwegian private and commercial customers. Other target areas – a broad range of products in Norway and general insurance in the Nordic countries and the Baltics – should primarily support the core business operations by offering customer relations-building products and services and economies of scale, respectively.

Gjensidige's sound brand forms a good basis for the sale of new products and services to the Group's roughly one million customers in Norway. Combined with a further development and expansion of the loyalty programmes in the general market and aimed at the organisation market, this will contribute to more satisfied customers and reduced customer turnover.

The Group's focus on the relation-building support areas of banking, pension and savings, and health services shall strengthen the Group's competitiveness and to help develop Gjensidige as a customer-oriented player. The Group's substantial customer base represents a unique opportunity to achieve with profitable growth through cross-sales of new services to insurance customers. A diversified product portfolio will allow Gjensidige to capitalise to a greater extent on the value of its existing customer base and distribution platform.

Through growth in general insurance in the Nordic countries and the Baltics, the Group shall achieve economies of scale in the form of synergies that contribute to long-term value creation, increased competitiveness through the addition of new customers and greater risk diversification through a larger and more diversified portfolio. Cost synergies are primarely achieved in the areas of reinsurance, development and management of insurance products, common guidelines for underwriting, more efficient capital allocation and common ICT solutions.

In addition to organic growth, Gjensidige will also attempt to grow in the coming years through the acquisition of other businesses that support the Group's growth strategy within its range of products and services and its geographical area, provided that the transactions support the Group's long-term target of a 15 per cent return on equity before tax expense.

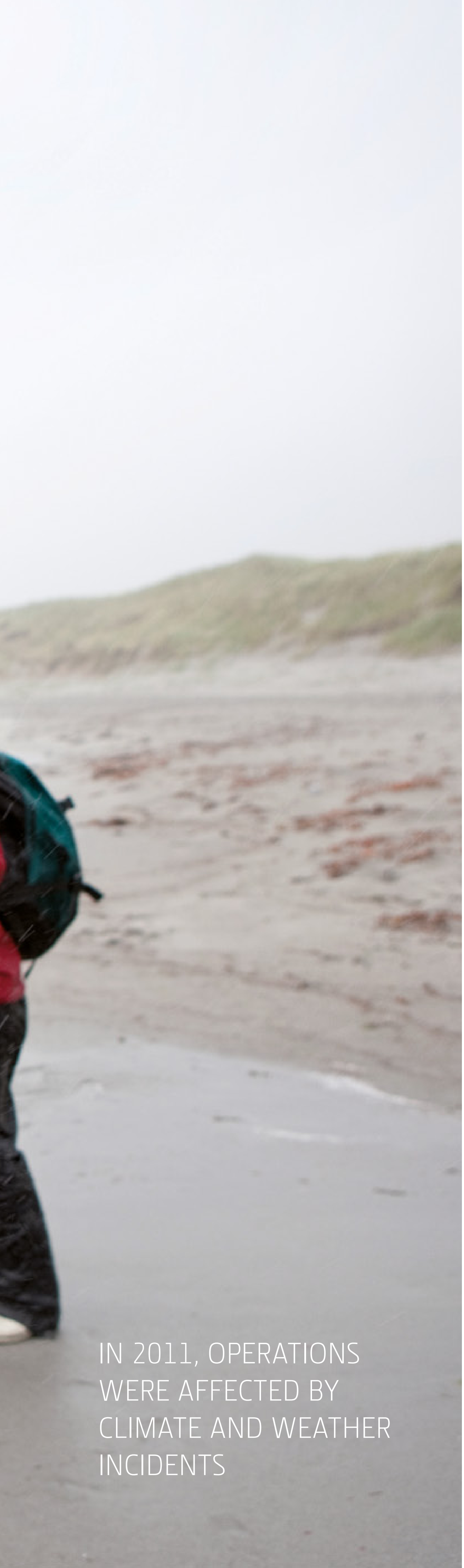
Product simplification and better selfservice solutions shall support the Group's longterm financial targets of a combined ratio of 90 to 93.

Gjensidige is, and shall be, an attractive workplace that attracts, challenges and develops motivated and competent employees and managers. This will be achieved through a strong emphasis on management and employee development, fair reward models and a systematic effort to further develop the skills in the organisation.

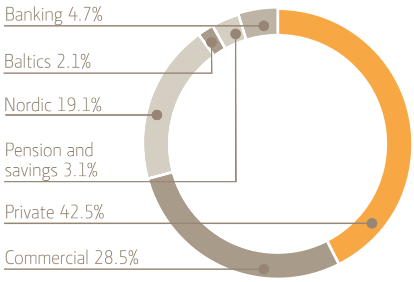
TARGETS

AREA	TARGETS	COMMENTS
GROUP		
Return on equity before tax	> 15 per cent	Return on equity before tax in 2011 of 15.9 per cent
Rating	Maintain single A rating from Standard & Poor's	A rating confirmed by Standard & Poor's in August 2011
Dividend	50-80 per cent of the profit for the year after tax expence for the Group	The Board of Directors recommends that NOK 2,275.0 million be paid in dividends for 2011, corresponding to NOK 4.55 per share.
GENERAL INSURANCE AND ACCIDENT AND HEALTH INSURANCE		
Combined ratio	90-93 per cent	91.9 per cent in 2011
Cost ratio	15 per cent by 2015	16.4 per cent in 2011
SUPPORTING AREAS		
Profitability	Support the Group's target for return on equity	Return on equity before tax in 2011 of 5.2 per cent and 2.9 per cent for Banking and Pension and savings, respectively

OPERATIONS



INCOME PER SEGMENT



The distribution is based on earned premiums, excluding other income and eliminations

The operations in Gjensidige are divided into six segments: general insurance Private, Commercial, Nordic and Baltic, as well as Pension and savings and Banking. In addition to the six segments, the asset management function manages the Group's investment portfolio.

General insurance Norway

- General insurance is Gjensidige's core business
- A complete supplier of general and accident and health insurance to private, commercial and agricultural customers in Norway
- 753,000 private customers
- 165,000 commercial and agricultural customers

General insurance outside Norway

- General insurance operations in Denmark, Sweden and the three Baltic States
- Established position through seven acquisitions in the period 2006-2010
- The private and commercial market in Sweden and Denmark
- Insurance to municipalities and municipal operations in Norway, Sweden and Denmark

The support areas

- Pension and savings: A broad range of pension, investment and savings products is offered for both the private and commercial markets in Norway
- Banking: Through online banking, banking products are offered to the private and agricultural markets in Norway
- The support areas have been established in order to support our core business in Norway

Asset management

- The asset management function manages the Group's investment portfolio within limits set by the Board of Directors
- The portfolio consists of investments in a number of asset classes, including bonds and money market instruments, property and shares
- Assets under management of NOK 54.5 billion at year-end 2011

GENERAL INSURANCE PRIVATE NORWAY

Gjensidige has worked for many years to create good customer experiences. In combination with a strong brand, this has secured Gjensidige the position as market leader in the Norwegian private market. High customer satisfaction is the key to continued success, and Gjensidige is constantly introducing new measures aimed at increasing customer value.

OPERATIONS

Private Norway offers a broad range of insurance products and services:
- Accident and health insurance
- Property insurance
- Motor insurance
- Travel insurance
- Other insurance

Gjensidige also offers banking, savings and investment products to its private customers. In 2011, the portfolio of insurance policies sold under other brands (white-label) was transferred to the Private Norway segment, while the agriculture portfolio was moved to the Commercial Norway segment.

UNIQUE BRAND

Gjensidige has a strong brand that forms a strong foundation for future development of the Company. In Norway, the Gjensidige brand has the highest degree of brand awarenessl in the insurance market. Over half the population would consider Gjensidige when purchasing a new insurance policy (source: The Competitor and Brand Survey, Private 2011. Ipsos MMI). The Watchman logo is a strong identity hallmark for the brand and is seen as a symbol of insurance, security and tradition in the Nordic countries. These are very attractive qualities to be identified with for a player operating in an industry that is based on trust.

MARKET LEADER WITH LOYAL CUSTOMERS

Gjensidige is the largest player in the private market, with a market share of 23.8 per cent in 2011, down from 25.4 per cent in 2010. The decrease was related to Gjensidiges focus on profitability over growth. Much attention has been devoted to measures aimed at retaining customers, however, and the loss of customers has declined throughout 2011. On average, customers who choose to stay with Gjensidige have more products and a lower loss ratio than customers who choose to leave the Company.

At the end of 2011, Gjensidige had 753,000 customers in the private segment. Around 300,000 of them are part of the Gjensidige Fordel customer programme, in which customers receive a number of other benefits in addition to a discount based on the number of products they have. Around 233,000 of the customers are part of various customer programmes involving Gjensidige and key partners such as the Confederation of Vocational Unions (YS), the Norwegian Society of Engineers and Technologists (NITO) and Tekna – the Norwegian Society of Graduate Technical and Scientific Professionals. A long-standing cooperation with the Norwegian Automobile Federation (NAF) was terminated in spring 2011, with limited effect on portfolio. On average, Gjensidige's programme and organisation customers have a longer relationship with the Company than other customers.

Surveys show that customers who have several Gjensidige products are more satisfied than customers who have only one. It is a priority for the Company to increase the number of customers who have both insurance, banking and pension products in Gjensidige.

THE BEST CUSTOMER SERVICE IN THE INDUSTRY

In TNS Gallup's customer service survey in 2011, Gjensidige was rated best in the insurance industry. As many as 59 per cent of the customers described Gjensidige's customer centre as 'Excellent' or 'Very good'.

Key figures

NOK million	2011	2010	2009
Earned premiums	8,082.8	7,719.9	7,337.5
Claims incurred	(5,670.9)	(5,895.5)	(5,705.9)
Operating expenses	(1,226.2)	(1,162.3)	(1,270.2)
Underwriting result	**1,185.7**	**662.0**	**361.4**
Amortisation of excess value – intangible assets	(9.5)	(109.5)	(12.0)
Loss ratio [1]	70.2%	76.4%	77.8%
Cost ratio [2]	15.2%	15.1%	17.3%
Combined ratio [3]	85.3%	91.4%	95.1%

Definitions:
1 Loss ratio = claims incurred / earned premiums
2 Cost ratio = operating expenses / earned premiums
3 Combined ratio = loss ratio + cost ratio

DISTRIBUTION

Gjensidige's private customers are served either through a dedicated distribution network or via agents and dealers/partners.

MULTI-CHANNEL MODEL

Gjensidige has a multi-channel strategy in which products and services are distributed via telephone, online solutions and local branch offices. The customer enjoys the same level of service, regardless of channel.

Our insurance offices and cooperating mutual fire insurers attend to functions that require local knowledge and personal contact. All the insurance offices offer the full range of Gjensidige products, but with different degrees of local specialist expertise. A wide product range is one of the segment's most important focus areas.

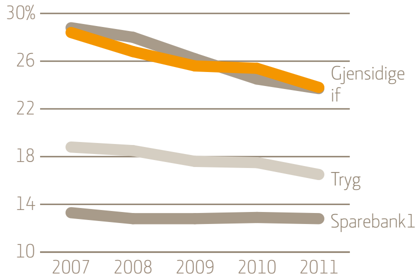
The roles of the different channels has been redifened in recent years, and the number of local branch offices has been reduced. An additional 16 local branch offices will be closed in 2012. A new office concept is also being developed, with increased focus on financial advisory services, and work on improved self-service solutions is continuing.

Gjensidige's customer centres are independent sales and customer relations channels that provide service and sell insurance and financial products to private customers by phone. The customer centres are also open in the

CUSTOMER SATISFACTION PRIVATE NORWAY

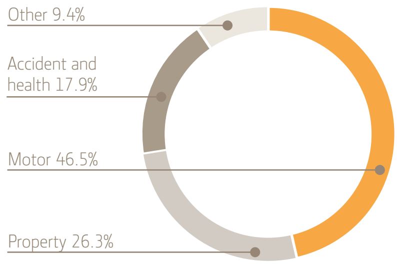
Source: Customer satisfaction survey, self-initiated custumer analysis, conducted by Norsk Kundebarometer/BI.

MARKET SHARES PRIVATE NORWAY



Total non-life insurance, based on gross premiums written (Source: Finance Norway (FNO)

PRODUCT GROUPS PRIVATE NORWAY



Based on earned premiums 2011

evening and handle around 1.1 million incoming calls every year. In addition, Gjensidige has two centres that contact new customers and develop and maintain existing customer relations.

The website gjensidige.no is becoming increasingly important for Gjensidige's contact with its retail customers. The degree of self-service is increasing, and approximately 13 per cent of sales were online in 2011. Customer service personnel shall contribute to increasing the degree of self-service by actively guiding customers in the use of gjensidige.no.

AGENTS AND WHITE LABELS

As a supplement to Gjensidige's own channels, products are distributed through agents, including banks, a large number of car dealers, estate agents and via agencies.

White label distribution largely takes place through agents and business partners such as shops, car dealers and banks that wish to expand their product range with insurance products under their own label.

FOCUS AREAS IN 2011

CUSTOMER SATISFACTION

Customer orientation and measures aimed at retaining customers have been given priority in 2011. Gjensidige's Customer and Brand School has an important role in the training of managers and personnel who deal with customers. Internal surveys carried out in autumn 2011 showed that there is a clear connection between sales training and customer satisfaction, sales and a reduced loss of customers. Simplifying products and processes will facilitate a higher degree of self-service and contribute to an even better customer experience in future.

OPTIMAL RISK PRICING

Correct pricing of risk is the core of all insurance activity. In recent years, Gjensidige has focused on developing tariff rates and customer selection. By using advanced analytical and modelling tools in combination with more extensive data (internal and external) and risk parameters, Gjensidige has succeeded in developing and launching premium rates that better reflect the underlying insurance risk. The programme has enabled more fine-meshed price differentiation between groups with different risk profiles than is market practice in Norway. The tariff rating tool will contribute to ensuring Gjensidige's competitiveness in the time ahead. In 2011, new rates were introduced for private travel insurance. New rates for motor and property insurance had been launched previously.

RESULTS

Earned premiums amounted to NOK 8,082.8 million in 2011, an increase of 4.7 per cent from the year before. The development in earned premiums in 2011 reflected the effect of premium increases implemented in 2010 and 2011. There was considerable focus on measures aimed at retaining customers in 2011, which resulted in reduced loss of customers during the year.
Claims incurred amounted to NOK 5,670.9 million in 2011, compared with NOK 5,895.5 million in 2010. The loss ratio was 70.2 in 2011, compared with 76.4 the year before. During the first months of the year, the proportion of winter-related claims was considerably lower than in the same period in 2010, and the claims trend for property insurance (excluding natural disaster claims) was therefore substantially better. The level of compensation for motor, leisure and accident and health insurance was lower in 2011 than in 2010. The hurricanes Dagmar and Berit towards the end of 2011 had a negative effect of NOK 100 million on claims incurred.

Large losses[1] amounted to NOK 15.0 million in 2011, with absence of such the year before. The run-off gain[2] in 2011 was NOK 114.5 million, compared with NOK 90.9 million in 2010.

The cost ratio for 2011 was 15.2, a reduction of 0.1 percentage points in relation to the year before. In nominal terms, costs increased by NOK 63.9 million in 2011 compared with 2010. Among other things, the increase was due to a provision of NOK 40.0 million related to the new distribution strategy.

The combined ratio for 2011 was 85.3 per cent, compared with 91.4 in 2010. The underwriting result amounted to NOK 1,185.7 million in 2011, compared with NOK 662 million the year before.

TARGETS AND STRATEGIES

Private Norway shall support the Group's target of a combined ratio of 90-93:
- Distribution and operations will be further rationalised.
- Further efforts on pricing and tariffing

The Company's leading position in the Norwegian private market will continue:
- Increased focus on financial advisory services
- Increase private customers' number of products in the Company

Gjensidige shall be leading in customer-orientation:
- Differentiation through good customer experiences
- Improved availability, simplification of products/processes and a higher degree of self-service

OUTLOOK

Satisfactory profitability in the Norwegian general insurance market over several years has led to new competitors entering the market. Small niche companies have gradually increased their market shares, and the competition from established players remains strong. Gjensidige has long prioritised profitability over growth, and that strategy remains unchanged. With a leading brand, a strong focus on customer orientation, a full range of products, advanced tariff rating and increased availability through self-service, Gjensidige is in a good position to meet the competition also in future.

1 Losses in excess of NOK 10 million
2 Run-off gain/loss = estimate deviations from earlier periods

GENERAL INSURANCE COMMERCIAL NORWAY

Gjensidige has 165,000 agricultural and commercial customers in Norway. The company is the largest player in the commercial market and has a market share of 32.0 per cent. A multi-channel distribution model was established in 2011, which is an important step to further rationalise operation.

OPERATIONS

Gjensidige offers Norwegian business and industry a wide range of solutions for:

- Accident and health insurance
- Property insurance (including assets and operating losses)
- Agricultural insurance
- Motor insurance
- General liability insurance
- Marine/transport insurance

Gjensidige also offers comprehensive solutions that meet the customers' needs for pension and saving products. Hjelp24 was sold in the third quarter, but Gjensidige continous to offer selected health services in collaboration with the company.

MARKET LEADER

Gjensidige is the market leader in the Commercial market. At year-end 2011, market share was 32.0 per cent. This includes the agriculture portfolio, which was transferred from the Private segment in 2011. Based on comparable figures for 2010, the market share fell slightly. At year-end 2011, Gjensidige had around 85,000 commercial customers. At the same time, Gjensidige had 80,000 agricultural customers, which corresponds to a market share of 71.2 per cent in the agricultural market.

The market is characterized by considerable price competition among established players and a number of small players. As market leader, Gjensidige continues to take responsibility for ensuring a consistent focus on profitability.

Key figures

NOK million	2011	2010	2009
Earned premiums	5,411.9	5,401.0	5,662.2
Claims incurred etc.	(4,283.4)	(4,339.6)	(4,491.2)
Operating expenses	(734.1)	(692.9)	(766.2)
Underwriting result	**394.4**	**368.5**	**404.9**
Loss ratio [1]	79.1%	80.3%	79.3%
Cost ratio [2]	13.6%	12.8%	13.5%
Combined ratio [3]	92.7%	93.2%	92.8%

Definitions:
1 Loss ratio = claims incurred / earned premiums
2 Cost ratio = operating expenses / earned premiums
3 Combined ratio = loss ratio + cost ratio

DISTRIBUTION

A total of 97 per cent of Gjensidige's commercial customers (equal to 83 per cent of gross premiums written) are served through a dedicated distribution network, mutual fire insurers, agents and partners. Proximity to customers is also important in this segment. Other customers are served indirectly through insurance brokers.

MULTI-CHANNEL MODEL

The Norwegian commercial market mainly consists of small and medium-sized enterprises. This means that pricing is largely based on standardised products and premium rates in the same way as in the Private segment. In the first half-year 2011, multi-channel distribution was also established for the Commercial segment, which means that products and services are distributed via telephone, online solutions and local branch offices. The customer enjoys the same level of service, regardless of channel.

A central customer centre to handle incoming service calls has been established at Moelv. The new model frees up time that can be spent on sales and on advising customers. Together, the insurance offices and the customer centre provide specialist expertise to medium-sized and large commercial customers and big agricultural customers.

There is relatively limited use of the internet for sales and claims settlement in the commercial segment. Self-service will, nevertheless, become increasingly important as more customers prefere to manage their own insurance products online.

MUTUAL FIRE INSURERS, PARTNERS AND AGENTS

The mutual fire insurers ensure distribution in areas in which Gjensidige does not have its own offices. Cooperating marine insurance associations provide insurance in the field of fisheries/vessels. The agencies supplement Gjensidige's own distribution in growth areas and only distribute for Gjensidige under the brand name Gjensidige.

CORPORATE CUSTOMERS/BROKERS (KKM)

KMM is a nationwide customer relations channel targeting brokers and Norway's largest enterprises. KMM has a high level of marketing and professional expertise and a strong focus on risk assessment and risk management. The service and servicing concept is based on relations with customers and brokers, and customised solutions to meet customers' needs.

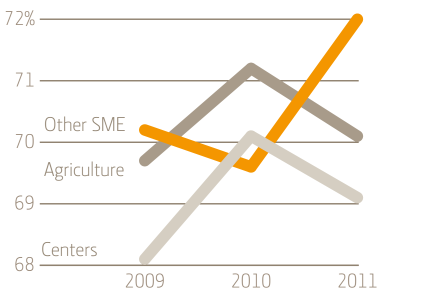
FOCUS AREAS IN 2011

RISK PRICING

The main focus in 2011 was on underlying profitability and portfolio quality improvement. Price adjustments were implemented on the basis of both overall and customer-specific profitability.

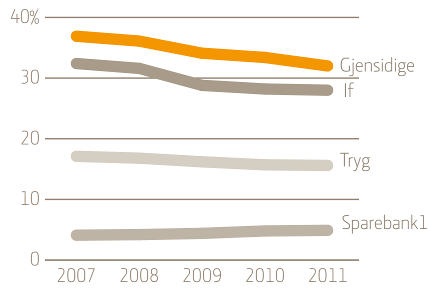
Successful insurance provision is all about correct risk pricing. In 2011, considerable resources were invested in tariffing, where Gjensidige now

CUSTOMER SATISFACTION COMMERCIAL NORWAY



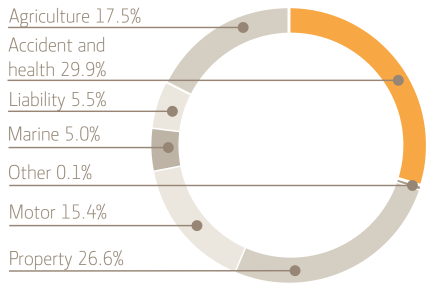
Source: Customer satisfaction survey, self-initiated custumer analysis, conducted by Norsk Kundebarometer/BI.
SME = Small and medium sized enterprises

MARKET SHARES, COMMERCIAL NORWAY



Total non-marine insurance.

PRODUCT GROUPS, COMMERCIAL NORWAY



Based on gross premiums written 2011

is leading in Norway. In the course of 2011, Gjensidige developed and implemented new tariff rates for important areas such as cars, lorries and industrial buildings on the basis of advanced risk and price modelling and with all products adapted to a core system.

TURNAROUND

The introduction of a multi-channel distribution model, with related organisational changes, and rationalisation measures and activity management, wereimportant focus areas in 2011. Analysis-driven customer relationship management (CRM) and active portfolio management free up time for sales and relationship activities.

Gjensidige's Customer and Brand School is an important institution for raising competence and teaching employees who deal with customers about the Gjensidige brand and culture. All customer advisers completed certification through Gjensidige's Customer and Brand School.

RESULTS

Earned premiums amounted to NOK 5,411.9 million in 2011, an increase of 0.2 per cent from the year before. The trend of falling earned premiums was reversed in the second quarter and can be explained by, among other things, the switch to multi-channel distribution in the first half-year. The new model had a positive effect on sales activity and earned premiums throughout the year.

Claims incurred amounted to NOK 4,283.4 million in 2011, compared with NOK 4,339.6 million in 2010. For 2011, the loss ratio was 79.1, an improvement from 80.3 in 2010. Systematic risk management and customer selection had a positive effect.

Despite several greater fire losses in the second half-year, the agriculture product showed improvement in the claims trend in 2011 compared with the year before due to many frost and winter-related claims in 2010. New premium rates and changes in the portfolio led to considerable improvements in motor insurance claims. In addition, the level of accident and health claims was low.

The scope of natural disaster claims in 2011 was unusually large, and the storms Berit and Dagmar at the end of the year accounted for NOK 145.1 million of claims incurred.

The level of large losses[1] was slightly higher in 2011 than in 2010, which has a negative effect on the underwriting result. Large losses amounted to NOK 281.6 million in 2011, compared with NOK 251.4 million the year before. The run-off gain[2] in 2011 was NOK 71.2 compared with NOK 102.0 in 2010.

The cost ratio came to 13.6 in 2011, compared with 12.8 in 2010. In nominal terms, the costs have increased by NOK 41.2 million in 2011 compared with 2010. This was due, among other things, to a non-recurring effect related to the reorganisation in the first half-year.

The combined ratio for 2011 was 92.7 per cent, compared with 93.2 in 2010. The underwriting result amounted to NOK 394.4 million in 2011, compared with NOK 368.5 million the year before.

TARGETS AND STRATEGIES

The Commercial segment shall support the Group's goal of a combined ratio of 90-93:

- Rebalance the portfolio
- Improve pricing and tariffing
- Stronger focus on the profitable small and medium-sized enterprise segment
- Utilise the customer database to identify areas for growth, including cross-sales of pension and saving products .

Further develop the distribution model:

- Process improvement, rationalisation and simplification
- Use of technology for automation and self-service
- Increased differentiation with respect to industries and customer segments.

Focus on customer-orientation:

- The customer experience is top priority in all development projects
- Increased service quality at all points of contact with the customer
- Market leader in customer service and customer satisfaction

OUTLOOK

Gjensidige's sound finances, long-term perspective and focus on customer orientation are competitive advantages in the Commercial segment.

Automation of internal and external processes provides new possibilities for efficient information exchange between customers and the Company. Customers, small commercial customers in particular, are expected to move more of their transactions online, as self-service solutions become avialablke. Simplification and automation will, along with a continued focus on optimal pricing, help to ensure that Gjensidige remains competitive in the Norwegian Commercial market in the future.

1 Losses in excess of NOK 10 million
2 Run-off gain/loss = estimate deviations from earlier periods

GENERAL INSURANCE NORDIC

Gjensidige's Nordic business offers customised solutions to its private and commercial customers in Sweden and Denmark. Gjensidige also has a leading position in the Scandinavian municipal market. In 2011, Nordic functions were established for Product and Price, Claims, ICT and Marketing.

OPERATIONS

The main part of the Nordic business is operated through Swedish and Danish branches of the parent company Gjensidige Forsikring ASA. The exception is the business within Danish workers compensation insurance, which is organised as a separate company, Gjensidiges Arbejdsskadeforsikring, and insurance for the private market distributed via the Nykredit group in Denmark by a separate company Nykredit Forsikring.

PRIVATE AND COMMERCIAL CUSTOMERS

Gjensidige offers an almost complete range of products to the segment's private and commercial customers in Sweden and Denmark. In the private market, this includes motor insurance, property insurance, change-of-ownership insurance and accident insurance. In the commercial market, a full range of products is offered with the exception of insurance in the marine segment and guarantee insurance.

Most of the insurance products are sold under Gjensidige's name and brand. The exception is insurance that is sold to private customers via the Nykredit group in Denmark.

There is generally strong competition in both the private and commercial markets. Gjensidige maintains a focus on profitability in the Nordic segment, as in the to general insurance segmenst in Norway.

THE MUNICIPAL MARKET

Gjensidige is a complete supplier of general insurance products to Scandinavian municipalities and municipal undertakings. This includes workers compensation insurance and the administration of insurance schemes for the municipalities.

Key figures

NOK million	2011	2010	2009
Earned premiums	3,635.0	3,453.1	1,907.4
Claims incurred	(2,933.3)	(2,882.7)	(1,439.1)
Operating expenses	(626.1)	(640.7)	(286.0)
Underwriting result	**75.6**	**(70.4)**	**182.3**
Amortisation of excess value – intangible assets	(142.0)	(117.0)	(97.9)
Loss ratio [1]	80.7%	83.5%	75.5%
Cost ratio [2]	17.2%	18.6%	15.0%
Combined ratio [3]	97.9%	102.0%	90.4%

Definitions:
1 Loss ratio = claims incurred / earned premiums
2 Cost ratio = operating expenses / earned premiums
3 Combined ratio = loss ratio + cost ratio

The competition in the municipal market in Denmark intensified during the year. The public sector insurance market remained challenging.

DISTRIBUTION

DENMARK

In connection with the acquisition of Nykredit Forsikring, Gjensidige and the Nykredit group entered into a long-term strategic collaboration on, among other things, the distribution of Gjensidige's insurance products through the Nykredit group. The strategic collaboration on distribution represents considerable potential for Gjensidige in the Danish market. The Nykredit group provides general insurance on behalf of Gjensidige to both the private and the commercial market.

The private market is served via call centres in Copenhagen and Viby as well as via the internet. In addition, private insurance products are sold via partners, including Kia Motors, the Danish Association of Managers and Executives and EDC, Denmark's largest estate agency chain.

In the Danish commercial market, sales are conducted in cooperation with brokers and own insurers in the market for small and medium-sized customers and agricultural customers.

Gjensidige is the fifth-largest general insurance company in Denmark.

SWEDEN

In Sweden, general insurance products are distributed to private customers, directly via telephone and the internet, and through insurance mediators (partners and agents). In the commercial market, distribution mainly takes place through insurance brokers and partners.

Gjensidige is a small player in the Swedish market.

THE MUNICIPAL MARKET

Distribution in the municipal market is conducted either directly or through brokers. The market is primarily based on competitive tenders.

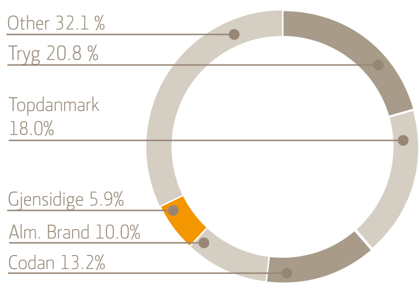
Gjensidige is a leading player in the Scandinavian municipal market.

NORDIC FUNCTIONS

Gjensidige acquired Nykredit Forsikring in Denmark in April 2010. Considerable resources have been invested in rapid integration of Nykredit Forsikring in the Gjensidige Group, and at the turn of the year, identified annual synergies had been realised.

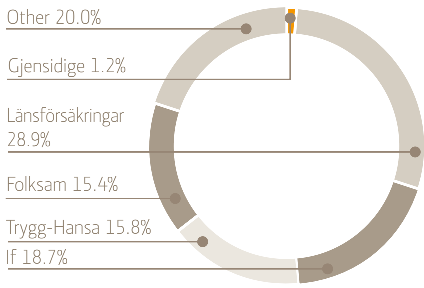
Nykredit's portfolio has been converted to a common Nordic platform, and Nordic functions have been established for, among other things, products, price, claims, ICT and communication. Ongoing rationalisation and streamlining efforts to form a uniform group structure continue unabated.

MARKET SHARE DENMARK



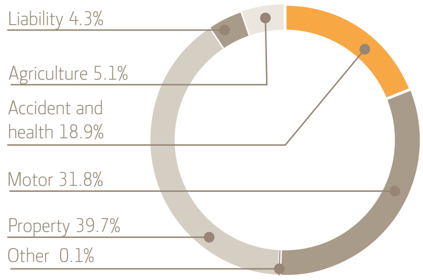
Source: Forsikring & Pension, fourth quarter 2010

MARKET SHARE SWEDEN



Source: Swedish Insurance 2011

PRODUCT GROUP NORDIC



Based on earned premiums 2011

In 2011, 27 employees took part in a course organised by Gjensidige's Customer and Brand School. It is an objective that all employees in direct contact with customers shall have taken part in a course organised by the school by the end of 2013.

RESULTS

Earned premiums amounted to NOK 3,635.0 million in 2011, an increase of 5.3 per cent from the year before. The increase was mainly related to the acquisition of Nykredit Forsikring. Changes in the exchange rate and reinsurance premiums linked to reinstatement following the torrential downpour in Copenhagen on 2 July had a negative effect on earned premiums in 2011. Profitability requirements led to losses in the commercial portfolio in the Danish market. Comprehensive price measures were implemented in the Nordic segment in 2011.

Claims incurred amounted to NOK 2,933.3 million in 2011, compared with NOK 2,882.7 million in 2010. The loss ratio came to 80.7 in 2011, compared with 83.5 the year before. The percentage of weather-related claims was higher than expected in 2011. There was one unusually large frequency claim in 2011, the torrential downpour in Copenhagen on 2 July, which alone accounted for NOK 83.7 million of claims incurred. The figures were also affected by storms in February and November.

The level of large losses[1] in 2011 was somewhat lover than in 2010. They amounted to NOK 132.4 million (153.8). The run-off gains[2] was NOK 160.8 million (77.3)

The cost ratio for 2011 was 17.2, a reduction of 1.4 percentage points in relation to the year before. In nominal terms, the costs decreased by NOK 14.6 million in 2011 compared with 2010. This development was mainly due to the increase in business volume following the acquisition of Nykredit Forsikring, and exchange rate effects, combined with considerable cost reductions as a result of the realisation of synergies. The expected cost synergies were realised by the end of 2011.

The combined ratio for 2011 was 97.9 per cent, compared with 102 in 2010. The underwriting result amounted to NOK 75.6 million in 2011, compared with NOK 70.4 million the year before.

TARGETS AND STRATEGIES

The Nordic segment shall support the Group's target of a combined ratio of 90-93:

- Following the acquisition of Nykredit Forsikring, Gjensidige is now of such a size in the Danish market that it provides a basis for increased profitability in the time ahead

Further growth:

- Further growth will primarily be achieved through acquisitions that support the Group's combined ratio and return on equity targets of 90-93 and 15 per cent (before tax expense), respectively.
- The distribution agreements with the Nykredit group and EDC are expected to contribute to organic growth slightly above market growth, given a normalized property market in Denmark.

Further developing distribution:

- Further development of new distribution models through own distribution and partner agreements.

OUTLOOK

The Nordic general insurance markets are relatively consolidated, but Gjensidige expects that it will be possible to grow selectively through a patient and rational approach to the opportunities that may arise, including those emerging as a result of changes in regulatory conditions.

1 Losses in excess of NOK 10 million
2 Run-off gain/loss = estimate deviations from earlier periods

GENERAL INSURANCE BALTIC

Gjensidige has operations in all three Baltic states. The business has remained profitable through a period of falling insurance markets. The markets are showing signs of improvement.

OPERATIONS

Gjensidige's operations in the Baltic market are carried out through the subsidiary Gjensidige Baltic. Target customers are people with medium to high income in the private market, as well as medium-sized enterprises in the commercial market.

Gjensidige's Baltic operations provide insurance products to the private and commercial markets in Latvia, Lithuania and Estonia in the following main categories:

- Motor
- Property
- Accident and health
- Liability
- Other

Motor insurance accounts for the by far largest proportion of the portfolio, although the proportion of property and accident and health insurance has increased in recent years.

A SIGNIFICANT PLAYER IN THE BALTICS

The Baltic insurance market is in an early development phase, and a significant part of the market is uninsured. Motor insurance is the biggest insurance product in these markets. In addition, the demand for property and health insurance is growing quickly in Latvia and Lithuania.

After several challenging years following the financial crisis, there are now signs of improvement in the insurance markets in Latvia and Lithuania. The market in Estonia stagnated following the introduction of the euro in 2011.

Key figures

NOK million	2011	2010	2009
Earned premiums	395.8	459.3	663.4
Claims incurred	(270.7)	(305.3)	(411.5)
Operating expenses	(122.2)	(136.7)	(211.4)
Underwriting result	**3.0**	**17.4**	**40.5**
Amortisation of excess value – intangible assets	(5.5)	(8.6)	(100.2)
Loss ratio [1]	68.4%	66.5%	62.0%
Cost ratio [2]	30.9%	29.8%	31.9%
Combined ratio [3]	99.2%	96.2%	93.9%

Definitions:
1 Loss ratio = claims incurred / earned premiums
2 Cost ratio = operating expenses / earned premiums
3 Combined ratio = loss ratio + cost ratio

The Baltic states are dominated by a number of big foreign players. Gjensidige had a pan-baltic market share of 7.5 per cent at the end of 2011. Gjensidige's strongest market position is in Latvia, with a market share of 14.1 per cent, whilst the market share in Lithuanina and Estonia is respectively 6.7 per cent av 3.1 per cent

DISTRIBUTION CHANNELS

Gjensidige has 97 branch offices in the Baltic states and is represented in 73 different towns and cities. The most important distribution channels are direct sales and sales via insurance agents and brokers. The importance of online sales as a distribution channel continues to increase in the Baltic market.

FOCUS ON COSTS

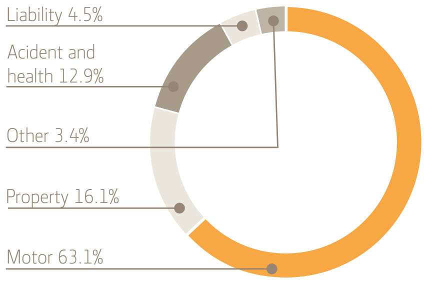
The insurance markets in the Baltic states have undergone a period of strongly falling insurance volumes and prices as a result of the financial crisis. The Latvian market has represented the greatest decline among the Baltic states, resulting in Gjensidige focusing more on Estonia and Lithuania.

Gjensidige's Baltic operations have shown a strong ability to reduce claims incurred and operating expenses in step with falling premium volumes. The measures implemented have had the desired effect, and Gjensidige has delivered positive underwriting results in its Baltic operations for the past four years.

RESULTS

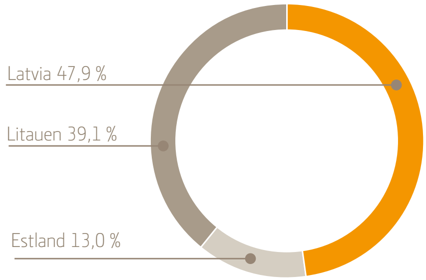
Earned premiums amounted to NOK 395.8 million in 2011, a reduction from NOK 459.3 million the year before. The reduction was due to a negative trend in the Baltic market in recent years. However, premiums written developed in a positive direction since the second quarter 2011 as a consequence of improved market development. Earned premiums also increased from one quarter to the next throughout the year. Intensive sales training is now being carried out in order to increase the growth in earned premiums. Strengthening of the broker channel in Lithuania also is taking place.

PRODUCT GROUPS BALTIC



Based on gross premiums written 2011

DIVISION BY COUNTRY



Based on gross premiums written 2011

Claims incurred amounted to NOK 270.7 million in 2011, compared with NOK 305.3 million in 2010. The loss ratio was 68.4 in 2011, compared with 66.5 the year before. Both years were characterised by a high number of winter-related claims in the first quarter, and also in the fourth quarter 2010. Analyses of several years show that seasonal variations are becoming stronger in the Baltics. There was also one major fire loss and several medium-sized claims during the year. Large losses* amounted to NOK 3.9 million in 2011, while there were no large losses in 2010. Run-off gains** in 2011 amounted to NOK 19.8 million, compared with NOK 30.9 million in 2010. The run-off gains were primarily attributable to the reduction in the general price level in the Baltic states.

The cost ratio was 30.9 in 2011, compared with 29.8 in 2010. The nominal operating expenses amounted to NOK 120.2 million, a reduction of NOK 14.5 million compared with the year before. Together with a lower volume of business, cost reduction measures introduced in the two preceding years contributed to lower operating expenses despite an increase in direct and indirect taxes.

The combined ratio for 2011 was 99.2 per cent, compared with 96.2 in 2010. The loss and cost ratios are still among the best in the industry in the Baltic states. The underwriting result amounted to NOK 3.0 million in 2011, compared with NOK 17.4 million the year before.

TARGETS AND STRATEGIES

The Baltic segment shall support the Group's target of a combined ratio of 90-93:

- Rationalisation of operations and the realisation of synergies across the Baltic states.
- Focus on balancing the development in costs with the development in premium levels.
- Focus on more efficient claims settlement

Gjensidige's goal is to become one of the leading insurance companies in the Baltic states:

- Main focus on profitable organic growth.
- Utilise the potential offered by an immature insurance market

Streamlining distribution:

- Simplification of products combined with a uniform product portfolio for the Baltic states seen as a whole.
- Introduction of customer loyalty programmes.
- Further development of online sales as a distribution channel

OUTLOOK

The Baltic markets are still at an early stage of development. A large proportion of both the Private and Commercial segments is still uninsured, and we therefore expect solid growth when the general economic situation now shows a sign of improvement.

* Losses in excess of NOK 10 million
** Run-off gain/loss = estimate deviations from earlier periods

PENSION AND SAVINGS

Pension and savings is a support area for the general insurance operations in Norway, offering a wide range of products, to retail and commercial customers. Its profitability target was achieved in 2011, and prospects for growth are good.

OPERATIONS

Gjensidige's pension and savings operations are organised with Gjensidige Pensjon og Sparing Holding AS as the holding company for Gjensidige Pensjonsforsikring AS, Gjensidige Investeringsrådgivning AS and Gjensidige Fondene AS. Gjensidige offers a wide range of pension, investment and savings products to the private and commercial markets. Improvements in operations and system solutions in 2011 contributed to creating a sound platform for continued profitable growth and increased competitiveness.

The segment offers products in the following main groups:

PENSION

- Group occupational pensions: defined-contribution schemes with pertaining risk coverage
- Management of paid-up policies and pension capital certificates
- Individual pensions: Fund pensions (management of the former Individual Pension Agreement (IPA) schemes) and Fondskonto Link (Fund Account Link)
- Individual disability pension.

Key figures

NOK million	2011	2010	2009
Earned premiums	532.7	335.8	116.3
Claims incurred	(438.0)	(258.1)	(121.5)
Operating expenses	(104.3)	(109.6)	(102.7)
Underwriting result [1]	**(9.6)**	**(31.8)**	**(107.9)**
Management income	31.3	22.4	11.2
Net financial income	18.7	14.5	48.2
Other income	22.0	14.1	17.0
Other expenses	(47.3)	(47.1)	(76.3)
Profit/(loss) before tax expense	**15.1**	**(27.9)**	**(107.8)**
Profit margin savings, in per cent	0.41	0.61	0.90
The book return on the paid-up policy portfolio, in per cent [2)]	5.33	5.29	5.97
Value adjusted return on the paid-up policy portfolio, in per cent [3)]	4.96	5.10	7.08

Definitions:
1 Underwriting result general insurance = earned premiums, net of reinsurance - claims incurred etc. - operating expenses
2 The book return on the paid-up policy portfolio = realized return on the portfolio
3 Value adjusted return on the paid-up policy portfolio = total return on the portfolio

SAVING

- Active management – customised investment solutions for institutional customers
- The Vekter (Watchman) Funds – combination funds (equity funds and fixed-income funds) adapted to the customer's investment horizon, savings ability and willingness to take risk
- A number of funds from reputable managers (unit trusts, bond funds, fixed-income funds and alternative investments).

Gjensidige's policy is for all savings products to be as transparent and understandable as possible. This is in line with the Markets in Financial Instruments Directive (MIFID) regulations that have been implemented throughout the organisation. Emphasis has also been placed on the advisers' remuneration system being neutral in relation to choice of products.

Both assets under management and the volume of business in the savings operations increased in 2011, despite unrest in the stock markets.

SALE OF A WIDE RANGE OF PRODUCTS TO THE GROUP'S INSURANCE CUSTOMERS

Pension and savings products are distributed through the distribution channels Private Norway and Commercial Norway, where investment and pension advisers work systematically to sell a wider range of products to existing customers. The products are also sold through selected partners, including banks and other financial undertakings.

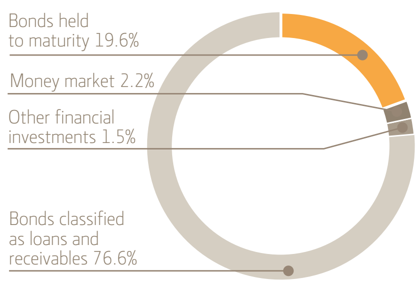
At the turn of the year, Pension and savings had 86,000 customers. As many as 85 per cent of the customers are also general insurance customers.

SOUND MARKET POSITION

In 2011, Gjensidige consolidated its position as by far the largest player in the transfer market for private pension schemes. The company had a market share for unit-linked individual pensions of 9.3 per cent at the end of third quarter 2011 (7.0 per cent at the end of 2010). The market share for transferred funds was 41.0 per cent (Finance Norway-FNO)

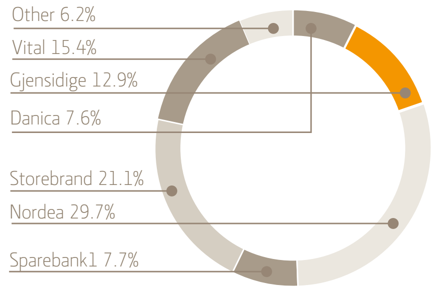
Gjensidige is also doiong well in the transfer market for group defined-contribution pension schemes, in which it had the second highest positive transfer balance as of the third quarter 2011 (Finance Norway-FNO)

ASSET ALLOCATION PORTFOLIO GROUP POLICY



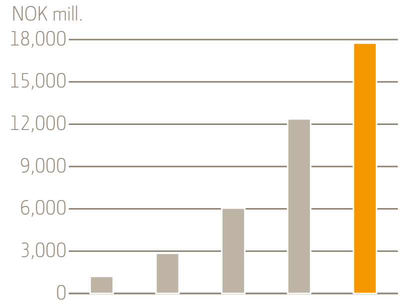
Based on gross premiums written 2011

MARKET SHARE, NEW POLICIES, DEFINED CONTRIBUTION PENSION



Source: Finance Norway as at 30 september 2011.

ASSETS UNDER MANAGEMENT DEVELOPMENT



Total asset under management at the end of the period

PORTFOLIO RETURN 2011

Gjensidige offers two alternatives for the management of defined-contribution pensions to its commercial customers: combined or active management. A fully currency-hedged version of the combined solution is also offered. Despite a turbulent year in the global financial markets, the Trygg (low risk) fund delivered a positive return, while the Balansert (balanced) and Offensiv (higher risk) funds, which have a higher proportion of equity investments, fell somewhat in value in 2011.

The booked return on the paid-up policy portfolio was 5.33 per cent in 2011, while the value-adjusted return was 4.96 per cent. This was considered a satisfactory result seen in relation to the risk exposure, which reflects a conservative investment profile. The average annual interest guarantee for the paid-up policy portfolio was 3.6 per cent.

RESULTS

Earned premiums amounted to NOK 532.7 million in 2011, compared with NOK 335.8 million in 2010. It is especially the customer portfolio in group defined-contribution pensions that grew and made positive contribution.

Management income in the savings operations amounted to NOK 31.3 million in 2011, compared with NOK 22.4 million in 2010. The increase in income is due to an increase in assets under management and to an increase in other management income. The profit margin for savings was 0.41 per cent in 2011, compared with 0.61 per cent in 2010. This reduction was due to an increasing proportion of large customers with lower margins.

Claims incurred amounted to NOK 438.0 million in 2011, compared with NOK 258.1 million in 2010. In 2011, nothing was allocated to the risk equalisation fund, while the corresponding figure for 2010 was NOK 0.4 million.

Total operating expenses amounted to NOK 151.6 million in 2011, of which NOK 104.3 million was insurance-related. The corresponding figures for 2010 were NOK 156.7 million and NOK 109.6 million, respectively. The cost reduction in 2011 was due to the taking to income of a VAT reimbursement of NOK 9.1 million.

The profit before tax expense amounted to NOK 15.1 million in 2011, compared with a loss before tax expense of NOK 27.9 million in 2010. The profitability target was thus achieved in 2011.

The year's return in addition to guaranteed interest on the paid-up policy portfolio was allocated in its entirety to covering future commitments relating to higher life expectancy. The provision was in accordance with the Financial Supervisory Authority of Norway's recommendation to insurance companies to make provision for future investment needs relating to higher life expectancy. Adjusted for this provision, the profit before tax expense would have been NOK 22.2 million.

ASSETS UNDER MANAGEMENT

The total assets under management increased by NOK 5,376.4 million during 2011 and amounted to NOK 17,747.7 million at the end of the year. The growth can largely be ascribed to a new institutional customer and new distributors during the year. Assets under management in the pension operations amounted to NOK 8,188.9 million at the end of 2011. The group policy portfolio accounted for NOK 2,620.6 million of this amount. Assets under management in the savings operations amounted to NOK 9,558.7 million.

Agreements have been signed in 2011 with Sandnes Sparebank and Sparebanken Møre for portfolio acquisition (defined-contribution pensions) and agency services with effect from 1 January 2012 and 1 November 2011, respectilely. An agreement has also been signed with Saga Forsikring for agency services with effect from 1 January 2012.

TARGETS AND STRATEGIES

Pension and savings shall support the Group's long-term goal of a return on equity of 15 per cent before tax expense:

- Growth in assets under management is an important success factor.

Pension and savings shall be a support area for the Norwegian general insurance business:

- Contribute to increasing the range of products for existing general insurance customers in Norway, and thereby strengthen customer relations and increase loyalty

Pension and savings shall utilise the opportunities in an emerging market:

- The transitional market from defined-benefit schemes to defined-contribution schemes (conversion) and the transfer market for group defined-contribution schemes are important in relation to growth
- Increase the volume in the institutional savings market

OUTLOOK

The pension reform was adopted with effect from 1 January 2011, and the market for defined-contribution pension schemes is expected to grow substantially in the years ahead. Gjensidige is well positioned to take part in the expected growth. The Group's customer base in general insurance represents a unique opportunity to succeed in achieving profitable growth through cross-sales of pension and savings products.

BANKING

Gjensidige Bank is a nationwide online retail bank targeting the Norwegian private market. The bank offers banking products adapted to electronic distribution and it is a strategic support area for general insurance operations in Norway.

OPERATIONS

Gjensidige Bank mainly targets private customers in Norway. The bank is operated from branch offices in Førde and Oslo. Gjensidige Bank ASA is a wholly-owned subsidiary of Gjensidige Bank Holding AS, which in turn is a wholly-owned subsidiary of Gjensidige Forsikring ASA. Gjensidige Bank Boligkreditt AS is a wholly-owned subsidiary of Gjensidige Bank ASA.

Gjensidige Bank offers the following products to private persons and the agricultural market/segment:

- Traditional banking products such as day-to-day banking services and savings accounts
- Loans secured by mortgage (housing loans and car loans)
- Unsecured loans (consumer loans, credit cards and credit facilities).

The bank has a unique position compared with other online banks in that it provides online banking services combined with customer contact and advisory services from Gjensidige's financial offices. The bank is one of the biggest players in the area of consumer financing in Norway.

SATISFIED CUSTOMERS

The bank works systematically to realise the Gjensidige Group's vision: 'We shall know the customer best and care the most'. In 2011, the bank's customer centre was voted the best in the Norwegian banking sector by Confex/See You, and customer satisfaction is good.

DISTRIBUTION

Distribution takes place via gjensidige.no, gjensidigebank.no and Gjensidige's other distribution networks, including 21 financial advice offices that cover all the large towns and cities in Norway.

The bank has agreements with Tekna, the Confederation of Vocational Unions (YS), the Norwegian Society of Engineers and Technologists (NITO) and the Norwegian Farmers and Smallholders Union (NBS), and it offers products and services to these organisations' members. The bank has access to covered bond financing through Gjensidige Bank Boligkreditt AS.

MARKET ACTIVITIES

The credit card Fordel Kredittkort, which was launched in the third quarter 2011, is offered to customers in Gjensidige Forsikring's loyalty programme. It is a credit card that includes insurance.

A structural reorganisation was carried out according to plan in 2011. The improvement work continues unabated in 2012, with the goal of increasing the number of Gjensidige products customers have. Gjensidige Bank now offers a whole customer concept comprising housing loans, current accounts, cards and deposits.

Gjensidige complies with the Financial Supervisory Authority of Norway's order relating to restrictions on discount product packages.

Key figures

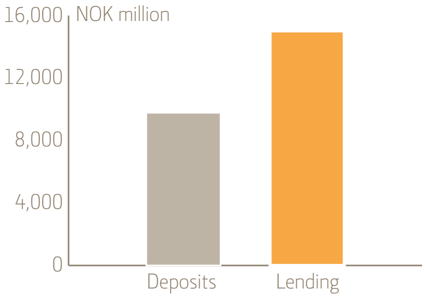
NOK million	2011	2010	2009
Interest income and similar income	886.7	782.6	323.3
Interest expenses and similar expenses	(455.8)	(375.6)	(265.8)
Net interest and credit commission income	**430.8**	**407.0**	**57.5**
Net other financial income	39.0	37.5	16.5
Operating expenses	(308.9)	(302.1)	(147.3)
Impairment losses on loans	(94.2)	(109.4)	(3.0)
Profit/(loss) before tax expense	**66.8**	**33.1**	**(76.3)**
Net interest [1]	2.71	2.88	0.63
Capital adequacy [2]	15.0	16.1	17.8

Definitions:

1 Net interest = net interest and credit commission income / average assets under management

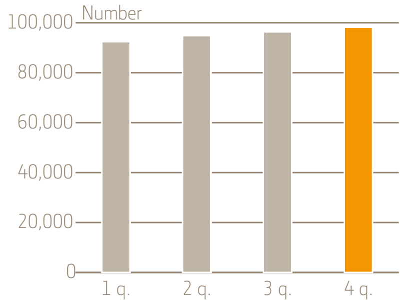
2 Capital adequacy = own funds / the basis for calculating credit risk, market risk and operational risk

DEPOSITS AND LENDING



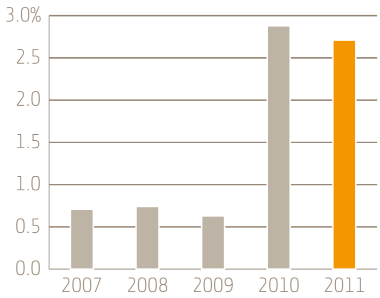
Deposits and lending at the end of 2011

QUARTERLY DEVELOPMENT IN THE NUMBER OF CUSTOMERS



Development in the number of customers with active use of the bank

NET INTEREST INCOME



Net interest = net interest and credit commission income / average assets under management

RESULTS

Net interest and credit commission income amounted to NOK 430.8 million in 2011, compared with NOK 407.0 million in 2010. The increase was largely due to the reclassification of loan charges from net financial income and other income to net interest and credit commission income at the end of 2010. Net interest in relation to average assets under management amounted to 2.71 per cent in 2011, compared with 2.88 per cent the year before. The reduction was mainly due to increased interest expenses and a greater proportion of loans being secured by a residential mortgage.

Run-off gains amounted to NOK 308.9 million in 2011, compared with NOK 302.1 million in 2010. The increase was mainly due to costs in connection with the structural reorganisation. The reorganisation was a result of the integration process in connection with the acquisition of a consumer financing business in 2009.

Impairment losses and losses on loans amounted to NOK 94.2 million in 2011, compared with NOK 109.4 million in 2010. Total losses and impairment loss figures are mainly related to group impairment losses intended to cover potential future bad debts. Loss expenses amounted to 0.65 per cent of gross lendings in 2011, compared with 0.84 per cent the year before. The reduction was due both to a positive development in the underlying loan portfolio and to a higher proportion of loans secured by mortgage. The loss situation was in line with expectations.

The profit before tax expense was NOK 66.8 million in 2011, compared with 33.1 million in 2010. The profit improvement was due to improved quality in the loan portfolio, increased income from financial instruments and growth in volume.

DEPOSIT-TO-LOAN RATIO

At year-end 2011, the deposit-to-loan ratio was 65.1 per cent, while it was 64.6 per cent at year-end 2010.

CAPITAL ADEQUACY

Capital adequacy was 15.0 per cent at the end of 2011, compared with 16.1 per cent the year before. The bank's target is to have capital adequacy of at least 12.0 per cent.

TARGETS AND STRATEGIES

The bank shall support the Group's long-term target of a return on equity of 15 per cent before tax expense:

- Profitable growth
- Contribute to strengthening relations with existing insurance customers in the Private and Agricultural market and attract new customer groups to the Group
- Protect the Group's market shares against competition from bank insurance.

OUTLOOK

Gjensidige's financial advice offices offer a wide range of financial services, including banking services, which gives the bank considerable distribution reach. In the time ahead, the bank will further develop service models for sales of banking services via Gjensidige Forsikring's distribution network.

In December 2011, the bank launched a new brand for consumer financing, Opp Finans, which is expected to attract more customers. The new brand is scheduled to be fully implemented during the first quarter of 2012.

ASSET MANAGEMENT

The primary purpose of the investment portfolio is to cover the insurance-related liabilities, and to achieve the Groups target return-on-equity. At the end of 2011, the portfolio was NOK 54,486.7 million.

Key figures

NOK million	2011	2010	2009
RESULT			
Match portfolio			
Money market	128.2	93.9	36.4
Bonds at amortised cost	896.6	925.9	816.5
Current bonds 1	158.7	155.5	228.7
Match portfolio total	**1,183.5**	**1,175.4**	**1,081.6**
Associated companies	431.6	488.7	263.3
Free portfolio			
Money market	173.3	99.5	320.7
Other bonds 2	86.7	340.7	909.1
Convertible bonds	(42.8)	19.3	28.0
Shares	(192.3)	4.2	71.8
PE-fond	178.1	210.4	(26.5)
Property	418.6	359.2	5.8
Other 3	94.5	7.0	69.5
Free portfolio total	**716.1**	**1 040.5**	**1,378.4**
Finance income for the investm. portfolio	**2,331.3**	**2,704.6**	**2,723.2**
Finance income in Pension and savings and Banking	44.3	43.7	64.7
Net income from investmenst	**2,375.6**	**2,748.2**	**2,788.0**
BALANCE SHEET			
Match portfolio			
Money market	3,637.5	3,559.4	2,609.7
Bonds at amortized cost	18,407.8	17,814.1	16,543.1
Current bonds 1	7,458.1	8,856.8	6,444.1
Match portfolio total	**29,503.4**	**30,230.2**	**25,596.9**
Associated companies	4,478.2	4,275.5	3,783.3
Free portfolio			
Money market	7,248.5	4,715.4	7,512.1
Other bonds 2	3,365.4	2,142.5	4,301.1
Convertible bonds	674.7	523.2	448.8
Shares	776.5	1,365.4	1,005.1
PE-funds	1,293.4	1,134.9	820.0
Property	5,753.9	6,445.1	6,030.5
Other 3	1,392.8	1,514.7	1,171.1
Free portfolio total	**20,505.1**	**17,841.3**	**21,288.8**
Investment portfolio total	**54,486.7**	**52,347.0**	**50,669.1**

1) The item includes discounting effects of the insurance liabilities in Denmark and a mismatch between interest-rate adjustments on the liability side in Denmark and the interest-rate hedging.
2) The item includes total investmentgrade-, high yield- and current bonds
3) The item includes currency hedging of Gjensidige Sweden, Gjensidige Baltic and Gjensidige Denmark.

FRAMEWORK FOR ASSET MANAGEMENT

Once a year, the Board stipulates the upper and lower limits per asset class, as well as limits for interest, liquidity, credit and currency risk. The Group's credit risk relating to investment portfolios and liquidity portfolios is managed through the credit committee's stipulation of limits, based on the Group's credit policy. Allocation of assets and individual investments must be kept within these limits at all times. The Board also stipulates a minimum return that must be achieved with a given degree of probability. Within the stipulated limits, the actual allocation of assets will vary throughout the year in order to exploit market opportunities and actively manage different classes of assets.

A large part of the asset management is outsourced to external managers, while the Group's own investment team concentrates on asset allocation, risk management and the selection of asset managers. Property investments are made via the wholly-owned property management company Oslo Areal.

THE INVESTMENT PORTFOLIO

The Group's investment portfolio includes all investment funds in the Group except for investment funds in Pension and savings and Banking. At the end of 2011, the investment portfolio was NOK 54,486.7 million (52,347.0).

The investment portfolio consists of three parts: a match portfolio, a free portfolio and associated companies. The match portfolio corresponds to the group's actuarial provisions. The portfolio is invested in fixed-income instruments whose duration is adapted to disbursement of the actuarial 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 pertaining risk capacity. Associated companies mainly comprise the holdings in Storebrand and Sparebank 1 SR-Bank.

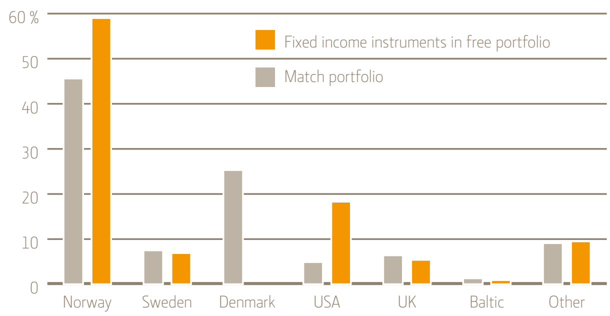
MATCH PORTFOLIO

The match portfolio amounted to NOK 29,503.4 million at the end of 2011. The portfolio consists of three sub-portfolios: money market instruments, bonds valued at amortised cost and current bonds. The average duration at the end of 2011 was 3.3 years. The average term to maturity for the insurance debt was approximately 3.5 years.

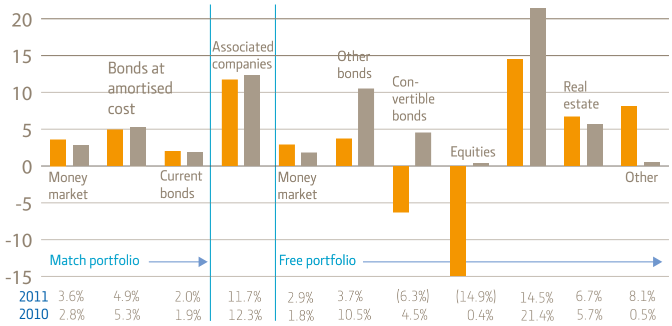
The counterparty risk in the match portfolio breaks down as 14.9 per cent central government and other public sector, 67.3 per cent banks and financial institutions, and 17.8 per cent industry. Bonds with a coupon that is adjusted on the basis of the Norwegian consumer price index accounted for 9.7 per cent of the match portfolio.

Bond investments in the so-called PIIGS countries amounted to NOK 361.2 million at the end of 2011. Of this amount, NOK 298.3 million was invested in Spanish bonds issued by credit institutions that are government-guaranteed, while NOK 62.9 million was invested in Italian senior bank loans. These bond investments were part of the portfolio of bonds valued at amortised cost. For more details relating to counterparty risk and the breakdown by rating category, see Note 3, tables 22a and 22b.

PORTFOLIO – GEOGRAPHIC DISTRIBUTION



RETURN BY ASSET CLASSES



FREE PORTFOLIO

The free portfolio amounted to NOK 20,505.1 million at year-end 2011. The portfolio comprises different classes of assets and is subject to dynamic risk management in order to ensure that the financial return is no lower than a pre-defined level.

Fixed income instruments

Fixed income instruments accounted for NOK 11.3 billion of the free portfolio at the end of 2011. The fixed-income portfolio consisted of five sub-portfolios: money market instruments, currents bonds, investment grade bonds, high yield bonds and convertible bonds. The average duration was approximately 1.4 years at the end of the year. Investment grade, high yield and convertible bonds are investments in externally-managed internationally diversified funds.

The breakdown of the counterparty risk was 24.8 per cent central government and other public sector, 42.7 per cent banks and financial institutions, and 32.5 per cent industry. For more details relating to counterparty risk and the breakdown by rating category, see Note 3, table 29.

Equity portfolio

At the end of 2011, the equity exposure excluding associated companies was NOK 2.1 billion and consisted of fund investments in private equity and short-term shareholdings.

Property portfolio

The property investments amounted to NOK 5.8 billion at the end of the year. Property investments are concentrated in office properties in Oslo, but they also include shopping centres and office properties in other Norwegian cities and two office buildings in Copenhagen. In addition, a small part of the portfolio was invested in international property funds. In 2011, the property investments were reduced through sales in the amount of NOK 691 million. An agreement was signed at the turn of the year for the sale of four shopping centres. The transaction will be effected at the beginning of March 2012

ASSOCIATED COMPANIES

Associated companies amounted to NOK 4.5 billion at the end of 2011. The shareholding in Storebrand was recognised in the amount of NOK 3,454.2 million. The corresponding figure for the investment in SpareBank1 SR-Bank was NOK 995.4 million.

NET INCOME FROM INVESTMENTS

The return on the investment portfolio amounted to NOK 2,331.3 million in 2011, compared with NOK 2,704.6 million the year before, which corresponded to a return on financial assets of 4.4 per cent (5.2). The return on financial assets in 2011 included a gain of NOK 113.4 million on the sale of Hjelp24.

MATCH PORTFOLIO

The return on the hedging portfolio was 3.9 per cent in 2011, excluding changes in the value of the part of the portfolio that is recognised at amortised cost. Unrealised excess value from bonds valued at amortised cost amounted to NOK 382.1 million at the end of 2011.

FREE PORTFOLIO

The return of the free portfolio was 3.8 per cent in 2011.

Fixed income instruments

The return on the fixed-income portfolio in the free portfolio was 2.4 per cent in 2011. While the interest rate for terms to maturity of between zero and two years was virtually unchanged during the period, the interest rate for longer terms to maturity fell. The return was negatively affected by a widening of credit spreads.

Equity portfolio

The return on shares in the free portfolio was negative in the amount of NOK 192.3 million in 2011. This corresponds to a negative return of 14.9 per cent, which can largely be explained by the fall in the stock market in the second half-year. The return on Private equity (PE) was positive and amounted to NOK 178.1 million, or 14.5 per cent.

Property portfolio

Property showed a profit of NOK 418.6 million for the year, equivalent to a return of 6.7 per cent.

When valuing the properties at the end of 2011 (excluding sold properties), the same general required rate of return was used as at the end of 2010, i.e. 6.6 per cent. The individual valuations resulted in a write-up of approximately NOK 57 million as a result of adjustments for some properties. The average required rate of return in the portfolio, excluding the properties sold, was 51 per cent at the end of the year. External valuations of 18 individual properties were carried out in the fourth quarter, corresponding to 51 per cent of the property portfolio. As for the shopping centres the offer price from the sales process is used as market vaule by year end.

ASSOCIATED COMPANIES

Profit from associated companies amounted to NOK 431.6 million (488.7) in 2011, corresponding to a return of 9.8 per cent. NOK 307.2 million of this amount was Gjensidige's estimated share of Storebrand's profit for 2011. Gjensidige's share of SpareBank1 SR-Bank's profit for 2011 was NOK 118.4 million. The figures include amortisation of excess value and estimate deviations from earlier periods.

NOK million	2011	2010	2009
The equity portfolio: ten per cent fall in share prices[1]	(77.7)	(250.0)	(182.5)
The fixed-income portfolio: 100 bp parallel shift upwards[2]	(241.6)	(274.1)	(347.2)
The property portfolio: een per cent fall in market rent	(486.6)	(372.9)	(409.7)
The property portf.: 25 bp increase in required rate of return	(218.4)	(221.5)	(210.2)

1 Storebrand and SpareBank 1 SR-Bank are recognised as associated companies.
2 Does not include the fixed asset portfolio or the effect of the swap agreements in Gjensidiges Arbejdsskadeforsikring (has a corresponding effect on liabilities).

ADDITIONAL INFORMATION

KEY FIGURES

		2011	2010	2009
GJENSIDIGE INSURANCE GROUP				
Return on financial assets [1]	%	4.4	5.2	5.5
Equity	NOK million	23,218.6	23,137.8	21,968.2
Return on equity - annualised [2]	%	15.9	14.4	15.2
Equity per share		46.5	46.3	43.9
Capital adequacy ratio [3]	%	16.2	16.1	18.9
Capital adequacy margin Gjensidige Forsikring [4]	%	535.2	581.2	713.8
SHARE CAPITAL				
Number of outstanding shares at the end of the period	Number	500,000,000	500,000 000	500,000,000
The period's earning per share (restated for 2009) [5]	NOK	5.50	5.90	4.61
GENERAL INSURANCE				
Market share non-marine insurance Norway (FNO)	%	26.3	28.1	28.4
Gross premium written				
Private	NOK million	8,216.9	8,031.7	7,603.1
Commercial	NOK million	5,568.1	5,682.7	5,909.9
Nordic	NOK million	3,807.3	3,357.1	2,093.1
Baltic	NOK million	429.5	395.2	592.2
Total	NOK million	18,111.9	17,466.8	16,198.3
Premiums [6]	%	97.1	97.4	97.5
Earned premiums, net of reinsurance				
Private	NOK million	8,082.8	7,719.9	7,337.5
Commercial	NOK million	5,511.9	5,401.0	5,662.2
Nordic	NOK million	3,635.0	3,453.1	1,907.4
Baltic	NOK million	395.8	459.3	663.4
Eliminations	NOK million	22.6	30.0	89.9
Total	NOK million	17,548.1	17,063.3	15,660.4
Loss ratio [7]				
Private	%	70.2	76.4	77.8
Commercial	%	79.1	80.3	79.3
Nordic	%	80.7	83.5	75.5
Baltic	%	68.4	66.5	62.0
Total	%	75.5	78.9	77.1
Cost ratio [8]				
Private	%	15.2	15.1	17.3
Commercial	%	13.6	12.8	13.5
Nordic	%	17.2	18.6	15.0
Baltic	%	30.9	29.8	31.9
Total	%	16.4	16.5	17.7
Combined ratio [9]				
Private	%	85.3	91.4	95.1
Commercial	%	92.7	93.2	92.8
Nordic	%	97.9	102.0	90.4
Baltic	%	99.2	96.2	93.9
Total	%	91.9	95.3	94.8

KEY FIGURES

		2011	2010	2009
PENSION AND SAVINGS				
Assets under management, pension, additions in the period	NOK million	1,514.9	2,303.8	2,329.8
Assets under management, savings, additions in the period	NOK million	3,681.5	4,016.6	874.6
Assets under management, pension at the end of the period	NOK million	8,188.9	6,674.1	4,370.3
of which the group policy portfolio	NOK million	2,620.6	2,146.0	1,514.6
Assets under management savings at the end of the period	NOK million	9,558.7	5,697.2	1,680.6
Profit margin savings in per cent [10]	%	0.41	0.61	0.90
Recognised return on paid-up policies portfolio [11]	%	5.33	5.29	5.97
Value adjusted return on paid-up policies portfolio [12]	%	4.96	5.10	7.08
Number of customers (pension), addition in the period	Number	14,238	14,813	17,988
Number of customers (savings), addition in the period	Number	(334)	(2,191)	310
Number of customers (pension) at the end of the period	Number	80,796	66,468	51,655
Number of customers (savings) at the end of the period	Number	5,145	5,479	7,670
Customers (pension) with insurance agreements at the end of the period.	Number	68,677	56,498	43,907
Customers (savings) with insurance agreements at the end of the period.	Number	4,219	4,493	6,282
BANKING				
Gross lending, addition in the period	NOK million	899.5	2,543.9	4,864.2
Deposits, addition in the period	NOK million	656.2	2,569.6	419.1
Gross lending, at the end of the period	NOK million	15,019.0	14,119.5	11,575.6
Deposits at the end of the period	NOK million	9,776.0	9,120.0	6,550.4
Deposit-to-loan ratio in the period [14]	%	73.0	101.0	8.6
Deposit-to-loan ratio at the end of the period [14]	%	65.1	64.6	56.6
Net interest income in per cent [15]	%	2.71	2.88	0.63
Customers, additions in the period	Number	8,589	13,649	31,532
Customers at the end of the period	Number	98,183	89,594	75,945
Customers with insurance agreement at the end of the period	Number	47,396	43,764	36,000
Capital adequacy [16]	%	15.0	16.1	17.8

1 Return on finanical assets = Net financial income as percentage of average financial assets including property, excluding Gjensidige Bank and Gjensidige Pensjon og Sparing.
2 Return on equity = Profit before tax expence for the period / average adjusted equity for the period.
3 Capital adequacy ratio = net subordinated capital /risk-weighted calculation basis, calculated on basis of NGAAP for the Group.
4 The solvency margin is calculated at company level and in accordance with the rules of the Financial Supervisory Authority of Norway.
5 Earnings per share in the period = the shareholders' share of the profit or loss for the period/average number of outstanding shares in the period
6 Premiums = earned premiums / gross premiums written (total general insurance operations)
7 Loss ratio = claims incurred / earned premiums
8 Cost ratio = insurance-related operating expenses / earned premiums
8 Combined ratio = loss ratio + cost ratio
10 Profit margin savings, in per cent = management income for the period / average assets under management for the period
11 Recognised return on paid-up policies portfolio = realised return on the portfolio
12 Value-adjusted return on paid-up policies portfolio = total return on the portfolio
13 Deposit-to-loan ratio = deposits as a percentage of gross lending.
14 Net interest income in per cent = Net interest income and credit commission income / average assets under management
15 Registered customers include customers who have signed up to be customers during the last three months (started the 'become a customer' process) and customers that actively use the bank. The method of measurement was changed from 1 January 2009. Prior to this, customer records older than six months were extracted
16 Capital adequacy = primary capital / net primary capital / calculation basis for credit risk, market risk and operational risk

PERSPECTIVE

GJENSIDIGE HAS FOR 18 YEARS BEEN THE MAIN SPONSOR OF THE NORWEGIAN WOMEN'S HANDBALL TEAM, WHICH WON THE WORLD CHAMPIONSHIPS IN BRAZIL IN DECEMBER 2011.

10,000 CHILDREN PARTICIPATED IN THE GJENSIDIGE HANDBALL SCHOOL DURING 2011.


9
GJENSIDIGE

GJENSIDIGE AND SOCIETY

General insurance is about more than making life more pleasant, fun or exciting. Without insurance, a house fire can lead to financial ruin. It was this realisation that led to the establishment in the 19th century of the many mutual fire insurers that gradually merged to become Gjensidige.

In our modern society, we are exposed to many types of risk that we cannot handle without insurance. On trips abroad, at the wheel of a car or as the owner of a business. Insurance is, in short, critical to society.

The task that we have taken on is to safeguard life, health and assets and carry the burden of risk for our customers. We replace what can be replaced when a customer's house catches fire or a car is involved in a collision. We would rather help the customer to avoid fires and other accidents, however. We accumulate knowledge about what causes loss and injuries and how they can be avoided. We share this knowledge with customers and society at large, and promote sensible behaviour through information campaigns and prizes.

Interaction with the media is crucial if we are to reach a wide audience with preventive information. In 2011, Gjensidige contributed to more than 600 newspaper articles and radio and TV reports on the prevention of losses and injuries.

Traffic accidents claimed 169 lives in 2011, and 644 people were seriously injured. That was a significant reduction compared with the year before. The fact that this decline is part of a long-term trend is even more important. Nonetheless, far too many lives are still being wrecked on Norwegian roads.

The prevention of traffic accidents is an important goal for Gjensidige. We are involved in research, public awareness campaigns and education. We also believe that the road network needs to be upgraded more quickly. This is a task that the authorities should be investing more in, and it should be prioritised ahead of expensive transport projects based on other motives.

From 2007 to 2012, we have supported the 'Girls' Safe Driving Initiative', which is organised by the Norwegian Council for Road Safety. Younger womwn are generally safer drivers than young men. The objective of the initiative is to encourage female passengers to demand that young males drive safely.

From 2012, Gjensidige and the Norwegian Council for Road Safety will collaborate on a programme targeting apprentices. Most apprentices are young men with little experience of driving. Many of them drive a lot in connection with their work. They are therefore an important target group for public awareness campaigns. Among other things, the programme will feature the computer game 'Real Life Auto', which simulates the consequences of different driving behaviour.

One important way of helping young people to become better drivers is for them to practice with adults. This kind of practice helps them to gain experience under controlled conditions and increases their awareness and understanding. Gjensidige rewards young drivers who participate in the volume training programme.

For many years, we have handed out reflective vests and reflectors, which are among the most effective safety measures for pedestrians. In 2011, we handed out 16,000 reflective vests to children at kindergartens and schools, and 40,000 reflectors. The reflector campaign is based on voluntary efforts by the Company's employees, who show great commitment in this connection.

Older people are particularly vulnerable in traffic. Gjensidige supports a project in which selected persons are encouraged to participate in the refresher courser '65+' for older drivers, which is organised by the Norwegian Public Roads Administration in cooperation with the Folkeuniversitetet Adult Education Association and other educational institutions.

Gjensidige also contributes to a research project conducted by the University of Oslo and the Norwegian Institute of Transport Economics that aims to measure the effect of the 65+ programme. The preliminary results suggest that the project has led to a reduction in the number of accidents at junctions.

In 2011, in collaboration with the Rural Youth Association of Norway (NBU), Gjensidige organised a traffic safety project called 'By young people for young people'. The Rural Youth Association of Norway has around 5,000 members, and they were invited to hold an event or a campaign on traffic safety in their local communities. The winner was announced and awarded a prize at NBU's national conference in summer 2011.

In an average year, house fires claim between 60 and 70 lives in Norway, and they are a source of great distress even when no lives are lost. Fire prevention has been one of Gjensidige's key tasks throughout the Company's history. In 2011, 46 people died as a result of fires in Norway, which is an unusually low figure.

'The expedient, swift settlement of claims makes life easier for the customer.'

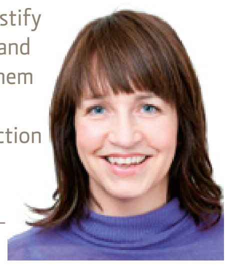
Linn-Marie Harlem
Customer adviser
Grålum, Sarpsborg

'As long as you are genuinely interested in the customer and listen to them, you achieve good communication'

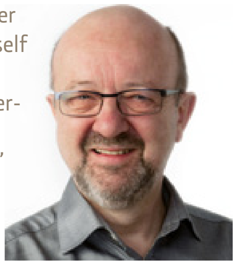
Petter Theolin
Senior bank and investment adviser, Oslo

'To be able to demystify insurance, pension and finance and make them easy to understand leads to job satisfaction and inspiration.'

Elin Jørgensen
Senior customer adviser, Tromsø



'Treat the customer the way you yourself would want to be treated in a conversation with a customer adviser.'



Egil Alfredsen
Senior customer adviser
Bodø

'Talking about insurance does not have to be difficult.'

Ida Helen Flostrand
Customer adviser,
Bergen

'Our job is to help customers to get the claims compensation they are entitled to.'

Kåre Wold Jakobsen
Senior consultant
Skien

For years, Gjensidige has organised Aksjon boligbrann, a nationwide information campaign to help to prevent fires in the home, in collaboration with the Norwegian Fire Protection Association, the Directorate for Civil Protection and Emergency Planning (DSB) and local fire brigades. This is an annual campaign in which around 40,000 fire inspections are conducted in homes. A 'fire calendar' is also handed out in which the Norwegian women's handball team demonstrates fire prevention in the home.

Our commitment to fire protection for elderly people living at home continued in 2011. This group is particularly vulnerable to fire. A joint project with the City of Oslo and the Oslo Fire and Rescue Department in which the home-help service conducts an annual fire inspection has produced good results.

In collaboration with DSB and the Norwegian Fire Protection Association, we helped to develop and market educational material on fire prevention for schools in Norway. Gjensidige is represented on a number of councils, committees and boards, and regularly contributes to improving the regulations.

Floods and storms resulted in substantial material damage in 2011. Not since 1995 has there been a year in which the claims resulting from natural disasters were as high. Gjensidige believes that man-made carbon emissions cause global warming, and that this will lead to climate change also in our part of the world. Over a number of years, Gjensidige has worked on acquiring new knowledge about the consequences of climate change. The research that we have contributed to indicates that climate change will result in a higher incidence of water damage in Norwegian homes.

In 2011, Gjensidige initiated a debate on how Norwegian municipalities can prepare better for a wetter climate. One important message was that Gjensidige has a lot of data that it can share with the municipalities.

Gjensidige has endorsed the 'Klimaløftet' campaign, which is a climate action programme organised by the Ministry of the Environment. Among other things, it involves committing to preparing climate accounts, preparing action plans and considering purchasing carbon offsets to compensate for emissions in full or in part.

In 2011, Gjensidige's activities led to 2,658 tonnes of CO_2 emissions, which is a reduction of 370 tonnes in relation to 2010. Environmental emissions from Gjensidige's activities are modest. All offices with more than 30 employees shall be certified as Eco-lighthouses. At the end of 2011, eleven offices were Eco-lighthouses.

Every year, we endeavour to reduce our consumption of energy and other resources. Our energy consumption in 2011 was 12.8 million kWh, which was a reduction of nine per cent in relation to 2010.

Our consumption of resources is largely related to our land use. In 2011, our activities occupied 66,500 m^2, which was approximately the same as in 2010.

Video conferences are an effective means of reducing emissions linked to travel. In 2011, 13,094 hours of video conferences were held, which was an increase of 15.5 per cent on the year before.

We used 211 tonnes of paper, which was 15 per cent less than in 2010. A total of 409,000 customers have chosen to receive documents electronically instead of on paper. This is a increase of 32 per cent in relation to 2010.

Physical activity is important for both mental and physical health. Gjensidige is the main sponsor of the Norwegian women's handball team, which won the World Championships in Brazil in December last year. In collaboration with the Norwegian Handball Federation, we run handball schools for children and young people. In 2011, around 4,000 participants took part in handball schools during the winter break, and as many during the October break. We donate sports kits to handball, football and cross-country skiing sports clubs.

Almost all children under the age of 15 now use helmets at ski centres, and there is also a strong increase in the number of adults and adolescents using helmets. Through our cooperation with the Norwegian Ski Area Association, we supply helmets to many ski centres that children and adolescents can borrow free of charge. Over the course of 15 years, Gjensidige has supplied almost 20,000 helmets. The use of helmets has increased by 60 per cent over the last ten years, according to the Norwegian Ski Area Association.

Involvement in the local community has always been important to Gjensidige. The Gjensidige Foundation gives financial support to local projects. You can read more about this at www.gjensidigestiftelsen.no.

The working environment in Gjensidige shall promote health. The goal for sickness absence is less than four per cent. There is a good gender balance in the Company as a whole, with 54 per cent men and 46 per cent women. The proportion of women in the Company's management is lower, but increasing.

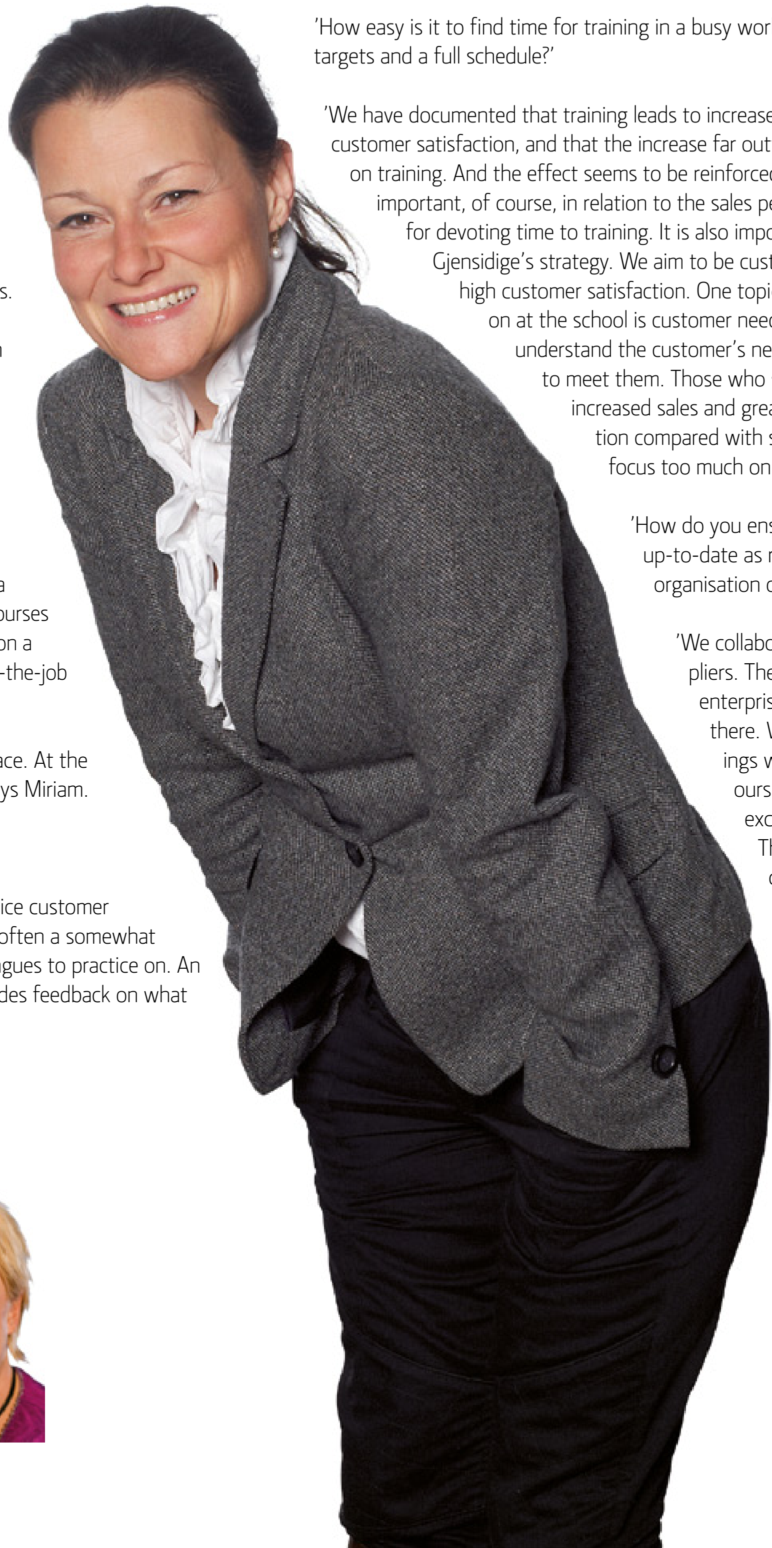
In 2010, the Company spent NOK 16,400 on courses and further education per employee. You can read more about Gjensidige's investment in its employees on page 64-65.

Gjensidige exists for its customers' sake. Customer satisfaction, measured on the Norwegian Customer Barometer Survey, ended at 71.5.

In line with the industry's requirements, staff who deal with customers shall either be certified financial advisers or have passed the financial sector's certification scheme examination. At the end of 2011, all investment advisers and sales personnel who have had the opportunity to take an examination were authorised or approved.

A COMPETENCE-BASED ENTERPRISE

Gjensidige aims to reduce risk for its customers so that they can feel safe both at home and when travelling – both before and after a claim. This means that our sales personnel and claims handlers must be professional and have an understanding of the customers' needs. Miriam Ridola Ellinggard plays an important role in this work. She is head of Gjensidige's Customer and Brand School.



'We are important culture bearers and an arena for establishing and passing on best practice. We work to implement the Group's strategy, especially in relation to customer orientation,' says Miriam. Gjensidige's Customer and Brand School is the Group's joint training arena for all personnel who deal with customers. This means everyone in the sales organisation, for both private and commercial customers, and the claims handlers.

All sales personnel hired by Gjensidige are given six weeks' training under the auspices of the Group's school. The training concludes with an exam, and those who pass attain the status 'certified insurance adviser'. The participants undergo training in customer needs, insurance and product knowledge, and ethics.

Miriam underlines that competence-raising is a process that also continues after the exam. Courses in insurance and product knowledge are held on a regular basis, and much training is given as on-the-job training in the workplace.

'Ideally, that is where training should take place. At the school, the employees learn how to train,' says Miriam.

'What does this training involve?'

'There is a lot of role playing, where we practice customer dialogue. One employee plays the customer, often a somewhat difficult customer, for one of his or her colleagues to practice on. An instructor follows the conversation and provides feedback on what should be done differently.'

'How easy is it to find time for training in a busy workday with budget targets and a full schedule?'

'We have documented that training leads to increased sales and greater customer satisfaction, and that the increase far outweighs the time spent on training. And the effect seems to be reinforced over time. This is important, of course, in relation to the sales personnel's motivation for devoting time to training. It is also important in relation to Gjensidige's strategy. We aim to be customer-oriented and have high customer satisfaction. One topic we spend a lot of time on at the school is customer needs. Good sales personnel understand the customer's needs and offer solutions to meet them. Those who succeed achieve both increased sales and greater customer satisfaction compared with sales personnel who focus too much on the products.'

'How do you ensure that the school is up-to-date as regards the content and organisation of the courses?'

'We collaborate with external suppliers. They also work with other enterprises and pick up impulses there. We hold regular meetings with other enterprises ourselves at which we exchange experiences. The feedback from the course participants is very important. As long as they feel that what they learn at the school is useful in their day-to-day

'The customer shall perceive us as eager to serve and easy to understand, and then we must keep our promises, of course.'

Lykke Gædicke
Service manager, Copenhagen

work, we are on the right track. We have a school board that consists of representatives of our 'customers', meaning the sales and claims departments. The board meets four times a year and provides input. We hold revision meetings twice a year at which we make any necessary changes to the training programme.'

The Customer and Brand School was established in Denmark in autumn 2011. Miriam wants all employees in Denmark and Sweden who deal with customers to complete courses within two years. She is prepared for the fact that people with long experience can be sceptical about spending time on training.

'People who have been working and achieving good results for a long time do always not see the point of going to school before they start. But they all give very good feedback after attending the school. Everyone learns something, and those with a lot of experience see the value of sharing their know-how with others,' says Miriam.

Another focus area in 2012 is the school's voluntary instructors, who otherwise normally work in sales, claims and products.

'We have 30 members of staff who help out as instructors, in addition to hired and permanently employed teachers. They are very important in relation to ensuring that the tuition offered by the school matches the company's needs.'

THE GJENSIDIGE ACADEMY

Gjensidiges Customer and Brand School is a part of the Gjensidige Academy. The Academy is responsible of competence-building in Gjensidige, and includes e-learning av and management training as well.

In 2011, the school completed 4500 course days, and 370 passed examinations were given. Friom the startup in 2009 and to year-end 2011, a total of 909 managers and employees passed their examinations at the school.

THE YEAR IT RAINED AND RAINED

The storm Dagmar hit Norway in the early hours of Boxing Day 2011, and customers who had suffered damage started calling Gjensidige a few hours later. Many of our claims handlers who had been looking forward to a few lazy days at Christmas ended up spending long days on the phone. Over the course of five days, Gjensidige received 3,000 reports of damage to buildings. All available resources were called in to handle the worst hurricane since 1992.

Situations like that are the moment of truth for an insurance company. When customers need our help, we must be there to provide advice and guidance on how to handle claims. That is why our staff must be highly competent and motivated. They must feel responsible for helping the customers. And in 2011, our staff were called on to demonstrate this sense of responsibility many times.

The year began with a prolonged period of cold weather, which led to extensive frost and water damage. From the melting snow in the spring to the autumn rains in September, we experienced a series of floods, the June flood in Gudbrandsdalen being the one that caused most damage. The summer was also characterised by a lot of losses caused by thunder and lightning.

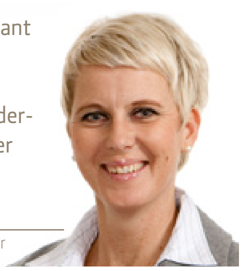
The bombing of the government building complex and the subsequent massacre at the Utøya island on 22 July represented unusually difficult situations for the employees who handled questions and claims from affected customers.

The end of the year was dominated by heavy storms, first Berit in November, and then Dagmar between Christmas and New Years. Claims cases involving loss of life or injuries are worst, but material damage can also be a heavy burden. People's homes are where they feel safest. When someone's house is suddenly destroyed and becomes uninhabitable, strong emotions come into play, at the same time as practical problems need to be resolved. Insurance is about more than money. It is also a question of taking care of customers in vulnerable situations. It is a job to be proud of. And we are proud of those who do it.

'Being able to achieve things together with my colleagues as a group means that I look forward to going to work every day.'

Ronny Lavik
Customer adviser and team coordinator, Kristiansand

'The most important thing in my job is listening to the customer and understanding his or her needs.'



Solveig Østerhus
Senior customer adviser Stavanger

'Our job is to help customers who have experienced damage or loss, and who often find themselves in a difficult situation.'

Ragnar Lund
Technical building consultant, Trondheim

PASSIONATE ABOUT FIRE PREVENTION

Over the years, Odd Rød has burnt down many houses in the name of loss prevention. His fortieth house meets its end in the Indre Vestfold area on a cold November day in 2011. Decades of wear and tear have left their mark on what was once a charming house on a small farm.

Now, the building will perform one last service for society. Odd, who is Department Director Property, Fire at Gjensidige, has set up a TV set and some furniture in a corner of the living room. He has installed smoke alarms in both the living room and the hall on the ground floor of the house. On the upper floor, where all the bedrooms are, two additional smoke alarms have been installed for the occasion. Most houses in Norway do not have that many smoke alarms. But is your house adequately protected? How quickly would you wake up if you were sleeping on the upper floor and the TV caught fire, as conventional TVs sometimes do?

That is exactly what Odd is going to demonstrate on this chilly November morning. The local fire service, the Norwegian Fire Protection Association, the Directorate for Civil Protection and Emergency Planning (DSB) and the Norwegian Broadcasting Corporation (NRK) are also in place to follow the demonstration.

Even people who work in loss prevention get a childlike sense of pleasure from lighting a fire. Setting a whole house on fire is not something you do every day. Expectations are running high among the watching crowd as Odd enters the living room with his matches at the ready. Odd has not relied on this particular TV self-combusting on this particular day and he lights a fuse to get the fire going. The TV is ablaze in a matter of seconds, and the fire quickly spreads to furniture and other combustible material. The smoke alarm in the living room is beeping for all it is worth, but the upper floor is silent. It takes several minutes for the smoke alarm in the bedroom to start beeping. By then, the fire has spread so far that it would not be possible to descend the stairs. Windows on the ground floor have exploded because of the heat, and flames are shooting out.

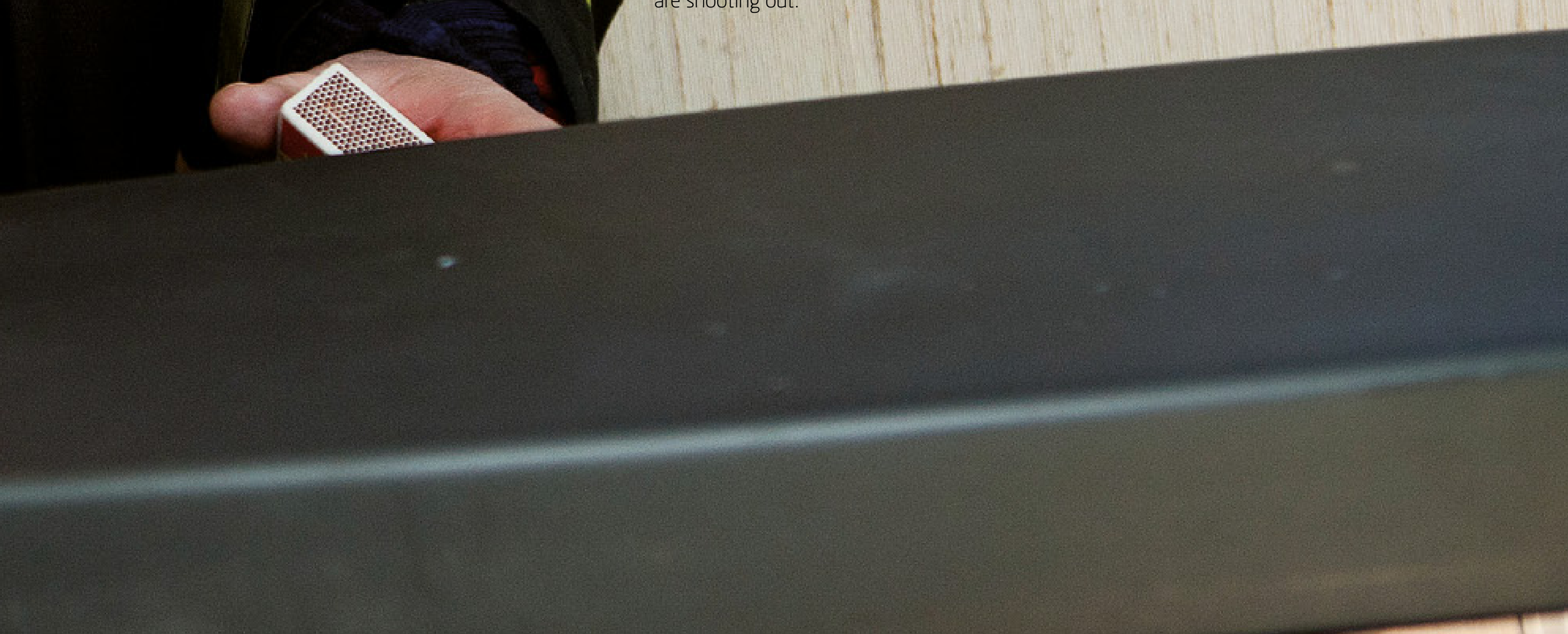
'The only way of escaping from the upper floor would be to jump out of the window,' says Odd.

He points out that the smoke alarms should have been connected in series. In that case, the smoke alarm in the bedroom would start to beep at the same time as the one in the living room. That would have given the house's inhabitants sufficient time to get down the stairs and to safety. They might even have had time to put out the fire before it got out of control.

'The demonstration was an excellent illustration of how important it is to get an early warning. Smoke alarms connected in series can actually mean the difference between life and death,' explains Odd.

Every year, fires claim many lives and destroy huge assets in Norway. Spreading knowledge about how to prevent fires and how to save lives in case of fire is an important task for Odd and Gjensidige. Cooperation with the media is very important in this connection. NRK produced a story about the demonstration, which was broadcast on the daily TV news programme 'Dagsrevyen', thus ensuring that the message reached a large audience.

Gjensidige started out as local mutual fire insurers nearly 200 years ago. We are part of the Norwegian cooperation group for fire prevention in schools, which produces educational material for kindergartens and schools. We take part in a house fire prevention campaign every year together with the Norwegian Fire Protection Association and DSB, and we publish a fire prevention calendar in that connection featuring the Norwegian women's handball team. And Odd will continue to set fire to houses, all in the name of fire prevention.



KEY FIGURES SOCIAL RESPONSIBILITY

TARGET GROUP	SUBJECT	STATUS 2010	STATUS 2011	TARGET 2011	TARGET 2012
VALUE CREATION AND RESOURCE USE					
Owners	Return on equity before tax	14.4%	14.4%	>15%	>15%
	Dividend (NOK million)*	2,350	2,350	-	-
	Dividend payout ratio*	80%	82,7%	50-80%	50-80%
Customers	Customer satisfaction (KTI) retail	72	72	74	74
	KTI Corporate	70	70	72	72
	Financial advisers authorised	93%	77%	100%	100%
	Insurance advisers certified	97%	97%	100%	100%
Environment	Energy consumption in MWh	14.1	14.1	12.7	12.7
	CO_2 emission in tonnes	3028	3028	2877	2877
	Square metres in use	66,964	66,964	63,616	63,616
	Offices certified as Eco Lighthouses	4	4	11	11
	Video conferences, hours	11,334	11,334	12,500	12,500
	Paper consumption in tonnes	248	248	223	223
	Paper-free customers	310,000	409,000	430,000	430,000
WORKING ENVIRONMENT					
Employees	Women	45.6	45.6	Ca, 50%	Ca, 50%
	Female managers	35%	35%	Increase	Increase
	Sickness absence Gjensidige Forsikring Norway	4.6%	5.2%	4%	4%
	Average amount spent on training (NOK)	10,420	16,400	10,400	17,500
	Average retirement age	62.9 years	62.9 years		Not quantified
Ethics					
Employees	Policies, measures regarding impartiality, bribery and ethics		Control		Continued
Suppliers	Fair competition/ anti-corruption		Control		Continued
	Taxes and fees - VAT registered, no illegal labour		Control		Continued
	Personal statement regarding environment and social responsibility for suppliers	Yes	Yes		Continued
Human rights	Asset management	The Group's own financial investments follow international rules for 'Socially responsible investments (SRI)'			

* Figures for 2011 based on the Board of Directors' recommendation.

** Figures not comparable

THE GJENSIDIGE FOUNDATION

The Gjensidige Foundation is the largest in Norway, and it plays two important roles. One of these roles is relatively new and involves the ownership of Gjensidige Forsikring ASA and asset management. The other is the continuance of Gjensidige Forsikring's long tradition as an important contributor to socially beneficial objectives.

The gifts from the Foundation shall promote security and health in accordance with the foundation's basic values, which are 'Prevention – Development – Generate activities – Development of society'.

In June 2010, the Gjensidige Foundation was converted from a general foundation to a financial foundation. This was a consequence of Gjensidige Forsikring's simultaneous conversion to a public limited company (ASA). The foundation currently owns just under 63 per cent of the shares in Gjensidige, and it is stipulated in the Articles of Association that its ownership shall be long-term. Approximately 150 of Gjensidiges customers form the general meeting, the supreme body of the Foundation.

In addition to the long-term ownership of Gjensidige, the Gjensidige Foundation's financial targets involve distributing a dividend to Gjensidige Forsikring's general insurance customers and managing the investment income from Gjensidige Forsikring's sell-down sale.

For the 2010 financial year, the Gjensidige Foundation received NOK 1.5 billion in dividends, which was converted to customers' dividend. I 2011, the general insurance customers could choose to transfer the dividend to welfare purposes. More than NOK 2.5 million were divided between Norwegian People's Aid, The Norwegian Heart and Lung Patient Organization and the Norwegian Council for Road Safety.

The Foundation's socially beneficial objective involves promoting security and health both locally and nationally by helping to fund various causes. This shall occur in accordance with the foundation's basic values, which are 'Prevention – Development – Generate activities – Development of society'. The funds that are distributed by the foundation shall mainly go to activities and projects that improve and safeguard the everyday lives of the general public or of selected target groups. We are looking for projects that will help to promote change and for the dedicated souls who will see these projects through to completion. It is important that these projects are based on a good idea or a good proposal that will benefit and bring happiness to many people over a period of time. Importance is also attached to innovation and implementation capabilities.

From its establishment in October 2007 up to year-end 2011, the Gjensidige Foundation has awarded a total of NOK 640 million to almost 2,800 projects to promote security and health. Examples of national projects that have received considerable support are the 'learning to swim' campaign in cooperation with the Norwegian Swimming Federation, the project 'En helt vanlig jul' (A typical Christmas) with the Church City Mission, Active Against Cancer, Dignity Day and MOT.

The Gjensidige Foundation's representatives from the owner committees in five regions recommend relevant local applications for support. The Board of Directors makes the final decision as to which projects will be approved.

GOVERNANCE

SENIOR MANAGER KJETIL HØYLAND
CONTRIBUTES IN MANAGEMENT OF THE
INVESTMENT PORTFOLIO OF GJENSIDIGE

MANAGEMENT AND CONTROL

Risk management is an integral part of Gjensidige's day-to-day operations. Comprehensive and strong risk management is an important strategic tool in increasing value creation, and it enables the Group to handle uncertainty, threats and negative outcomes and to utilise its risk capacity in an optimal manner.

Risk management and risk factors are described in more detail in the directors' report and in Note 3.

Centralised risk management functions that are independent of business operations have been established in the form of Compliance, Risk and Capital Management and the Actuary function. In addition, the internal audit function serves as an additional, independent control level that reports directly to the Board of Directors. These functions are organised on the basis of the principle of three lines of defence.

BUSINESS AND RISK MANAGEMENT AND FOLLOW-UP

Scorecards have been drawn up for the Group's employees. They identify key performance indicators, deliveries and measures that influence the Group's earnings, value development and risk situation. The strategic plan and more detailed business plans are important premises for the scorecards. Budgets, various measurement criteria of both a financial and a non-financial nature, authorisations and trend analyses are also used in the management of the Group in addition to scorecards. The measurement indicators are included in internal monthly reports to the Board and management. They provide a basis for making decisions on measures and responsibility relating to efficient goal achievement.

The monthly reporting includes the results achieved in relation to budgets approved by the Board, up-to-date forecasts and developments in the most important risk factors.

Risk assessments are closely linked to business follow-up, so that managers of individual areas are aware of their responsibility for achieving goals within an acceptable risk level. The CEO holds regular performance review meetings with the managers who report to him, at which they focus on measures that ensure results and deliveries. Quarterly overviews of the Group's risk and capital situation are prepared for both the Board and management, in which the need for measures is assessed.

External reports are prepared on a quarterly basis in accordance with International Financial Reporting Standards (IFRS) and regulations issued by the Financial Supervisory Authority of Norway. The reports are approved by the Board.

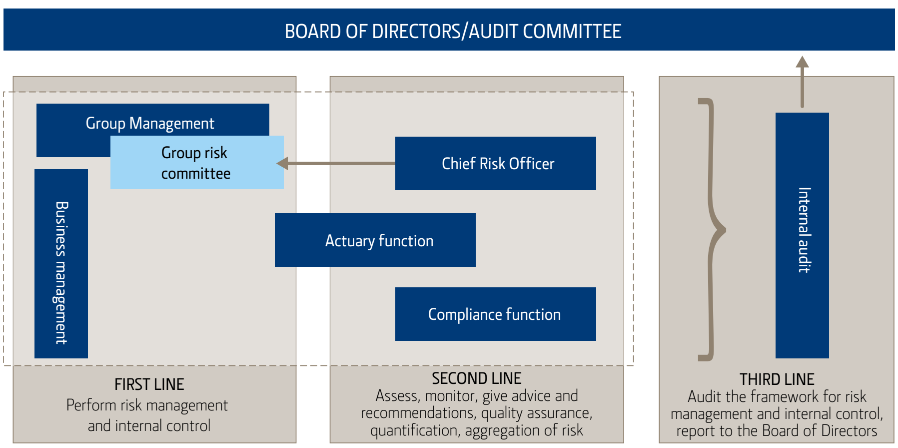
Return on equity is the Company's principal measure of profitability. Equity and return requirements have been assigned to various parts of the business. Profits in excess of the Company's required rate of return are a measure of the real value creation.

THE RISK MANAGEMENT FUNCTION

The Department for Risk and Capital Management is headed by a Chief Risk Officer (CRO). It is responsible for monitoring the overall risk situation and the framework for risk management, including internal control and quantification and aggregation of risk.

The CRO's responsibilities include ensuring that an adequate risk management and internal control system is in place, optimising capitalisation and capital use, ensuring that the allocation of assets meets the Group's defined requirements, maintaining an overview of the overall risk situation in the Group and communicating any matters that the Group's risk management committee should be aware of. The Group's risk and capital management policy, as adopted by the Board, covers the overall requirements for these areas, including describing the roles of the Board, the CEO and other roles in the risk management system.

In 2008, Gjensidige established a Group Risk Committee that focuses on the risk situation for the Group at the overall level. The committee is chaired by the CEO. It is an advisory and investigatory body in connection with the



Risk management and risk factors are described in more detail in the directors' report and in Note 3.

handling of material risk factors in the Group. The CRO is responsible for clarifying the risk and capital situation and for bringing it to the attention of the Group Risk Committee. This committee also serves as the overall steering committee for the Group's Solvency II project.

COMPLIANCE

Gjensidige shall comply with all statutes and regulations that apply to its operations. The risk and capital management policy adopted by the Board describes the main principles for compliance and the organisation of the Compliance function. The Compliance function is an independent function that identifies, assesses, advises on, monitors and reports on the Group's compliance risk. Assessing compliance risk is part of the Group's annual risk assessment process. Compliance officers have been appointed in all business and support areas and in the subsidiaries.

The Group Compliance Officer is responsible for the Group's overall control and reporting of compliance risk and any violations of the regulations that apply to the Group. The Compliance function shall contribute to ensuring:

- that management and employees have or are given sufficient insight into or an understanding of compliance risk
- that statutes, regulations and standards are complied with and, on its own initiative, that the management is informed about all relevant matters that are or may be of material importance to the area of operations in question
- compliance, among other things by investigating compliance with external and internal regulations.

The head of the Compliance function reports to the CEO and the Board. The Compliance function is also responsible for the Group's notification procedures in the event of malpractices and irregularities, and for preventing and investigating such irregularities.

INTERNAL AUDITING

The Group has its own internal auditing function that covers all the Group's companies. Group Auditing is an independent, objective supervisory function that, on behalf of the boards and the executive management, reviews and assesses whether sufficient, effective and appropriate management and control have been established and implemented in the Group.

The function was established and is conducted in accordance with international standards and the requirements set out in the Regulations relating to risk management and internal control. The Group Auditing Manager prepares and submits reports to the Board on risk management and internal control. The audit reports are also presented to the control committee and the external auditor.

The Board approves Group Auditing's resources and annual plans. The Group Auditing Manager is appointed and dismissed by the Board.

CORPORATE GOVERNANCE

The Board of Directors' Report on corporate governance can be found at: http://www.gjensidige.com/web/Front page/Investor relations/Corporate governance

It is based on the Norwegian Code of Practice for Corporate Governance of 21 October 2010, after the latest amendments of 21 October 2011. As the report shows, Gjensidige has organised all aspects of its operations in accordance with the Code of Practice.

SOLVENCY II

The Solvency II regulations are being established under the auspices of the EU. They will introduce a new standard for calculating capital requirements, requirements for risk management and the reporting of the risk and capital situation in European insurance companies.

Solvency II will contribute to improved quantification of risk and capital needs for insurance companies, and improve risk management in general. Gjensidige therefore welcomes the new regulations and believes that they will provide a greater incentive for companies to measure and manage all risks in a consistent manner. This kind of discipline is positive for profitability and value creation in the insurance markets in the long term. The development of Solvency II is being closely monitored, and active preparations for the coming regulations are being carried out in a separate project that reports directly to the CEO.

Gjensidige has participated in all the quantitative impact studies that have been conducted, most recently in 2010 (called QIS 5). They have primarily focused on consequences for capital and, as far as Gjensidige is concerned, QIS 5 shows that the Group will also be very well capitalised under the new regulations, with at least as much excess capital in relation to the new requirements as today. The new regulations entail a greater degree of market-based valuation of assets and liabilities, which will also mean that excess capital in relation to the capital requirements will fluctuate more from one period to the next in future. Because the drivers for the capital requirement are significantly different, it can also lead to the Group making changes to its adaptation of assets, product pricing and product composition and to the internal legal structure of the Group. Future work on the Group's Solvency II project will focus strongly on this aspect.

Although the external focus on Solvency II has largely been on the changes to the capital requirements, the authorities and Gjensidige's focus is that this is an overriding risk management project ('Enterprise Risk Management', ERM). In addition to the potential commercial consequences mentioned above, the most important focus areas in the Group's work on adapting to Solvency II are therefore:

- Meeting the requirements for approval of the Company's own capital adequacy assessment (internal model) as the basis for the legal capital requirement
- Ensuring efficient handling of data for use in the internal model, reporting and risk management
- Strengthening the group-wide procedures for risk management
- Meeting Solvency II's new, comprehensive reporting requirements in an efficient manner.

The Group established Solvency II as a separate project area in 2009 on the basis of a gap analysis that was carried out the year before. It has since worked systematically to close the gaps identified in relation to the new requirements.

Under Solvency II, it is possible to apply to use internal models to calculate the regulatory capital requirement. This means that the capital requirements will as far as possible reflect the Group's own quantitative assessment of the risk and the impact of the risk-reduction measures that are in place, for example reinsurance. Since 2004, Gjensidige has worked on developing a so-called ALM (Asset Liability Management) model that is used in its internal capital management. This model is being further developed both in its scope and area of application, and Gjensidige will apply to have it approved as an internal model. In addition to producing a more correct assessment of the capital requirement, it is deemed to result in improved risk management in that it consistently takes risk and capital effects into account in strategic and operational decisions.

The internal model, improved risk management and the increased requirements for external reporting that follow from Solvency II all make great demands on the quantity, quality and availability of data. Data processing and documentation of this processing is therefore a key part of the project. Few industries are as 'data-intensive' as the insurance industry, and this work also has positive effects in other areas of the Group.

Gjensidige already meets many of the requirements for efficient group-wide risk management that are set out in the Solvency II regulations. Functions and governing documents are in place, and work is under way on ensuring as many common systems and procedures as possible in the individual companies in the Group. The overriding principle on which this work is based is to ensure that risk and business management are as closely integrated as possible. This results in swifter identification of risks relating to not achieving targets and initiating corrective measures.

In 2010, Gjensidige also started work on adapting to new reporting requirements. Solvency II contains new requirements for what is to be reported to the market in general ('Solvency and Financial Condition Report') and what is to be reported to the supervisory authorities ('Reporting To Supervisors'). The purpose of the increased reporting requirements is to give users of the accounting information a better picture of the risks inherent in the operations seen in relation to the available capital, which will help the market to exercise discipline over companies' risk-taking. The information requirements will be identical within the EU, so that it is easier to compare companies across national boundaries. The challenge for the companies is that the preliminary specifications from the supervisory authorities are very comprehensive, and it will have to be assessed whether such an extensive amount of information is sensible seen in relation to the object of the new regulations.

THE GJENSIDIGE SHARE

The profit per share in 2011 was NOK 5.50. The Board of Directors proposes a dividend of NOK 4.55 per share. At the turn of the year, Gjensidige had approximately 45,000 shareholders. The total return on the share was 26.6 per cent in 2011.

GUIDELINES FOR INVESTOR RELATIONS

Gjensidige shall have an open dialogue with all its stakeholders. Shareholders, potential investors and other players in the financial market shall have access to relevant, supplementary information about the Group's strategies and financial targets, financial development and financial position.

All financial information and other investor information is made public simultaneously in Norwegian and English. The information on the Group's website www.gjensidige.com is also available in both Norwegian and English. Gjensidige follows Oslo Børs' recommendations for reporting IR information.

Financial and non-financial target figures have been set that govern the Group's activities. These target figures are disclosed at least once a year in connection with the annual report, and otherwise as soon as possible if revised or new target figures are adopted by the Board. Gjensidige does not guide for the Group's future financial performance.

Gjensidige publishes four reports a year, in addition to the annual report. Silent periods are practised in the last four weeks before interim reporting, which means limited meetings with investors and analysts during this period. Nor will any comments be given to the media or others about the Group's performance or prospects during such periods. The purpose is to avoid any doubt about any inconsistency in the information provided.

DIVIDEND AND DIVIDEND POLICY

The Board has adopted a dividend policy that will form the basis for the dividend proposals that are submitted to the general meeting. Gjensidige shall have a dividend policy that ensures a competitive dividend in relation to comparable investments.

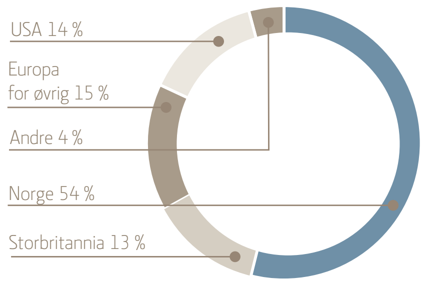
When determining the size of the annual dividend, consideration shall be given to the Group's capital needs, including capital adequacy requirements and the Group's targets and strategic plans. Unless the capital needs indicate otherwise, the Board's target is that between 50 and 80 per cent of the profit for the year will be distributed as dividend.

In addition to paying a cash dividend, Gjensidige will also consider buying back shares as a means of increasing the total shareholder return.

In 2011, dividend corresponding to 80 per cent of the profit after tax expense for the financial year 2010 was distributed. This amounted to NOK 2,350 million, which corresponds to NOK 4.70 per share. For the 2011 financial year, the Board of Gjensidige has proposed a dividend of NOK 2,275.0 million to be distributed. This corresponding to NOK 4.55 per share.

The dividend for the 2011 financial year will be approved by the general meeting on 19 April 2012 and paid to shareholders registered on the date of the general meeting. The dividend is expected to be disbursed approximately eight business days after the date of the general meeting.

GEOGRAFISK FORDELING AV EIERE PER 31.12.2011



1) Fordeling av aksjer eksklusiv aksjene eiet av Gjensidigestiftelsen

OWNERSHIP

Gjensidige had approximately 45,000 shareholders at the turn of the year. The Gjensidige Foundation is the largest owner, with a holding of 62.8 per cent. The twenty biggest owners own a total of 89.7 per cent of the shares in the Company.

The Gjensidige Foundation has stipulated in the Articles of Association to have an owner share in Gjensidige of at least 60 per cent.

The Gjensidige Foundation has an ownership policy that focuses on high value creation over time. The Gjensidige Foundation has stated that it expects an annual dividend that is competitive in relation to equivalent businesses and that it is willing to contribute to ensuring stable ownership and predictability. The Foundation is also willing to consider a reduced ownership fraction in the event of any acquisitions or capital increases that are in accordance with the Gjensidige Foundation's overall strategy.

The Gjensidige Foundation manages ownership on behalf of the Norwegian general insurance customers, which, among other things, means that dividend also for 2011 from Gjensidige is passed on to Norwegian general insurance customers through the Gjensidige Foundation.

As of 31 December 2010, Gjensidige had just under 50,000 shareholders.

THE 20 BIGGEST SHAREHOLDERS AS OF 31 DECEMBER [1]

No	Shareholder	Holding
1	Gjensidigestiftelsen	62.8
2	Skagenfondene	3.6
3	Folketrygdfondet	3.5
4	DWS Investments	2.1
5	Lansdowne Partners	1.9
6	Thornburg Investment Mgmt	1.9
7	Greenlight Capital	1.4
8	BlackRock	1.1
9	Odin Fund Management	1.1
10	People's Bank of China	1.0
11	BNP Paribas Inv. Partners	0.9
12	DNB NOR AM	0.5
13	Danske Capital	0.5
14	Invesco Perpetual	0.4
15	KLP	0.4
16	SSGA	0.3
17	Storebrand Investments	0.3
18	APG AM	0.3
19	Vanguard Group	0.3
20	Alfred Berg	0.3
	Total 20 biggest	**84.7**

1) The list of shareholders is based on an analysis of the register of shareholders in the Norwegian Central Securities Depository (VPS) carried out by RD:IR. The analysis maps the owners behind the nominee accounts. There is no guarantee that the list is complete. An overview of the 20 biggest shareholders as specified in VPS's register of shareholders is available in Note 26 on page 129.

Key figures – the Gjensidige share

	2011
Share price high	72.55
Share price low	57.00
Share price average	63.70
Share price at the end of the year	69.30
Market value at the end of the year	34,650,000,000
Average trading volume, daily at Oslo Børs	54,937,932
Profit per share	5.50
Dividend per share (proposed)	4.55
Rating	A
Ownership outside Norway (%)	29
Outstanding shares, average	500,000
Outstanding shares at 31 Dec. 2011	500,000

SHARE CAPITAL

The share capital in the Company is NOK 1,000,000,000 divided between 500,000,000 shares each with a nominal value of NOK 2.

At the end of the year, Gjensidige owned 60,755 own shares.

AUTHORISATIONS

Pursuant to the resolution of the general meeting on 27 April 2011, the Company's Board of Directors is authorised to purchase own shares in the market. The authorisation is twofold.

The authorisation can be used to purchase own shares with a total nominal value of up to NOK 3,000,000. Shares purchased in accordance with the authorisation can only be used for the sale and transfer of shares to employees of the Gjensidige Group as part of the Group's share savings programme as approved by the Board. The minimum and maximum amounts that can be paid per share are NOK 20 and NOK 200, respectively. The authorisation is valid until the next annual general meeting, no longer, however, than until 30 June 2012.

The authorisation can also be used to purchase own shares in the market with a nominal value of up to NOK 50,000,000. The maximum and minimum amounts that can be paid per share are NOK 20 and NOK 200, respectively. Own shares purchased in accordance with this authorisation can only be used for cancellation by means of a capital reduction, cf. the Norwegian Public Limited Liability Companies Act section 12-1, or before this date as consideration in connection with the acquisition of enterprises. The authorisation is valid until the next annual general meeting, no longer, however, than until 30 June 2012.

The authorisation to purchase own shares as part of the Group's share savings programme has been used, and 257,175 shares were purchased under this authorisation in 2011.

The authorisation to purchase own shares for the purpose of cancellation through a capital reduction has not been used.

The Board will propose that the authorisations be extended in the same scope, for the same purpose and on the same terms.

SHARE SAVINGS PROGRAMME

In order to increase interest among employees for the Company's targets and performance, a share savings programme has been established for employees of Gjensidige Forsikring ASA, its branches in Denmark and Sweden and subsidiaries in Norway.

For 2012, the maximum savings amount per year is NOK/ SEK/ DKK 75,000. The Company will cover part of the purchase amount, limited upwards to NOK 1,500 per year. After two years of ownership, the Company will allocate one bonus share for every fourth share bought in connection with this offer.

GENERAL MEETING

The general meeting is the supreme body in Gjensidige. The governing bodies under the general meeting are structured in the same way as financial institutions in Norway, with a supervisory board, a Board of Directors with select committees, a control committee and a nomination committee.

The next ordinary general meeting will be held at Gjensidige, Drammensveien 288, on 19 April 2012 at 17.00.

The general meeting is open to all shareholders. Registration for the general meeting takes place online at www.gjensidige.com. The deadline for registration is 16 April 2012.

The agenda and case documents will be made available on the Company's website www.gjensidige.com. The documents relating to the general meeting will sent by post to shareholders free of charge if they so request. The documents can be ordered at www.gjensidige.com.

FINANCIAL CALENDAR

19 April	Annual general meeting
20 April	Ex-dividend date
4 May	Q1 results 2012
17 July	Q2 results 2012
24 Oct.	Q3 results 2012

ANALYSTS

Nineteen brokers now follow Gjensidige and publish estimates and analyses relating to the Company. An updated list of the brokers that follow Gjensidige is available at www.gjensidige.com.

RATING

Gjensidige is rated by the rating agency Standard & Poor's. Gjensidige has an A rating with a stable outlook, and the latest rating report was dated 30 August 2011.

FACTS ABOUT THE SHARE

Ticker: GJF
Listed: Oslo Børs (OSE)

Registrar

Gjensidige's registrar is DNB Bank ASA, Verdipapirservice, NO-0021 Oslo.
Tel.: +47 22 48 35 90, fax +47 22 48 11 71, email kua@dnb.no

GROUP MANAGEMENT

HELGE L. BAASTAD
CEO

Baastad (1960) has been CEO since 2003 and a member of the senior group management since 2001. He joined Gjensidige in 1998 and has many years of management experience from other leading brand companies. He held various executive positions in Jordan AS from 1987 to 1998. From 1984 to 1987, he worked for Denofa and Lilleborg Fabrikker, part of Orkla AS. Baastad is chairman of the board of Jordan AS from 2011 and holds several directorships, and he is a member of the executive board of Finance Norway (FNO). He is also a member of the corporate assembly and nomination committee of Norske Skog. He was chairman of the board of Gjensidige Bank Holding AS from 2006-2011, and has been chairman of the board of Gjensidige Pensjon og Sparing Holding AS and Gjensidige Pensjonsforsikring AS since 2005. Mr. Baastad has a degree in business economics (*siviløkonom*) from the Norwegian School of Economics (NHH).

BJØRN ASP
Pension and savings

Asp (1950) took over as Executive Vice President in charge of Pensions and savings in 2005. He joined Gjensidige in 1982 and has held various executive positions in the Group. He has been a member of the senior group management since 2001 and has held several directorships. Asp has a degree in business economics from Handelsakademiet (Oslo Business School).

SIGURD AUSTIN
Commercial

Austin (1971) took up the post of Executive Vice President of the Commercial segment in 2011. He joined Gjensidige in 2003 and has held various executive positions in the Group, most recently as head of small and medium-sized enterprises and agriculture (SMBL) in the Commercial segment. Austin has previously held various leading positions in the Norwegian Armed Forces. Austin studied at the Norwegian Military Academy, has a Master of Science (MSc) degree from BI Norwegian Business School and an MBA degree from the Norwegian School of Economics (NHH).

MARTIN DANIELSEN
Product and Price

Danielsen (1966) has been Executive Vice President of Product and Price since 2009. He joined Gjensidige in 2006 and has held several executive positions in the Group, including Deputy CEO of Gjensidige Pensjon og Sparing. He has previously worked as a consultant with McKinsey and held executive positions in BearingPoint, Storebrand ASA and If. Danielsen has a Bachelor of Science in Business Administration from the University of Bath as well a Norwegian law degree (*cand. jur*) from the University of Oslo.

CECILIE DITLEV-SIMONSEN
Brand Management, Communications and Marketing

Ditlev-Simonsen (1964) was apointed in May 2011. She was previously Managing Director of the communications agency JKL Group. From 2002 to 2007, she was head of communication in Norsk Hydro ASA, the last year as member of corporate management. She has also been Deputy Managing Director of NSB and Head of Information at IBM Norge/Nordic. Ditlev-Simonsen has previously been head of Oslo City Government's Secretariat and been a member of Oslo City Council. She has experience as a journalist from several American newspapers and holds a Bachelor of Science in Journalism from the Northwestern University in the USA.

MATS C. GOTTSCHALK
Strategy and M&A

Gottschalk (1977) took up the post in December 2011. He came from the investment bank Goldman Sachs International in London, where he worked as an executive director focusing on strategic consultancy services and M&A in the European financial sector. He also has experience from the investment bank J.P. Morgan in London. Gottschalk holds an MSc in industrial economics and technology management from the Norwegian University of Science and Technology (NTNU) and the University of St. Gallen.

CATHARINA HELLERUD

Finance, Legal, Group Development

Hellerud (1968) took up the post of CFO in December 2011 following a period as acting CFO. She joined Gjensidige in 2007 as IR director and was appointed Group Controller at the beginning of 2011. Hellerud was previously employed at Oslo Børs, where she worked on following up listed companies. She has also worked as an accountant in Ernst & Young. In addition to a number of internal directorships in the Gjensidige Group, Hellerud is a board member of SpareBank 1 SR-Bank. Hellerud is a state authorised public accountant from the Norwegian School of Economics (NHH) and a business economics graduate (*siviløkonom*) from BI Norwegian Business School.

JØRGEN RINGDAL

Group Staff/general services

Ringdal (1960) has been Executive Vice President of Group Staff/general services since 2006. He joined Gjensidige in 1996 and has been a member of the senior group management since 1999, including having responsibility for finances. He was manager at KPMG from 1993 to 1996 and assistant chief auditor at Norges Bank from 1989 to 1992. He has been chair of the board of Gjensidige Bank Boligkreditt AS since 2010, of Gjensidige Pensjonskasse since 2008 and of Gjensidige Bank Holding AS since 2011. Ringdal has a degree in business economics (siviløkonom) from the Norwegian School of Economics (NHH) and is a state authorised public accountant.

HEGE YLI MELHUS

Private Norway

Melhus (1974) started as Executive Vice President in charge of the Private segment in 2011. She came from the position of CEO of Agito Nordic AS and has previously been Executive Vice President of Markets in Hafslund ASA. She also has experience as an investment analyst with Kistefos Venture Capital AS and has worked as a research assistant at INSEAD in France. Melhus has been a member of the board of Skagerak Venture since 2007. She holds a Maîtrise des Sciences de Gestion (MA in Business Economics) from Université Paris IX Dauphine in France.

KAARE ØSTGAARD

Claims and ICT

Østgaard (1964) took up the post of Executive Vice President of Claims and ICT in 2011. He joined Gjensidige in 2004 and has been responsible for ICT since 2006. He was also in charge of the integration work following the acquisition of Nykredit Forsikring in 2010. He has previously held various executive positions in ErgoGroup, including as deputy managing director prior to joining Gjensidige. Østgaard holds a degree in business economics (*siviløkonom*) from BI Norwegian Business School.

KIM RUD-PETERSEN

International General Insurance

Petersen (1970) took up the post of Executive Vice President of International General Insurance in 2010. He came from the position of head of the Commercial division in the Danish part of the business. Rud-Petersen was appointed sales director of KommuneForsikring in 2005 and has previously worked for Codan and AON. Kim Rud-Petersen has been chair of the board of Nykredit Forsikring AS since 2010 and chair of the board of Gjensidige Baltic since 2010. In addition, he has been deputy chair of Gjensidiges Arbejdsskadesforsikring A/S since 2010 and a member of the board of Compass Human Resources Group A/S since 2010. Rud-Petersen has a Bachelor's degree in Insurance and Economics and a Master of Business Administration from IUM in Monaco.

SUPERVISORY BOARD, CONTROL COMMITTEE AND NOMINATION COMMITTEE

SUPERVISORY BOARD

Bjørn Iversen, Chairman
Kirsten Ingjerd Værdal, Deputy chairman
Benedikte Bettina Bjørn
Knud Daugaard
Randi Dille
Marit Frogner
Geir Holtet
Arne G. Krog
Hilde Myrberg
Jens Eghøy Nielsen
John Ove Ottestad
Lilly T. Stakkeland
Christina Stray
Even Søfteland

DEPUTY MEMBERS

1. Ivar Kvinlaug
2. Inger Tone Ødegård
3. Wenche Teigland
4. Terje Wold

EMPLOYEE REPRESENTATIVES

Jon Aniksdal
Elisabeth Katai Knudsen
Åsa Schwaiger
Vibeke Thomassen
Lasse Wold
Roger Warud
Petter Aasen

DEPUTY MEMBERS

1. Ellen Kristine Enger
2. Hanne Rennemo
3. Monika Huseby Antonsen
Susanne Baden Weltz (Nordic)

NOMINATION COMMITTEE

Bjørn Iversen, Chairman
(Chairman of the Gjensidige Foundation)
Jan Eyolf Brustad,
(Chairman of the nomination committee in the Gjensidige Foundation)
John Ove Ottestad
Benedikte Bettina Bjørn
Kirsten I. Værdal

Representatives for the employees' members of the supervisory board who participate in the nomination committee's work of nominating the Chairman of the Board of Directors.
Jon Aniksdal
Elisabeth Katai Knudsen

CONTROL COMMITTEE

Sven Iver Steen, Chairman
Hallvard Strømme
Lise Lotte Aune Lee

GLOSSARY

The following explanations are not meant to be technical definitions, but to give a general and fundamental understanding of some of the key concepts that are used in the annual report.

COMBINED RATIO
Combined Ratio (CR) is a key figure in the insurance sector and shows the ratio of costs (both claims incurred and operating expenses) to earned premiums in the general insurance operations. The combined ratio is equal to the sum of the loss ratio and the cost ratio.

EBITA
Stands for Earnings before Interest, Taxes and Amortisation. The EBITA margin is EBITA as a percentage of the operating income. In Gjensidige, EBITA is employed as a key figure in the health segment.

RETURN ON EQUITY BEFORE TAX
Earnings before tax as a percentage of average equity during the period.

NET OF REINSURANCE
Premiums and claims can be reported "net of reinsurance"; i.e. a deduction is made for the reinsurer's portion.

GROSS PREMIUMS WRITTEN
Gross premiums written include the amounts the Company has received or is owed as payment for insurance contracts when the insurance period has started.

UNDERWRITING RESERVES
Accounting provision that cover unearned premiums that have fallen due, claims that are expected to be incurred and expected costs related to closure of claims incurred.

IFRS
Stands for International Financial Reporting Standards and is an international accounting standard that is in effect in the EEA. Gjensidige has reported its consolidated accounts in accordance with IFRS since 2007.

COST RATIO
Expresses the ratio of the total insurance-related operating expenses to the earned premiums.

EARNED PREMIUMS
The sum of premiums from all insurance contracts in a given period (the consideration period). If the contract period for an insurance policy deviates from the consideration period, only the portion of the premium that coincides with the consideration period will be included. Earned premiums are calculated on the basis of the date when the premium is recognised as earned in the income statement, regardless of when the premium is paid.

REINSURANCE
Reinsurance is a contract between an insurance company and a reinsurer, where the insurance company transfers a portion of an insurance policy to the reinsurer. This is a method of risk moderation in order to protect equity.

LOSS RATIO
The loss ratio expresses the ratio of claims incurred to the earned premiums.

CAPITAL ADEQUACY
Capital adequacy is an expression for credit-worthiness that expresses the insurance company's ability to handle its insurance liabilities. Capital adequacy is calculated as solvency margin capital as a percentage of solvency margin requirements. Solvency margin capital should exceed the solvency margin requirement.

SOLVENCY MARGIN CAPITAL
The capital that can be counted, pursuant to the regulations, as coverage of the solvency margin requirement is called solvency margin capital.

SOLVENCY MARGIN REQUIREMENTS
Insurance companies must meet a solvency margin requirement that is an expression of the risk associated with the insurance liabilities. The requirement that must be met is calculated on the basis of the company's insurance liabilities.

UNDERWRITING
Underwriting is the risk and price assessment that is made when drawing up an insurance contract. The underwriting profit is the earnings of the insurance operations and does not include earnings from financial investments.

WHITE LABEL
Insurance products sold by agents or other business partners who prefer using their own brand.

THE MEMBERS OF THE BOARD OF GJENSIDIGE FORSIKRING ASA

RANDI B. SÆTERSHAGEN

Board member

Sætershagen has been a board member of Gjensidige since 2005 and has been chair of the audit committee since 2008. She now works as a consultant and is interim manager of the consultancy company Lien & Co. She has previously held the position of managing director of Swix Sport AS and marketing director of Norsk Tipping AS. Sætershagen is a board member of the Gjensidige Foundation, Elsikkerhet Norge AS, Briskeby Eiendom 1 AS, Briskeby Gressbane AS, Hamar Sportsanlegg AS, Børstad Idrettsanlegg AS, Briskeby Bolig og Hotel AS, Grid Design AS and Posten Norge AS. Sætershagen has a degree in business economics (*siviløkonom*) from BI Norwegian Business School. Sætershagen has attended eleven board meetings.

TROND VEGARD ANDERSEN

Board member

Andersen has been a member of Gjensidige's Board since 2009, having served as a member of the owners committee for the East Norway area from 2005. Andersen is managing director of Fredrikstad Energi AS (FEAS). He is chair of the board of all the subsidiaries in FEAS and a board member of Værste AS (district development in Fredrikstad). Andersen is a state authorised public accountant and has a degree in business economics (*siviløkonom*) from the Norwegian School of Economics (NHH). He also has 13 years' experience from auditing and consultancy services in PricewaterhouseCoopers. Andersen has attended eleven board meetings.

MARI T. SKJÆRSTAD

Board member

Skjærstad was elected to the Board of Directors of Gjensidige in 2010. She is a partner in the law firm Johnsrud, Sanderud & Skjærstad AS. Skjærstad is chair of the board of, among others, Furnes-Hamjern SCC AS, Hedmark Trafikk FKF, BoligPartner AS and Norsk Forening for Kollektivtrafikk, and is a board member of Mesta AS, Scana Industrier ASA and Østlandsforskning AS, among others. Skjærstad has a law degree from the University of Oslo. Skjærstad has attended nine board meetings.

PER ARNE BJØRGE

Board member

Bjørge was elected to the Board of Directors of Gjensidige in 2011. Bjørge is a consultant and general manager of PAB Consulting AS in Ålesund. He is a board member of the Gjensidige Foundation, chair of the board of Borgund Invest AS, PAB Consulting AS, Tanux Shipping KS, Tanux Shipping AS, Havskjer AS and Havstål AS, and a board member of 3D Perception AS. He has previously worked in auditing and in management positions in banking, including as regional bank manager in Kreditkassen (now Nordea). Bjørge has a bachelor's degree in business economics and management, is a graduate of the Bank Academy and has completed AFF's management programme. Bjørge has attended five board meetings.

GISELE MARCHAND

Board member

Marchand was elected to the Board of Directors of Gjensidige in 2010. Marchand is the managing director of Eksportfinans ASA and has previously held various positions, including as managing director of the Norwegian Public Service Pension Fund and Executive Vice President of the corporate and private customer markets in Norway in DnB NOR. She is currently deputy chair of the board of Oslo Børs VPS Holding ASA and a board member of Oslo Børs AS, deputy chair of the board and chair of the audit committee of Norske Skogindustrier ASA, board member of the Norwegian Refugee Council, deputy chair of the board and chair

of the audit committee of Fornebu Utvikling ASA and a board member of GIE K Kredittforsikring AS. Marchand has been chair of the board of Kommunekreditt AS, and has served as a board member of, among others, Innovation Norway and ED B Business Partner ASA. Marchand has a degree in business economics (*siviløkonom*) from the Copenhagen Business School. Marchand has attended eleven board meetings.

INGE K. HANSEN
Chairman

Hansen has been Chairman of the Board of Gjensidige since 2008. Hansen is now a consultant. Among other positions, he has previously been CFO of Statoil, CEO of Aker Kværner and a consultant in Aker ASA. He is chair of the board of Siriusungen AS, NorSun AS, Bertel O. Steen AS, Hotell- og Restauranthuset Continental AS, Core Energy AS, AIM Norway SF and Leonhard Nilsen og Sønner AS, and a board member of Hydro ASA, Jiffy International AS, JGO AS, Sissener AS and Master Marine AS. Hansen holds a degree in business economics (*siviløkonom*) from the Norwegian School of Economics (NHH). Hansen has attended ten board meetings.

HANS-ERIK ANDERSSON
Board member

Andersson has been a board member of Gjensidige since 2008. Andersson, who is now a consultant, has previously been managing director of the insurance company Skandia, manager of the Nordic division of Marsh & McLennan and Executive Director of Mercantile & General Re. Andersson is chair of the board of Semcon AB, Erik Penser Bankaktiebolag, Canvisa AB and Implement MP AB, and a board member of Cision AB. Andersson has studied statistics, economics, business law and administration at the University of Stockholm. Andersson has attended eleven board meetings.

KJETIL KRISTENSEN
Board member

Kristensen has been an employee representative on Gjensidige's Board since 2008. He is the main employee representative for the Private segment. Kristensen is a graduate of Finnmark University College with a degree in IT and business economics. Kristensen has attended nine board meetings.

GUNNAR MJÅTVEDT
Board member

Mjåtvedt was elected to Gjensidige's Board of Directors as an employee representative in 2007. He is chief employee representative in Gjensidige. Mjåtvedt's background is in sales and management, and he has more than 20 years' experience from the industry. Mjåtvedt has attended eleven board meetings.

GUNNHILD H. ANDERSEN
Board member

Andersen has been an employee representative on Gjensidige's Board since 2008. She is a customer adviser in Gjensidige and has more than 20 years' experience in the insurance field. Andersen is the main employee representative for the Claims and ICT Department and is also a member of the Finance Sector Union of Norway's Østfold branch. Andersen has attended eleven board meetings.

BOARD OF DIRECTORS' REPORT

The Gjensidige Group recorded a profit before tax expense of NOK 3,647.4 million in 2011, up from NOK 3,254.0 million in 2010. The increased result is driven by strong improvement in the underwritng result. The Board proposes that an ordinary dividend of NOK 2,275.0 million be distributed, corresponding to NOK 4.55 per share. Gjensidige's customers in Norway will receive a total of NOK 1.4 billion in customer dividend, which will be paid by the Group's biggest owner, the Gjensidige Foundation, through a unique model that contributes to customer loyalty and satisfaction.

The Group's general insurance operations achieved good profitability in 2011, although the profit was negatively affected by the highest number of natural disaster claims in Norway since 1992. Measures aimed at retaining customers, in addition to correct pricing of risk and strategic customer selection, contributed to reducing the loss ratio by 3.4 percentage points. The underlying cost ratio also developed positively in 2011. The Board is satisfied that the Group achieved its financial targets for 2011.

In Norway, Gjensidige's largest segment, Private, delivered excellent results in 2011, and the Commercial segment rationalised underlying operations through a new distribution model and other measures that contributed to growth in premiums. International operations are on the right track following targeted portfolio management. The Norwegian support areas, Pension and savings and online retail banking, developed positively in 2011. Pensjon and savings achieved a profit before tax expense for the first time.

The return on financial investments was satisfactory in 2011, considering the challenging macroeconomic conditions in the second half-year. The return on financial assets was 4.4 per cent.

OPERATIONS

Gjensidige Forsikring ASA's (Gjensidige Forsikring) head office is in Oslo. Gjensidiges mission is to safeguard life, health and assets for customers in the private and commercial markets by offering competitive insurance products and other related services. Gjensidige Forsikring is the parent company of the Gjensidige Group (Gjensidige).

Gjensidige is one of the leading general insurance companies in the Nordic countries, and the biggest Norwegian-owned general insurance player in the Norwegian, Danish, Swedish and Baltic markets. The general insurance operations include both general insurance and accident and health insurance, and more than 78 per cent of the business is related to activities in the Norwegian market. The Norwegian general insurance operations also include life insurance, which is pure risk insurance with a duration of no more than one year. Group life insurance is the biggest product in this category.

Gjensidige's business model is based on an integrated value chain, from the production of financial services and products to distribution and customer dialogue. Critical mass and streamlining of processes lead to high efficiency and low cost ratios. Gjensidige is market leader in the Norwegian general insurance market, where its brand has ahigh brand recognition and strength.

In the private market, the Group offers motor, property, accident and health insurance and other insurance products such as travel and leisure insurance. In the commercial markets, which in Norway also include municipalities, municipal undertakings and agriculture, Gjensidige offers insurance products relating to motor vehicles, property, accident and health, liability, agriculture and marine/transport.

Customer services in Norway are organised in two segments: Private and Commercial. Both segments operate on the basis of a multi-channel strategy to ensure cost efficiency and customer satisfaction. The distribution models enable customers to choose whether they wish to have contact with Gjensidige by telephone, online or in person. More and more people want self-service solutions, and Gjensidige's strong position in the private market provides a good basis for facilitating new services in the commercial market as well.

The Group's other focus areas are primarily intended to support core activities through a range of customer relations-building products and services such as banking, pension and savings services for Norwegian general insurance customers, and to achieve economies of scale through investing in general insurance in the Nordic countries and the Baltics.

Most of the Danish and Swedish business is organised through branches of the Norwegian parent company.

The health care provider Hjelp24 was sold in 2011.

TARGETS AND STRATEGIES

Product simplification and self-service solutions are key elements of the strategy for profitable operations and high customer satisfaction. Distribution in the private market is being rationalised. At the same time, a new office concept is being developed for the largest towns and cities, focusing on advisory services.

Gjensidige will continue to prioritise profitability over growth in 2012. Experience, competence, extensive data and an analytical approach to customer selection and market activities represent important competitive advantages in a market characterised by increasing competition.

Two group-wide initiatives will help the Group to achieve the position as the most customer-oriented general insurance company in the Nordic countries:

- the Gjensidige 2.0 programme, which includes several projects aimed at simplifying products and work processes and facilitating self-service solutions for both the private and the commercial market.
- the brand initiative, which includes the development of a new brand strategy, a new visual identity, new customer portals in Norway, Denmark and Sweden, and a focus on management development and culture-building measures.

Further development of the loyalty and affinity group programmes will expand existing customer relations and reduce the loss of customers, in addition to supporting sales of banking, pension and savings products to insurance customers. Surveys show that people who own many Gjensidige products are the most satisfied customers.

A diversified product portfolio enables Gjensidige to increasingly capitalise on the value of its existing customer base and distribution platform. At the end of 2011, 84.8 per cent of the pension and savings customers and 48.3 per cent of the bank customers also had general insurance products in Gjensidige.

In addition to focusing on organic growth, Gjensidige will consider acquiring businesses that support the Group's growth strategy in product expansions and geographical areas, provided that the acquisitions contribute to meeting the Group's return on equity requirement within three years. Aquired insurance businesses also must deliver results that satisfy the Group's combined ratio target within two to three years of the acquisition.

Gjensidige's internal risk-based capital model shall ensure that the allocation of capital takes capital costs into account. This enables the management to assess the relationship between risk in investment and insurance operations, while ensuring that the pricing of the insurance products reflects capital costs and the long-term profitability requirements.

The Group focuses on management and employee development, expedient remuneration models and systematic competence-raising in order to retain, develop and attract capable employees and managers.

FINANCIAL TARGETS

Gjensidige achieved its financial targets in 2011. The Group's overriding financial target is a return on equity of 15 per cent before tax expense. The Group's return on equity before tax expense was 15.9 per cent in 2011.

The Group shall have a capitalisation that ensures an A rating from Standard & Poor's. Gjensidige has substantial capital buffers in relation to internal risk models, statutory capital adequacy requirements and an A rating. The Group's A rating was last confirmed in August 2011.

Sound capitalisation forms the basis for the Board's dividend policy. The target is that between 50 and 80 per cent of the profit for the year after tax expense will be distributed as dividend. The dividend policy and the Board's proposal for dividend for the 2011 financial year are commented on in more detail in the section on allocation of the profit before other income and expenses.

Until 2008, the Group's target was an average combined ratio of 97 per cent for the Norwegian general insurance operations. The target was changed to a combined ratio of between 90 and 93 per cent from 2011 for the overall general insurance operations. The combined ratio for the general insurance operations was 91.9 per cent in 2011, which is within the stipulated range.

Over the last few years, considerable premium increases have been implemented and new tariff models introduced, combined with the introduction of a base price per policy holder from the second half-year 2010. An efficiency programme was also introduced in 2008 to reduce claims incurred by NOK 400 to 500 million (from the 2007 level, adjusted for inflation) and operating expenses by NOK 300 to 400 million (from the 2007 level, adjusted for inflation), implemented with full effect from and including 2011.

Both the pension and savings operations and the banking operations are still in a start-up phase.

MARKET POSITION

Gjensidige was the leading player in Norwegian non-marine general insurance in 2011 with a market share of 26.3 per cent, of a total market of NOK 45.6 billion, down from 27.9 per cent in 2010. (Source: Finance Norway) The change is mainly due to increasing competition combined with strategic customer selection, which is in line with the strategy of prioritising profitability over growth.
The Company had a market share of 23.8 per cent in the private market at the end of 2011. In the commercial market, which from 2011 also includes agricultural insurance products, the market share was 32.0 per cent. In the agricultural market seen in isolation, the market share was 71.2 per cent of a total market of NOK 1,218 million.

The market shares in Denmark and Sweden were 5.9 per cent (based on the most recent statistics from the Danish Insurance Association (as of 31.12.2010) and 1.2 per cent, respectively (source: Insurance Sweden, statistics as of 31.12.2011).

In the Baltic general insurance market, Gjensidige had a market share of 7.5 per cent in 2011 (source: Insurance Supervisory Commission of the Republic of Lithuania, Latvian Insurers Association, Statistics Estonia).

CUSTOMER ORIENTATION

Customer orientation is the core of Gjensidige's strategic positioning. This is rooted in the Group's vision: 'We shall know the customer best and care the most'. In a highly competitive market, good customer service and follow-up will become increasingly important in order to stand out from the competition and achieve customer satisfaction and loyalty.

The Gjensidige Experience, which is the Company's framework for customer orientation, will have been implemented throughout the Group in the course of 2012. A broad range of improvement measures have been implemented in recent years to strengthen customer orientation in all parts of the organisation. Customer satisfaction is measured systematically, and improvement measures implemented continuously, down to the individual employee level. User-friendly self-service solutions are being developed to enable customers to buy and change insurance policies, seek advice and report claims both online and by mobile phone. At the same time, the simplification of internal work processes, system development and training shall ensure greater efficiency in the servicing of customers both by phone and on the internet.

In 2012, new customer portals and digital campaigns will be developed to increase relevant traffic to Gjensidige's website. The new brand strategy will be finalised in 2012, based on Gjensidige's unique characteristics and advantages, and a new visual identity will be developed to help the Group position itself and increase its impact in digital channels.

DISTRIBUTION

Gjensidige has nearly one million insurance customers in Norway, divided between about 753,000 customers in the Private segment and 165,000 customers in the Commercial segment. Private customers are served through various distribution channels such as branch offices, customer centres and online solutions. Experience and methods from the Private segment have been transferred to the Commercial segment, which in Norway mostly comprises small and medium-sized enterprises. In 2011, as the first general insurance company in the Nordic countries, Gjensidige established a multi-channel model for the whole commercial sector. Self-service solutions are being developed for both private and commercial customers. The 500 largest commercial customers are still served by a dedicated organisational unit together with customers served through the system of brokers.

The roles between the different channels have been redifened in recent years. Sales centres (outbound call centres) have been established to rationalise new sales, and 20 branch offices have been upgraded to financial offices offering advisory services in insurance, banking, pensions and savings.

The customers are now offered products and services via a single point of contact, which greatly increases the possibility of increased sales of a wider range of products. The number of branch offices has been reduced, and an additional 16 branch offices will be closed in 2012. The business will be moved to nearby offices or customer services on the telephone or the internet. A new office concept is beeing developed for the largest towns and cities in Norway.

Gjensidige has expedient and efficient solutions for sales via the internet. Private and commercial customers have a complete overview of their own products and can manage their own customer account, for example by reporting a claim or making changes to a fund. Gjensidige.no had 7.3 million visits in 2011. Total sales via the internet increased 12 per cent from 2010 to 2011. For the Private segment seen in isolation, the increase was 33 per cent. Online and mobile channels are expected to grow significaticaly.

The Danish private market is primarily served by telephone and the internet. In addition, private insurance products are sold via partners, including Kia Motors, Hyundai Motor, the Danish Association of Managers and Executives, and EDC, Denmark's largest estate agency chain. Distribution in the Danish commercial insurance market primarily takes place in collaboration with brokers.

A long-term distribution agreement was entered into with the Nykredit group in connection with the acquisition of Nykredit Forsikring. Nykredit is one of

Denmark's largest financial services groups. It has an extensive distribution network consisting of 55 advisory services offices and two estate agency chains (Nybolig/Estate) with approximately 300 branch offices, in addition to a phone-based customer centre. Nykredit provides general insurance on behalf of Gjensidige to both the private and the commercial market.

In the municipal market, distribution largely takes place either directly or via brokers and it is largely based on competitive tendering.

In Sweden, distribution to private customers takes place both directly by telephone and on the internet and through partners and agents. In the commercial market, distribution mainly takes place through insurance brokers and partners.

The most important distribution channels in the Baltic market are direct sales and sales via insurance agents and brokers. Sales via the internet are also becoming more widespread in the Baltic market.

Gjensidige is also positioned for product deliveries adapted to different distribution channels, both in Norway and in the rest of the Nordic countries. Distribution largely takes place through agents and via business partners such as shops, car dealers and banks that wish to expand their product range with insurance products under their own label ('white label').

THE YEAR 2011

IMPORTANT EVENTS

The year in weather

The year 2011 will go down in history as one of the world's worst years for natural disasters, measured by the number of weather-related claims. For Norway, total natural disaster losses from the Natural Perils Pool are estimated to be around NOK 1.9 billion. The effect of the extreme weather on Gjensidige's performance is related to four major events in particular: the flood in the Gudbrandsdalen valley in June, the torrential downpour in Copenhagen in July and the storms Berit and Dagmar in Western Norway at the end of the year led to total claims incurred of almost NOK 330 million.

Customer orientation

Gjensidige has prioritised customer orientation and measures aimed at retaining customers in 2011. Gjensidige's Customer and Brand School has an important role in the training of managers and personnel who deal with customers. Internal surveys carried out in 2011 showed sales training had a positive effect on customer satisfaction, sales and in reducing the loss of customers. In a 2011-survey conducted by TNS Gallup, Gjensidige was rated best in the customer service category among the Norwegian insurance companies. External surveys showed increased satisfaction among Gjensidige's customers.

New Nordic group functions

Following the acquisition of Nykredit Forsikring in 2010, work on efficiency measures and integration of the business in the Nordic segment was carried out in 2011. Defined synergies were realised in the course of 2011. Nordic functions were established in 2011 for Product and price, Claims, ICT, as well as Brand, Communications and Marketing. Ongoing efficiency and streamlining efforts to form a uniform group structure continue in 2012.

The Group management was expanded from nine to eleven members in 2011. For a more detailed presentation of the members of the Group management, see page 52-53.

Optimal risk pricing

The correct pricing of risk is the core of all insurance activity. In recent years, Gjensidige has done a lot of work on developing tariff rates and customer selection. By using advanced analytical and modelling tools in combination with extensive internal and external data and risk parameters, Gjensidige has succeeded in developing and launching premium rates that better reflect the underlying insurance risk. The method enables fine-meshed price differentiation between groups with different risk profiles, which will contribute to ensuring Gjensidige's competitiveness in the time ahead. In the Private segment, new tariff rates for motor and property insurance have been launched previously, and a new tariff rate for private travel insurance was introduced in 2011. In the Commercial segment, Gjensidige has developed and implemented new tariff rates in important areas such as motor vehicles, lorries and commercial buildings in the course of 2011.

The share

The Gjensidige share yielded a total return (including dividend) for the shareholders of 26.6 per cent in 2011. In December, the Gjensidige Foundation distributed bonus shares to small shareholders who bought shares in connection with the Company being listed on the stock exchange and had kept them for one year. In total, approximately 3.2 million bonus shares were distributed to just over 43,000 shareholders.

Sale of Hjelp24

The health care company Hjelp24 was sold to Hercules Capital in August 2011 for NOK 315.8 million. The sale resulted in a gain of NOK 113.4 million. The business relationship between Gjensidige and Hjelp24 will continue as before.

Mutual fire insurers

A new strategic agreement with 19 mutual fire insurers was entered into with commercial terms and without requirements for dispensations. A previous joint pool arrangement for fire insurance was discontinued, including the statutory requirement that Gjensidige was externally liable for any insurance claims arising in the cooperating mutual fire insurers' fire insurance operations. This responsibility lapsed in its entirety for insurance amounts in excess of NOK 100 million, but remains in force on a commercial basis for smaller policies.

CHANGES IN FRAMEWORK CONDITIONS

Solvency II

Throughout 2011, Gjensidige continued its preparations for the Solvency II regulations. They will entail new requirements for calculating capital requirements, risk management and the reporting of the risk and capital situation in European insurance companies. The Solvency II regulations are still under development. It is assumed that the regulations will be implemented in Norwegian law with effect from 1 January 2013, while the capital and reporting requirements will have full effect from 1 January 2014.

The Group has considered what preparations should be made in order to meet the new Solvency II requirements. Gjensidige is well positioned to meet the new requirements, but additional measures will be implemented in the period until the requirements enter into force. Changes are being made to ensure comprehensive risk management that is well integrated with other management processes. The Board was kept informed about relevant matters relating to Solvency II throughout 2011.

Gjensidige aims to apply for approval for an internal model for parts of the business to calculate the regulatory capital requirement under Solvency II. Since 2004, Gjensidige has worked on developing a so-called ALM (Asset Liability Management) model that is used in its capital management. This model is being further developed both in scope and areas of use. The new regulations are expected to entail requirements for a higher capitalisation level than under Solvency I. In Norway, the insurance companies have also been subject to the banks' capital adequacy regulations. In general, the requirements for good risk management will become more stringent, and the requirements for reporting to the authorities and the market will help to highlight the company's value creation. Gjensidige intends to use the upcoming legislative amendments in a constructive manner to further strengthen the overall risk management in the Group.

HIGHER LIFE EXPECTANCY AND PENSION

There has been a marked fall in the mortality rate in recent years. It is therefore necessary to introduce a new and updated tariff rate, which the insurance industry is expected to start using during the course of 2013/2014. Higher life expectancy means that life insurance companies should increase their reserves. Gjensidige Pensjonsforsikring has already made provisions in its 2011 accounts to meet this need.

The Banking Law Commission is working on adapting private occupational pension schemes to the pension reform. The Official Government Report

(NOU) 2012:3 'Fripoliser og kapitalkrav' ('Paid-up policies and capital requirements' – in Norwegian only) was submitted in January 2012, and a new NOU is expected during the first half-year 2012.

STATEMENT ON THE ANNUAL ACCOUNTS

Gjensidige reports consolidated financial information pursuant to International Financial Reporting Standards (IFRS).

Pursuant to requirements in Norwegian accounting legislation, the Board confirms that the requirements of the going concern assumption have been met and that the annual accounts have been prepared on this basis.

PROFIT/LOSS

The Gjensidige Forsikring Group had an underwriting result in its general insurance operations of NOK 1,421.0 million in 2011, compared with NOK 796.3 million in 2010. The Group's profit after tax expense was NOK 2,747.9 million, compared with NOK 2,950.4 million in 2010. The profit for the year corresponds to a return on equity before tax expense of 15.9 per cent, compared with 14.4 per cent in 2010. The profit per share (basic and diluted) was NOK 5.50, compared with NOK 5.90 in 2010.

The combined ratio was 91.9 per cent, compared with 95.3 in 2010. The combined ratio for 2011 was affected by major weather-related events in addition to certain non-recurring effects, and the underlying insurance operations recorded a satisfactory result.

The reduction in profit after tax expense can largely be explained by the tax relief granted in connection with the conversion from a mutual insurance company to a public limited company in 2010. The profit before tax expense increased by almost NOK 400 million, driven by a strong improvement in the underwriting result.

With the exception of loss provisions relating to the Danish workers' compensation portfolio, Gjensidige's loss provisions are recognised at nominal value (not discounted). In preparation for expected changes in IFRS and the introduction of Solvency II, Gjensidige has, with effect from the second quarter 2010, calculated but not recognised the effect on the combined ratio of discounting the loss provisions. For 2011 seen as a whole, the combined ratio on a discounted basis would have been 87.1, a reduction of 4.8 percentage points in relation to the recognised nominal amount.

In the calculation, a swap interest rate is used for the Norwegian and Swedish provisions, while an interest rate determined by the Danish Financial Supervisory Authority has been used for the Danish provisions. A euro swap interest rate has been used for the Baltic provisions.

Operating income

Earned premiums for general insurance operations amounted to NOK 17,548.1 million in 2011, compared with NOK 17,063.3 million in 2010, which corresponds to an increase of 2.8 per cent.

In the Private Norway segment, earned premiums increased by 4.7 per cent in 2011. There is strong competition in the Norwegian private market, but measures that have been implemented to retain customers have had a positive effect in relation to reducing the loss of customers during the year. In the Commercial Norway segment, earned premiums increased by 0.2 per cent, despite the fact that profitability is still prioritised over growth.

Part of the growth in premiums in 2011 was due to the acquisition of Nykredit Forsikring, which was included in the consolidated accounts from 1 May 2010. Underlying earned premiums in the Nordic countries have developed poorly during the year, partly affected by exchange rate effects and reinstatement premiums relating to reinsurance, but also as a result of a conscious reduction of commercial accounts that failed to generate adequate profitability.

In the Baltics, earned premiums fell 13.8 per cent. Corrected for changes in the exchange rate, the reduction measured in local currency was 11.4 per cent. However, premiums written developed in a positive direction during the year because of improved market development. Gjensidige's overall Baltic market share increased from 6.9 per cent in 2010 to around 7.5 per cent in 2011.

Earned premiums from pension operations increased from NOK 335.8 million in 2010 to NOK 532.7 million in 2011, due to growth in the portfolio and non-recurring effects in connection with portfolio acquisitions from external distributors. Net interest and credit commission income for the banking operations amounted to NOK 430.8 million in 2011, compared with NOK 407.0 million in 2010. The increase wasprimarily due to the reclassification of loan charges from net financial income and other income to net interest and credit commission income at the end of 2010.

Net income from investments

The Group's net income from investments was NOK 2,375.6 million in 2011, compared with NOK 2,748.2 million the year before. The return on financial assets was 4.4 per cent in 2011. The return on financial assets is calculated as net financial income and expenses (excluding financial income in Pension and savings, and online retail banking) as a percentage of the investment portfolio (includes all investment funds in the Group except for Pension and savings, and online retail banking). The corresponding figure for 2010 was a return on financial assets of 5.2 per cent.

At the end of 2011, the value of the Group's investment portfolio was NOK 54,486.7 million. The match portfolio accounted for 54.1 per cent of the investment portfolio, while 8.2 per cent was invested in shares in associated companies and 37.6 per cent consisted of the so-called free portfolio.

The match portfolio consists of fixed-income instruments such as money market instruments, bonds at amortised cost and current bonds. The portfolio made a stable contribution to the positive return during the year. For 2011, the return on the match portfolio amounted to NOK 1,183.5 million, compared with NOK 1,175.4 million in 2010, corresponding to a return of 3.9 per cent and 4.0 per cent, respectively. Lower interest rates throughout the year were counteracted by a widening of credit spreads.

The free portfolio consists of fixed income instruments combined with, among other things, shares and property. The return for 2011 amounted to NOK 716.1 million, compared with NOK 1,040.5 million in 2010. The portfolio thus yielded a return of 3.8 per cent in 2011, compared with 5.5 per cent in 2010.

The fixed income instruments in the free portfolio consisted of money market instruments, current bonds, investment grade bonds, high yield bonds and convertible bonds. The portfolio yielded a return of 2.4 per cent in 2011.

The equity exposure in the free portfolio consisted of fund investments in private equity and short-term shareholdings. It contributed a negative return of 0.6 per cent in 2011. Private equity yielded a return of 14.5 per cent, while short-term shareholdings produced a negative return of 14.9 per cent. This must be seen in conjunction with the overall market development in the period.

The property exposure in the free portfolio was concentrated in office properties in Oslo, but it also included shopping centres and office properties in other Norwegian cities and two office buildings in Copenhagen. In addition, a small part of the portfolio was invested in international property funds. The portfolio yielded a return of 6.7 per cent in 2011. The general required rate of return in connection with the valuation of the properties was 6.6 per cent, unchanged from 2010.

Investments in associated companies showed a profit of NOK 431.6 million in 2011, compared with NOK 488.7 million in 2010. This corresponded to a return of 9.8 per cent and 12.3 per cent, respectively. Associated companies mainly comprise Storebrand and Sparebank 1 SR-Bank. Of the profit for 2011, NOK 307.2 million was attributable to the investment in Storebrand and NOK 118.4 million to the investment in Sparebank1 SR-Bank.

The portfolios of fixed income instruments were not exposed to loss as a result of bankruptcies among debtors in 2011. The international part of the investment portfolio is almost fully currency-hedged.

Claims incurred, interest expenses, losses etc.

Claims incurred for the general insurance operations amounted to NOK 13,249.3 million, compared with NOK 13,456.6 million in 2010. The loss ratio was reduced by 3.4 percentage points in relation to 2010, and came to 75.5. The figures for last year were influenced by frost-related claims because of the harsh winter in 2009/2010, while there were more large losses and a higher proportion of flood and wind-related natural disaster claims in 2011.

The classification of indirect claims settlement costs in the Norwegian insurance operations was changed from the fourth quarter 2011. Unlike before, indirect claims settlement costs, for example a share of ICT, management and rent costs, are now classified as claims settlement costs. The reclassification amounted to NOK 43.5 million in 2011. The new classification will increase the loss ratio in future by approximately 0.9 percentage points on a yearly basis and lead to a corresponding reduction in the cost ratio. The reclassification therefore has no effect on the combined ratio, nor does it entail any changes in previously communicated financial targets.

Large losses amounted to NOK 521.9 million in 2011, compared with NOK 438.7 million the year before. It was particularly the Nordic and Commercial segments that were affected by many large losses in 2011.

The run-off gain for previous claim years was somewhat higher in 2011 than in 2010, which had a positive effect on the development of the loss ratio. In 2011, the net run-off gain was NOK 366.3 million, or 2.1 per cent of earned premiums. The corresponding figures for 2010 were NOK 301.1 million and 1.8 per cent, respectively. The run-off gain in 2011 was primarily related to a positive development in previous years' provision for claims for accident and health insurance, in both the Norwegian and the Danish part of the business.

Work has been carried out in 2010 and in 2011 to further improve claims settlement processes. The goal is to improve customer satisfaction while reducing the Company's total claims payments. The aim is to contact customers more quickly when a claim arises, while at the same time reducing case processing times considerably through improved internal processes

Interest expenses and losses on loans and guarantees from banking operations amounted to NOK 550.0 million in 2011, compared with NOK 484.9 million in 2010. The increase is due to increased interest expenses.

Operating expenses

The cost ratio for general insurance (operating expenses from general insurance in relation to earned premiums) was 16.4 per cent, compared with 16.5 per cent in 2010. The nominal operating expenses from general insurance amounted to NOK 2,877.9 million, compared with NOK 2,810.4 million in 2010, an increase of 2.4 per cent.

In the two Norwegian segments, Private and Commercial, the nominal operating expenses increased by NOK 63.9 million and NOK 41.1 million, respectively, in 2011. Increased nominal expenses are partly due to non-recurring effects related to the reorganisation of distribution in the Private segment (NOK 40.0 million) and reorganisation in the commercial segment. The reclassification of indirect claims settlement costs from the fourth quarter 2011 reduced the operating expenses by a total of NOK 43.5 million.

The nominal operating expenses fell with NOK 14.6 million in the Nordic segment. Greater business volume and exchange rate effects contributed to increased costs, while cost reductions as a result of the realisation of synergies following the acquisition of Nykredit Forsikring contributed to an overall cost reduction. Identified cost synergies were fully realised at the end of 2011.

In the Baltic segment, the nominal operating expenses were reduced by NOK 14.5 million. The cost level in the Baltic operations has been adapted to the fall in earned premiums, with a cost ratio for 2011 of 30.9, compared with 29.8 in 2010.

The pension and savings operations had total operating expenses of NOK 151.6 million in 2011, of which NOK 104.3 million was related to the insurance business. The corresponding figures for 2010 were NOK 156.7 million and NOK 109.6 million, respectively. The operating expenses for the banking operations amounted to NOK 308.9 million in 2011, compared with NOK 302.1 million in 2010.

Depreciation and impairment of excess values were related to intangible assets, including acquired assets related to customer relations and brands in business combinations, plus the value of internally developed IT systems. Depreciation and impairment losses amounted to NOK 181.5 million in 2011, compared with NOK 254.3 million in 2010. In 2010, an impairment loss of goodwill in the amount of NOK 100.0 million was recognised in the Private Norway segment.

Expenses for research and development were not charged to income in Gjensidige's consolidated accounts in 2011 or 2010, nor were such expenses been capitalised during these two financial years. The parent company continued its collaboration with the Norwegian Computing Centre and SFI (Statistics for Innovation), under which projects relating to insurance fraud and traffic-related claims are being implemented.

Tax

The Group had a tax expense of NOK 899.5 million in 2011, compared with NOK 303.6 million in 2010. The effective tax rate was 24.7 per cent in 2011 (9.3).

Among other things, the effective tax rate was affected by the gain on the sale of the shares in Hjelp24, a high number of natural disaster claims that were not tax deductible from the profit for the year and the reversal of the tax provision relating to the sale of property and profits/losses from associated companies. An important reason for the unusually low tax rate in 2010 was that the Ministry of Finance consented to exempting Gjensidige Forsikring, on specific conditions, from capital gains tax on the conversion of the business into a public limited company. This decision reduced the tax expense for 2010 by approximately NOK 333 million.

BALANCE SHEET AND CAPITAL BASE

The Group's balance sheet total at the end of 2011 was NOK 88,491.9 million, compared with NOK 84,106.8 million in 2010. This increase was mainly attributable to growth in the Pension and savings segment. Gjensidige's equity amounted to NOK 23,228.6 million as of 31 December 2011, compared with NOK 23,137.8 million at the turn of the previous year. This corresponded to an increase in equity of 0.4 per cent in 2011.

The Group's capital adequacy was 16.2 per cent at the end of 2011, compared with 16.1 per cent at the end of 2010. The statutory requirement is eight per cent.

In addition to testing the capital with regard to statutory requirements, a calculation is carried out quarterly of the economic capital requirements for the Group's activities. The calculation is performed using the Group's internal risk model, which is based on an economic valuation of assets and liabilities. The principles are in line with what is expected to apply following the introduction of Solvency II. Capital in excess of this amount constitutes the Group's excess capital. To arrive at the final excess capital, a deduction is made for the estimated additional capital required to maintain the Group's current A rating from Standard & Poor's, which was last confirmed in August 2011. At the end of 2011, the excess capital was calculated to be NOK 5.3 billion, after deduction of the Board's proposed dividend of NOK 2,275.0 million.

The Board considers the Group's capital situation and financial strength to be good.

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 746.0 million in various private equity investments and real estate funds, in addition to the amounts recognised in the balance sheet. In order to increase the effectiveness of capital and risk management, the Group enters into financial derivative contracts on a regular basis. They are described in more detail in the notes to the accounts.

CASH FLOW

The net cash flow from operational activities mainly consists of payments in the form of premiums and net payments/disbursements in connection with sales of investment assets, plus payments in the form of claims settlement costs, purchases of reinsurance, administration expenses and tax. The net cash flow from operational activities was positive in the amount of NOK 2,716.1 million in 2011, compared with a positive cash flow of NOK 4,057.3 million in 2010. The gap between the operating profit and the operational cash flow is due to the nature of the business. An integral part of insurance companies' operations is to invest received insurance premiums in financial assets, which means that cash flows relating to the management of such assets are included in the operational cash flow.

The net cash flow from investment activities mainly consists of payments made/received on the acquisition of subsidiaries and associated companies, owner-occupied property, plant and equipment, plus dividend from associated companies. The net cash flow from investment activities was positive in the amount of NOK 350.1 million in 2011, compared with a negative cash flow of NOK 2,808.2 million in 2010.

The net cash flow from financing activities mainly consists of payments made/received relating to external borrowings and the payment of dividend to shareholders. The net cash flow from financing activities was negative in the amount of NOK 2,444.2 million in 2011, compared with a negative cash flow of NOK 1,444.3 million in 2010. For 2011, the net cash flow was mainly affected by the payment of dividend of NOK 2,349.9 million.

THE SEGMENTS

PRIVATE NORWAY

The segment offers general insurance relating to motor vehicles, property and accident and health in the Norwegian private market. In 2011, the portfolio of insurance policies sold under other brands (White Label) was transferred to the Private Norway segment, while the agriculture portfolio was moved to the Commercial Norway segment.

Earned premiums amounted to NOK 8,082.8 million in 2011, an increase of 4.7 per cent on the year before. The development in earned premiums in 2011 reflects the effect of implemented premium increases. New premium rates for motor and property products ensure more correct pricing of risk. In October 2011, new tariff rates were introduced for travel insurance.

Claims incurred amounted to NOK 5,670.9 million in 2011, compared with NOK 5,895.5 million in 2010. The loss ratio was 70.2. Adjusted for the reclassification of indirect claims settlement costs, the loss ratio would have been 69.9. The loss ratio in 2010 was 76.4. During the first months of the year, the proportion of winter-related claims was considerably lower than in the same period in 2010, and the claims trend for property insurance (excluding natural disaster claims) was therefore substantially improved. The level of compensation for motor, leisure and accident and health insurance was lower in 2011 than in 2010. Three significant natural disaster claims events – the flood in June and two storms at the end of the year – led to total claims incurred of NOK 100.0 million in 2011.

In 2011, large losses accounted for NOK 15.0 million of the claims incurred, while no large losses occurred in 2010. Run-off gains were somewhat higher in 2011 than in 2010, which had a positive effect on claims incurred.

The cost ratio in 2011 was 15.2. The nominal operating expenses increased by NOK 63.9 million, among other things, due to a provision of NOK 40.0 million relating to the new distribution strategy. In 2010, the recognition of income related to the AFP early-retirement scheme reduced the cost ratio by 0.5 percentage points. Corrected for provision for the new distribution strategy and the reclassification of indirect claims settlement costs for claims incurred, the cost ratio in 2011 would have been 15.0. The cost ratio in 2010 was 15.1.

The combined ratio for 2011 was 85.3 per cent, compared with 91.4 in 2010. The underwriting result amounted to NOK 1,185.7 million in 2011, compared with NOK 662.0 million the year before.

COMMERCIAL NORWAY

The segment provides general insurance products in the areas of liability, property, accident and health and in marine/transport. In addition, the agriculture portfolio was moved from the Private segment in 2011.

Earned premiums in 2011 amounted to NOK 5,411.9 million, an increase of 0.2 per cent compared with 2010. The increase mainly concerned agriculture, property and assets. Accident and health and motor insurance saw a reduction, partly because of the controlled termination of some customers in order to improve the profitability of accident and health products. The introduction of multi-channel distribution in the first half-year 2011 had a positive effect on sales activity and earned premiums during the year.

Claims incurred in 2011 amounted to NOK 4,283.4 million, compared with NOK 4,339.6 million in 2010. This corresponds to a loss ratio of 79.1 and 80.3, respectively. The reclassification of indirect claims settlement costs had a negative effect on the loss ratio of 0.3 percentage points. Systematic risk management and customer selection made a positive contribution. Despite several large fire losses in the second half-year, the agriculture product showed an improvement in the claims trend in 2011 compared with 2010, which was affected by many frost and winter-related claims in 2010. New tariffs and changes in the portfolio led to considerable improvements in motor insurance claims. In addition, the level of accident and health claims was low. The number of natural disaster claims was unusually high in 2011, the highest since 1992. The claims were related in particular to the flood in June and the storms Berit and Dagmar at the end of the year. Together, these three events were charged to income in the amount of NOK 145.1 million.

Large losses amounted to NOK 281.6 million in 2011, while they accounted for NOK 251.4 million during the corresponding period in 2010. The run-off gain was somewhat lower in 2011 than in 2010.

The cost ratio for 2011 was 13.6 (12.8). Corrected for the reclassification of indirect claims settlement costs, the cost ratio for the year would have been 13.9. The nominal expenses increased by NOK 41.1 million. The increase in nominal expenses was due to a non-recurring effect relating to reorganisation in the first half-year 2011, which was counteracted by the reclassification of indirect claims settlement costs. The recognition of income in connection with the AFP scheme in 2010 reduced the cost ratio in 2011 by 0.5 percentage points.

The combined ratio for 2011 was 92.7 per cent, compared with 93.2 in 2010. The underwriting result amounted to NOK 394.4 million in 2011, compared with NOK 368.5 million the year before.

NORDIC

The segment includes the Group's operations in the Danish and Swedish private and commercial markets. The area also includes general insurance products to municipalities and municipal undertakings in Scandinavia.

Earned premiums in 2011 were NOK 3,635.0 million, compared with NOK 3,453.1 million in 2010. The increase was primarily due to higher volumes following the acquisition of Nykredit Forsikring. Changes in the exchange rate had a negative effect of NOK 61.6 million on earned premiums in 2011 compared with 2010. In addition, reinsurance costs in the amount of NOK 65.5 million relating to reinstatement were charged to earned premiums in 2011. Moreover, the focus on profitability has led to losses of customers in the commercial portfolio during the year.

Claims incurred amounted to NOK 2,933.3 million in 2011, compared with NOK 2,882.7 in 2010. This resulted in a loss ratio of 80.7 in 2011, compared with 83.5 the year before. There was a higher percentage of weather-related claims than expected during the period. The torrential downpour in Copenhagen in July was charged to income in the amount of NOK 83.7 million. The figures were also affected by two storms in February and November. Large losses amounted to NOK 132.4 million, compared with NOK 153.8 million in 2010. The run-off gain was significantly higher in 2011 than in 2010, which affected claims incurred positively.

The cost ratio was 17.2 in 2011, down by 1.3 percentage points from the year before. The nominal operating expenses were NOK 14.6 million lower than in 2010. This development was due to increased costs as a result of greater business volume and exchange rate effects, combined with cost reductions as a result of the realisation of synergies following the acquisition of Nykredit Forsikring. Identified cost synergies were fully realised at the end of 2011. Continuous efforts are being made to further improve the efficiency in Nordic business.

The combined ratio for 2011 was 97.9 per cent, compared with 102.0 in 2010. The underwriting result amounted to NOK 75.6 million in 2011, compared with a loss of NOK 70.4 million in 2010.

BALTICS

Gjensidige's Baltic operations provide general insurance products to the private and commercial markets in Latvia, Lithuania and Estonia.

Earned premiums in 2011 amounted to NOK 395.8 million, down from NOK 459.3 million the year before. The reduction is due to negative developments in the Baltic market in recent years. However, premiums written have developed in a positive direction in recent quarters because of improved market development.

Claims incurred amounted to NOK 270.7 million in 2011, compared with NOK 305.3 million in 2010. The loss ratio was 68.4, compared with 66.5 the year before. A high number of winter-related claims had a negative effect in the first quarter in both 2011 and 2010. Analyses of several years show that seasonal variations in the Baltics are becoming stronger. There was also one large fire loss and several medium-sized claims during the year. Large losses charged to the segment amounted to NOK 3.9 million in 2011, while no large losses occurred in 2010. The run-off gain in 2011 was somewhat lower than in 2010.

The cost ratio for 2011 was 30.9 (29.8). The nominal operating expenses amounted to NOK 122.2 million, a reduction of NOK 14.5 million compared with 2010. Together with a lower business volume, cost-cutting measures implemented in the past two years helped reduce operating expenses despite higher direct and indirect taxes.

The combined ratio for 2011 was 99.2 per cent, compared with 96.2 in 2010. The loss and cost ratio are still among the best in the industry in the Baltic states. The underwriting result amounted to NOK 3.0 million in 2011, compared with NOK 17.4 million the year before.

PENSION AND SAVINGS

Gjensidige offers a wide range of pension, investment and savings products to both the private and commercial markets in Norway. The pension products include occupational pension insurance, individual pension agreements, disability pension and the management of paid-up policies. The Vekter Funds are the core of the savings products.

Gjensidige experienced solid growth in the customer portfolio in 2011 as well, and earned premiums amounted to NOK 532.7 million, compared with NOK 335.8 million in 2010.

Management income in the savings operations amounted to NOK 31.3 million in 2011, compared with NOK 22.4 million in 2010. The increase in income is due to an increase in assets under management and an increase in other management income. The profit margin for savings was 0.41 per cent in 2011, compared with 0.61 per cent in 2010. The reduction was due to an increasing proportion of large customers with lower margins.

Claims incurred amounted to NOK 438.0 million in 2011 and NOK 258.1 million in 2010.

Total operating expenses amounted to NOK 151.6 million in 2011, of which NOK 104.3 million was insurance-related. The corresponding figures for 2010 were NOK 156.7 million and NOK 109.6 million, respectively. The taking to income of a VAT reimbursement accounted for NOK 9.1 million, which explained the reduction in costs.

The profit before tax expense amounted to NOK 15.1 million in 2011, compared with a loss before tax expense of NOK 27.9 million in 2010.

Total assets under management amounted to NOK 17,747.7 million at the end of 2011, up from NOK 12,371.3 the year before. Assets under management in the pension operations amounted to NOK 8,188.9 million. The group policy portfolio accounted for NOK 2,620.6 million of this amount. Assets under management in the savings operations amounted to NOK 9,558.7 million at the end of 2011.

The book return on the paid-up policy portfolio was 5.33 per cent in 2011, compared with 5.29 per cent in 2010. This was a satisfactory result seen in relation to the risk exposure, which reflected a conservative investment profile. The annual average interest-rate guarantee was 3.6 per cent. The entire return in excess of the interest-rate guarantee was allocated to provide for the effects of higher life expectancy.

ONLINE RETAIL BANKING

Gjensidige Bank is a bank for customers in the private and agricultural market in Norway. The bank offers day-to-day banking services, secured loans and consumer financing.

Net interest and credit commission income for 2011 amounted to NOK 430.8 million, up from NOK 407.0 million in 2010. The increase was primarily due to the reclassification of loan charges from net financial income and other income to net interest and credit commission income at the end of 2010.

Net interest in relation to average assets under management amounted to 2.71 per cent in 2011, down from 2.88 per cent in 2010. The reduction was mainly due to increased interest expenses and a greater proportion of loans being secured by residential mortgage than in 2010. Increased volume in the loan portfolio compensated for the reduction in income as a result of the decrease in the interest margin.

Operating expenses for 2011 amounted to NOK 308.9 million, compared with NOK 302.1 million in 2010. The increase was mainly due to costs relating to structural reorganisation as a result of the integration process in connection with the acquisition of a consumer financing business in 2009.

In 2011, the bank expensed NOK 94.2 million in impairment losses and losses on loans. The decrease of NOK 15.2 million compared with 2010 was due to an improvement in the development of the loan portfolio. Total losses and impairment losses are mainly related to increased group impairment losses intended to cover potential bad debts. The loss situation is in line with expectations.

The profit before tax expense was NOK 66.8 million in 2011, compared with 33.1 million in 2010. The improvement was the result of better quality in the loan portfolio, increased income from financial instruments and growth in volume.

Deposit-to-loan ratio

The deposit-to-loan ratio was 65.1 per cent at the end of 2011, up from 64.6 per cent at the end of 2010. The deposit-to-loan ratio is deemed to be satisfactory.

Capital adequacy

The capital adequacy was 15.0 per cent at the end of 2011, compared with

16.1 per cent at the end of the previous year. The bank's target is to have core capital adequacy of at least 12 per cent.

RISK FACTORS

Risk is defined as the possibility of an event affecting the Group's target attainment. In order to understand and manage risk, an assessment is therefore carried out of both the probability of the event occurring and its consequences. Through the Group's risk management and internal control, a structure has been established that identifies, assesses, communicates and manages risk in a systematic manner throughout the Group. The risk assessment process is integrated with the Group's budget and business plan process.

Risk management is based on specified targets and strategies and the limits on risk exposure stipulated by the Board. The primary responsibility for good risk management and internal control rests with the first-line management, the CEO and all managers and employees in the operational units, who carry out their work in accordance with the authorisations, instructions and guidelines that apply to each of them. A risk management function has been established at group level. It is responsible for monitoring the Group's risk management system and for maintaining an overview of the risks that the Group is or may be exposed to. The risk management function shall ensure that the Group management and the Board have sufficient information about the Group's risk profile at all times. The Group has a moderate risk profile whereby, in the Board's view, no individual events will be capable of seriously harming the Company's financial position.

STRATEGIC RISK

Gjensidige's strategy is monitored continuously in relation to changes in performance, market developments and changes in framework conditions. Factors that have been identified as critical to the Company's target attainment are followed particularly closely. To ensure that Gjensidige is ahead of developments, strategic risk is managed through continuous monitoring of competitors and the market, and through product development and planning processes.

In the insurance market, Gjensidige is challenged by both traditional Norwegian financial institutions and new players. Loss of business combined with reduced profitability in the insurance operations would have a negative effect on the return on equity and other key figures. Emphasis is therefore placed on Gjensidige's ability to quickly adapt to consumers' wishes for new service channels, and its ability to utilise modern technology and support systems in an efficient manner. Continuous efforts are made to develop new, customer-adapted products and service solutions, at the same time as the organisation, processes and value chains are reviewed and standardised to reduce costs and achieve greater efficiency.

The customers have increasingly high expectations of our employees' expertise. There is a risk that inadequate or insufficiently adapted expertise will reduce our chances of realising commercial and strategic ambitions. There is also competition to attract and retain capable employees. Active and targeted work is therefore carried out on improve skills and motivation at all levels of the organisation. Competence requirements have been defined for different roles. The Gjensidige Academy offers training of sales personnel, claims handlers and managers based on the Group's business and brand strategy. Performance-based remuneration models have been introduced for groups of employees, as well as individual scorecards. Targeted work is being carried out on culture and management development and on firmly establishing requirements and expectations of managers and employees.

INSURANCE RISK

The insurance risk relating to large individual losses or events is managed through authorisations and guidelines for ordinary operations. Clear guidelines have been established for which insurance policies can be taken out. The risk of an unsatisfactory premium level is monitored on a continuous basis by the product and actuary department, and increasingly precise methods for pricing are being developed.

The Board stipulates annual limits for the Group's reinsurance programme. The limits are decided on the basis of the need to protect the equity against loss events over and above an amount deemed to be justifiable, and of the need to reduce fluctuations in earnings. The insurance risk is deemed to be moderate based on the reinsurance coverage the Group has purchased. The reinsurance programme is described in more detail in Note 3 to the consolidated annual accounts.

The Group's actuarial function carries out calculations and assessments of the actuarial provisions and develops and maintains adequate models and methods for estimating claims that have occurred but that have not yet been reported to the Group. There is a considerable inherent risk of the provisions being inadequate, but the Group works continuously to improve actuarial methods, and external actuaries are used from time to time to conduct independent reviews of the provisions.

FINANCIAL RISK

Gjensidige had NOK 54.5 billion in financial investments (insurance operations) as of 31 December 2011. They mainly consisted of fixed income instruments, property, equities and strategic and financial holdings in associated companies. The investments are exposed to changes in macroeconomic factors.

The Board's stipulation of strategic asset allocations and a dynamic risk management model set limits that enable risk to be adjusted to changed macroeconomic assumptions. The follow-up of price, interest rate and currency risk partly takes place through stress tests, where the buffer capital must be sufficient to be able to withstand sharp simultaneous falls in equity and bond prices. For more detailed information about financial risk and stress tests, see Note 3 to the consolidated accounts.

Limits have been defined for the necessary access to liquid assets. They are taken into account in the strategic asset allocation. The liquidity risk is considered to be very low. The Group is exposed to credit risk through investments in the bond and money market and through lendings. The Board has set limits for the credit operations. Credit losses have been insignificant so far. Outstanding claims against the Group's reinsurers may also represent a considerable credit risk. Counterparty risk in the reinsurance market is continuously assessed. The Group's reinsurers shall at least have a Standard & Poor's A rating or equivalent from one of the other reputable rating companies.

The Board has considered the risk of losses on loans, guarantee liabilities and other receivables, and necessary provisions have been made in the accounts.

OPERATIONAL RISK

Operational risk is the risk of losses due to weaknesses or faults in processes and systems, errors committed by employees, or external events. In order to reduce the risk, emphasis has been placed on having well-defined and clear lines of reporting and a clear division of responsibility in the organisation of the business. Set procedures have been established for conducting risk assessments, and the Board evaluates the annual status as part of the established internal control system. An independent Compliance function has been established to help the Group to avoid official sanctions, financial losses or a loss of reputation as a result of failure to comply with statutes, regulations and standards. The Compliance function identifies, assesses, advises on, monitors and reports on the Group's risk of failing to comply with statutes, regulations and internal guidelines.

Ethical issues are discussed at training courses for new employees and they are also discussed regularly by management groups and at department meetings. This is intended to reduce the risk of breaches of procedures and guidelines, while contributing to a good working environment. Employees have also signed a personal data discipline statement relating to the use of the Group's information and IT systems.

On behalf of the Board, Gjensidige's internal audit function has been assigned the role of monitoring and assessing whether the risk management and internal control system function as intended.

For a more detailed description of the Company's risk management, reference is made to Note 3 to the consolidated annual accounts, plus a separate chapter on pages 80-98.

CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board. The Board has based the Group's corporate governance on the Norwegian Code of Practice for Corporate Governance dated 21 October 2010, and it complies with the Code of Practice and subsequent amendments to it in all areas. A more detailed account of how Gjensidige complies with the Code of Practice and the Norwegian Accounting Act's requirements for reporting on corporate governance is included in a separate document that is available on the Group's website: http://www.gjensidige.com/web/Front+Page/Investor+relations/Corporate+governance

CORPORATE SOCIAL RESPONSIBILITY AND THE NATURAL ENVIRONMENT

Gjensidige's object is to create value for society through safeguarding life, health and assets and by relieving the customers of risk. Gjensidige shall ensure that the Group's experience and expertise in the prevention of loss benefits society as a whole. Ethical, social and environmental considerations are integrated in day-to-day operations and in relation to the Group's stakeholders.

In the Board's opinion, carrying out socially responsible operations and maintaining high ethical standards are preconditions for the general public's trust and our long-term commercial success.

The Board has adopted guidelines setting out goals and limits for the Company's commitment to social responsibility, including guidelines for socially responsible investments. The guidelines are available at www.gjensidige.com.

Quantitative goals have been adopted for socially responsible operations in relation to customers, suppliers, employees and the environment.

The Group's operations result in minimal pollution of the natural environment. The Group's environmental measures focus on energy efficiency, reduced travelling through increased use of video conferencing, standardised duplex printing for printers/photocopiers and responsible waste management. In order to reduce paper consumption and benefit the environment, measures have also been implemented to increase the use of electronic insurance documents.

Gjensidige's head office at Sollerud was certified as an Eco-Lighthouse already in 2008, and several other offices have achieved the same status in recent years. The work on certifying the Group's branch offices was completed in spring 2011. All branch offices that have more than 30 employees are now certified Eco-Lighthouses. Gjensidige works continuously to learn more about climate change and the consequences it may entail. Purchasing carbon offsets has been one of the instruments used in the Company's environmental efforts.

Renovation work has uncovered asbestos in Gjensidige's office in Copenhagen. Necessary remedial work has been initiated, and great emphasis is placed on the work being carried out in a manner that does not entail risk to employees. As far as the Board is aware, there are no products containing PCB in Gjensidige's buildings and properties.

Targets achievement and a further description of Gjensidige's work in relation to social responsibility are shown in the table and description on pages 32-39 of the annual report.

HUMAN RESOURCES

DEMOGRAPHICS AND EQUAL OPPORTUNITY

The Group had 3,116 employees at the end of 2011, 1,969 of whom work in the Norwegian general insurance business.

The gender distribution in Gjensidige Forsikring at the end of 2011 was 54 per cent men and 46 per cent women. The proportion of women increased slightly in relation to 2010 (45.6 per cent women). In 2011, 223 new employees were hired, excluding employees in acquired businesses. Of the new employees, 127 are men and 96 women, with an average age of 32.5. In the same period, 326 employees left the Company (133 women and 193 men, average age of 42.0), which gives a staff turnover rate of 16.6 per cent. The extraordinarily high turnover in 2011 was largely due to reorganisation and downsizing as a result of structural changes. The restructuring of Commercial segment and the local office channel, as well as the closure of the sales centre in Oslo, are examples.

Number of employees	Gjensidige Forsikring Norway	Gjensidige Group
2011	1,969	3,116
2010	2,041	3,917
2009	2,055	3,780
2008	2,060	3,640
2007	2,033	3,460
2006	2,242	3,497
2005	2,272	2,611

The average age in the parent company was 44.4 as of 31 December 2011, the same as the year before. Average seniority also remained unchanged at 12.2 years. Cooperation with the employees and the Finance Sector Union of Norway continued to be good in 2011. The Cooperation and Working Environment Committee held regular meetings.

At the end of 2011, the Group management consisted of three women and eight men, while the number of women in the Group management at the end of 2010 was two. The percentage of women on the Board of Directors was 40 per cent at the end of 2011 (four out of ten), unchanged from 2010. Among the representatives who are not elected by and from among the employees, the percentage of women was 43 per cent (three out of seven). Out of a total of 201 managers in Gjensidige Forsikring, 40.8 per cent are women, which is an increase from 2010 (35.0 per cent female managers).

THE GJENSIDIGE ACADEMY AND COMPETENCE-RAISING

The Gjensidige Academy reflects Gjensidige's focus on management and employee development. The Academy's training programmes are closely related to the Group's strategy and shall support the Group's ability to implement rapid restructuring and development.

Gjensidige's Customer and Brand School is the Academy's training centre for all managers and personnel who deal with customers. The School's programmes are intended to help to ensure that customers who have dealings with Gjensidige employees regard it as a positive experience. This is achieved by creating a training culture in which training is a natural part of the working day. This focus is having a positive effect on work quality and work effort, internal motivation and greater job satisfaction, which was verified by a research project conducted in collaboration with BI Norwegian Business School.

In autumn 2011, several in-house surveys were carried out that also show a clear connection between sales training, customer satisfaction, sales and a reduction in the loss of customers.

The Customer and Brand School, which is a part of the Gjensidige Academy, had 4,500 course days in 2011, compared with 5,600 in 2010. The number of exams passed by sales personnel and claims handlers was 370.

In the Private segment, the exam for sales personnel leads to authorisation pursuant to Finance Norway's (FNO) scheme. Gjensidige's programme is more comprehensive than the industry's approval scheme. The school also holds corresponding in-house exams for claims handlers and the Commercial segment in Norway to ensure that all employees who deal with customers have a high level of expertise. Since the start in autumn 2009, a total of 909 managers and employees have passed exams at the school. In 2011, 264 customer advisers from Commercial and Agriculture also passed the Company's theoretical approval test.

In 2011, the school's concept was also used for sales personnel and sales managers in Denmark. The feedback is positive and new groups of course participants are planned for 2012. A corresponding programme is also being planned for claims handlers in Denmark in 2012.

For many years, e-learning has formed an important part of Gjensidige's training strategy. There has been considerable development in this field. One of the important roles of e-learning is to support the Group in connection with the implementation of new work processes and continuous improvement, by ensuring a good educational approach to training in the different fields. Further focus on e-learning is an important element in the realisation of Gjensidige's ambitious competence-raising goals.

The e-learning team became part of the Gjensidige Academy organisation in October 2011. In 2011, 620 people have taken and passed certification tests that meet industry and in-house theoretical requirements, and 14,000 e-learning courses have been completed.

Good management and continuous competence-raising measures will give Gjensidige important competitive advantages. In 2011, the Gjensidige Academy launched the 'Developing People' initiative – a mandatory management development programme for all newly appointed managers with up to two to three years' management experience. The programme includes participants from all of the Nordic countries. To date, around 60 managers have participated in the programme.

At the same time, several management courses have been held for Commercial, Claims handling and Private.

Management development is important in general in relation to ensuring an adaptable and highly competent business. To ensure that management development has the greatest possible effect, emphasis is placed on linking it closely to the business's needs.

There will be continued focus in 2012 on the development of the Gjensidige Academy, including management and employee programmes that apply to the whole Group. In 2012, programmes will be undertaken to develop the management teams, and a senior management programme will be established for executive management levels. The work on training adaptable managers will continue at the same time, and training programmes will be established in new work and cooperation methods that are based on efficient use of the new technology introduced. The goal of creating better customer experiences will form the basis for all management training in Gjensidige.

SYSTEMATIC WORK ON HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Systematic HSE work is well-integrated in the organisation. A continuous focus on topics such as the follow-up of sickness absence, written follow-up, the development and integration of new systems and further development of new electronic manuals all help to reduce sickness absence. Cooperation with Hjelp 24 (the Group's corporate health service supplier) and the Norwegian Labour and Welfare Administration (NAV) has been further improved in the course of 2011.

As in previous years, 2011 has been dominated by a high work pace, restructuring and reorganisation, and HR/HSE perspectives have been well-integrated in these processes.

Internal HSE audits were conducted in the Commercial segment in 2011, and a total of ten managers were audited by Hjelp24 HSE. The audit's conclusion was that quality-assured and systematic HSE work is carried out at all levels. The Working Environment and HSE committees have held regular meetings.

The Norwegian Labour Inspection Authority carried out three inspections at Gjensidige premises in 2011. None of these inspections uncovered any material shortcomings in the Company's HSE work. There were no significant injuries or accidents in 2011.

At the end of 2011, the average absence with a doctor's certificate was 4.6 per cent in the Norwegian part of the business, compared with 5.2 per cent in 2010. Total sickness absence in the Norwegian part of the business at year-end 2011 was 5.5 per cent, compared with 5.9 per cent in 2010. The total sickness absence for the Group as a whole was 3.2 per cent.

DIVERSITY AND DISCRIMINATION

In 2011, Gjensidige continued to pursue all three sub-goals in the Inclusive Workplace (IW) Agreement, and integration and diversity are deeply entrenched in the organisational culture.

Efforts are made to ensure that all employees are given the same opportunities for personal and professional development, and that everyone is treated equally regardless of gender, age, ethnic origin and functional ability. Recruitment and HSE procedures shall ensure compliance with the Anti-discrimination and Accessibility Act.

Pay statistics are prepared to bring to light any wage disparities on the basis of gender, age, ethnic origin or impaired functionality for the same work or work of equivalent value, and measures are implemented to correct any disparities.

Gjensidige cooperates with NAV on job training and pay subsidies for people who have been unemployed, and it has had several employees on job training programmes through such schemes.

SENIOR POLICY

Gjensidige has an active senior policy that aims to get as many employees as possible to work until the age of 67. In 2011, the Company's senior policy measures were adapted to accommodate changes in the pension reform. The measures include individual agreements to work 90 per cent with full pay between the ages of 59 and 62 for employees who need a lighter workload, one extra week's holiday from the age of 60 and full or partial early-retirement pension (AFP) or reduced working hours from the age of 62. The Company will in particular try to customise competence and training measures for senior employees, so that they remain a valuable labour resource for the Company.

Since 1972, Gjensidige has had an upper age limit of 67 for its employees. The Norwegian Supreme Court ruled in favour of Gjensidige in a lawsuit brought by an employee who wished to remain with the Company after turning 67. The unanimous decision was based on the fact that the age limit was lawful as long as it had been applied consistently, that it had been known to the employees and was applied in combination with a satisfactory occupational pension scheme. The judgment clarified that age limits set by companies are not in conflict with the Norwegian Working Environment Act's provisions on discrimination, and it ensures the predictability the Company needs with respect to its pension agreements.

OUTLOOK

The financial sector in Norway and abroad is facing considerable changes in statutory regulations and framework conditions. The final solutions and consequences are not yet clear. Combined with a weak international economic situation and financial challenges in several key countries, the situation means increased uncertainty in the time ahead, also for Gjensidige, and especially in relation to financial income. Gjensidige has a relatively robust investment strategy, its financial strength is good and it has high business exposure in the Norwegian general insurance market. The Board therefore considers the Group to be well equipped to meet turbulent financial markets in the time ahead.

The work on product simplification and better self-service solutions is progressing according to plan, and it contributes to supporting the Group's long-term financial target of a combined ratio of between 90 and 93 and its ambition of being the most customer-oriented company in the Nordic insurance industry. Combined with the training of employees and continuous work on further developing price models, new customer-oriented improvement measures are expected to lead to more satisfied customers and increased market power in the time ahead. It is therefore pleasing to note that Gjensidige's customer centres were rated best in the insurance industry in 2011 in a comprehensive survey conducted by TNS Gallup.

There was still strong competition in the Norwegian general insurance market in 2011. The small insurance companies have gradually increased their market shares by establishing operations in niches in the market, and partly through aggressive pricing, at the same time as several of the established financial players now have their own general insurance companies. The measures that have been implemented in recent years mean that Gjensidige is in a good position to meet this competition. The growth in premiums in Gjensidige's Norwegian general insurance operations in 2012 is mainly expected to come from implemented and planned premium measures, and Danish and Swedish general insurance operations are expected to contribute most to growth in 2012. The economic outlook for the Baltic countries is slightly more positive, and a gradual improvement is expected in the total market for general insurance.

The established pension, savings and banking operations developed in line with expectations, and they will strengthen the Group's position and foundation for growth in Norway in the long term. It is an objective that the operations contribute to meeting the Group's target of a 15 per cent return on equity before tax expense in the course of two years.

In general, changes in framework conditions can affect Gjensidige's operations. No new framework conditions have been adopted in 2011 of any material consequence to operations, but there are a number of initiatives that will have an impact over time. This applies in particular to Solvency II, the EU's capital adequacy project for insurance companies. The Solvency II project, which is developed under the auspices of the EU, will entail a new standard for capital adequacy and regulation of European insurance companies. Solvency II will contribute to improved quantification of risk and capital needs for insurance companies, and improve risk management in general. The new regulations, which currently look set to enter into force in 2014, will provide a greater incentive for companies to measure and manage all risks in a consistent manner. Gjensidige is actively monitoring developments and has, among other things, participated in the quantitative impact studies. The conclusion of the pre-study is that Gjensidige is in a good position to meet the new requirements. Solvency II will also entail new requirements with respect to how risk management is organised and carried out in the enterprise, as well as reporting requirements. Gjensidige has substantial capital buffers in relation to both internal risk models and statutory capital adequacy requirements. The Board considers the Group's capital situation and financial strength to be good. Considerable uncertainty is normally associated with the assessment of future developments, but, in the Board's opinion, the Group is well-equipped to meet the competition in the years ahead. The Group's financial targets remain unchanged.

EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2012, a binding agreement was entered into for the sale of four shopping centres in the property portfolio with a value corresponding to their book value. The transaction is expected to be completed with accounting effect in the first quarter 2012.

ALLOCATION OF PROFIT BEFORE OTHER INCOME AND EXPENSES

The Group's profit after tax expense amounted to NOK 2,747.9 million. The Board has adopted a dividend policy that forms the basis for the dividend proposals that are submitted to the general meeting. Gjensidige shall have a competitive dividend policy in relation to comparable investments. When determining the size of the annual dividend, consideration shall be given to the Group's capital needs, including capital adequacy requirements, and its targets and strategic plans. Unless the capital need indicates otherwise, the Board's target is that between 50 and 80 per cent of the profit for the year after tax expense will be distributed as dividend. The Board proposes that an ordinary dividend of NOK 2,275.0 million be distributed for the 2011 financial year, corresponding NOK 4.55 per share.

It is proposed that the parent company's profit before other components of income and expense of NOK 2,094.4 million be allocated as follows:

NOK million	
Dividend (after a deduction for dividend on own shares)	2,274.6
Transferred from undistributable reserves	(144.1)
Transferred from other distributable equity	(36.2)
Allocated	2,094.4

Other components of income and expense as presented in the income statement are not included in the allocation of profit. After allocation of the profit before other components of income and expense, the parent company's distributable equity amounts to NOK 12,993.9 million.

The Board has decided to give each employee a bonus of NOK 22,500 for those in full-time positions based on the achieved insurance result (measured by the underwriting result) and the return on equity achieved for 2011.

The Board also wishes to thank all its employees for their efforts and contribution to Gjensidige's results in 2011.

Sollerud, 7 March 2012
The Board of Directors of Gjensidige Forsikring ASA

Inge K. Hansen Chairman	Gunnhild H. Andersen	Trond Vegard Andersen	Hans-Erik F. Andersson	Per Arne Bjørge
Kjetil Kristensen	Gisele Marchand	Gunnar Mjåtvedt	Mari T. Skjærstad	Randi B. Sætershagen
				Helge Leiro Baastad CEO

FINANCIAL STATEMENTS AND NOTES 2011

GJENSIDIGE INSURANCE GROUP

GJENSIDIGE FORSIKRING ASA

CONSOLIDATED INCOME STATEMENT

NOK million	Notes	1.1.-31.12.2011	1.1.-31.12.2010
Operating income			
Earned premiums from general insurance		17,548.1	17,063.3
Earned premiums from pension		532.7	335.8
Interest income and credit commission income from banking operations		886.7	782.6
Other income including eliminations		414.1	609.1
Total operating income	4	19,381.5	18,790.8
Net income from investments			
Income from investments in associates	6	431.6	488.7
Net operating income from property		419.9	422.8
Interest income and dividend etc. from financial assets		1,449.2	1,385.4
Net changes in fair value on investments (incl. property)		(112.2)	262.3
Net realised gain and loss on investments		379.7	331.4
Expenses related to investments	17	(192.6)	(142.4)
Total net income from investments	19	2,375.6	2,748.2
Total operating income and net income from investments		21,757.1	21,539.0
Claims, loss etc.			
Claims incurred etc. from general insurance		(13,249.3)	(13,456.6)
Claims incurred etc. from pension		(438.0)	(258.1)
Interest expenses etc. and loss on loans/quarantees from banking operations		(550.0)	(484.9)
Total claims, interest expenses, loss etc.		(14,237.2)	(14,199.6)
Operating expenses			
Operating expenses from general insurance		(2,877.9)	(2,810.4)
Operating expenses from pension		(104.3)	(109.6)
Operating expenses from banking operation		(308.9)	(302.1)
Other operating expenses		(399.9)	(608.9)
Amortisation and impairment losses of excess value - intangible assets		(181.5)	(254.3)
Total operating expenses	17	(3,872.5)	(4,085.3)
Total expenses		(18,109.7)	(18,285.0)
Profit/(loss) for the year before tax expense	4	3,647.4	3,254.0
Tax expense	16	(899.5)	(303.6)
PROFIT/(LOSS) FOR THE YEAR		2,747.9	2,950.4
Earnings per share, NOK (basic and diluted)	28	5.50	5.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK million	1.1.-31.12.2011	1.1.-31.12.2010
Profit/(loss) for the year	2,747.9	2,950.4
Components of other comprehensive income		
Exchange differences	(5.9)	(19.4)
Share of other comprehensive income of associates	(48.2)	17.6
Actuarial gains and losses on pension	(339.8)	(118.0)
Tax on other comprehensive income	89.8	(28.5)
Total components of other comprehensive income	(304.2)	(148.4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,443.7	2,802.0

CONSOLIDATED STATEMENT OF FIANCIAL POSITION

NOK million	Notes	31.12.2011	31.12.2010
ASSETS			
Goodwill	5	2,374.8	2,580.7
Other intangible assets	5	1,201.7	1,349.5
Deferred tax assets	16	7.4	199.4
Investments in associates	6	4,478.2	4,275.5
Owner-occupied property	7	270.7	318.5
Plant and equipment	7	238.4	345.1
Investment properties	8	5,248.1	5,900.3
Financial assets			
Financial derivatives	9	547.4	536.6
Shares and similar interests	9, 12	4,021.7	4,282.9
Bonds and other securities with fixed income	9	19,747.1	18,389.9
Bonds held to maturity	9	11,693.4	14,497.5
Loans and other receivables	9	24,456.5	19,537.8
Assets in life insurance with investment options	10	5,542.1	4,503.6
Reinsurance deposits		0.8	0.6
Reinsurers' share of insurance-related liabilities in general insurance, gross	13	1,022.8	487.0
Receivables related to direct operations and reinsurance	10	3,791.1	3,585.1
Other receivables	10	227.6	342.2
Prepaid expenses and earned, not received income	10	108.9	84.5
Cash and cash equivalents	11, 25	3,513.3	2,889.9
TOTAL ASSETS		88,491.9	84,106.8
EQUITY AND LIABILITIES			
Equity			
Share capital		999.9	999.9
Premium reserve		1,430.0	1,430.0
Other equity		20,798.7	20,707.9
Total equity	1	23,228.6	23,137.8
Provision for liabilities			
Provision for unearned premiums, gross	13	9,531.4	9,078.3
Claims provision, gross	13	29,961.6	28,339.3
Other technical provisions	13	126.9	119.0
Pension liabilities	14	951.6	705.3
Other provisions	15	174.9	138.5
Financial liabilities			
Financial derivatives	9	69.4	155.3
Deposits from and liabilities to customers	9, 15	9,776.2	9,120.0
Interest-bearing liabilities	9, 15	5,263.4	5,254.9
Other liabilities	9, 15	1,172.6	1,234.4
Deferred tax liabilities	16	950.3	442.7
Liabilities related to direct insurance	16	1,003.6	1,274.6
Accrued dividend	9, 15	477.1	392.5
Liabilities in life insurance with investment options	15	5,542.1	4,503.6
Accrued expenses and deferred income	9, 15	262.2	210.7
Total liabilities		65,263.4	60,969.1
TOTAL EQUITY AND LIABILITIES		88,491.9	84,106.8

7 March 2012
The Board of Directors of Gjensidige Forsikring ASA

Inge K. Hansen
Chairman

Gunnhild H. Andersen

Trond Vegard Andersen

Hans-Erik F. Andersson

Per Arne Bjørge

Kjetil Kristensen

Gisele Marchand

Gunnar Mjåtvedt

Mari T. Skjærstad

Randi B. Sætershagen

Helge Leiro Baastad
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK million	Share capital	Own shares	Premium reserve	Exchange differ-ences	Actuarial gains/los. pension	Other paid in capital	Other earned equity	Total equity
Equity as at 31.12.2009	1,000.0		1,430.0	(115.4)	(2,005.9)		21,659.6	21,968.2
1.1.-31.12.2010								
Profit/(loss) for the year							2,950.4	2,950.4
Components of other comprehensive income								
Exchange differences				(19.4)				(19.4)
Share of other comprehensive income of associates							17.6	17.6
Actuarial gains and losses on pension					(118.0)			(118.0)
Tax on other comprehensive income							(28.5)	(28.5)
Total components of other comprehensive income				(19.4)	(118.0)		(10.9)	(148.4)
Total comprehensive income for the year				(19.4)	(118.0)		2,939.5	2,802.0
Own shares		(0.1)					(3.1)	(3.1)
Paid dividend							(1,650.0)	(1,650.0)
Equity-settled share-based payment transactions						7.5		7.5
Tax on items recognised directly in equity							13.2	13.2
Equity as at 31.12.2010	1,000.0	(0.1)	1,430.0	(134.8)	(2,124.0)	7.5	22,959.1	23,137.8
1.1.-31.12.2011								
Profit/(loss) for the year							2,747.9	2,747.9
Components of other comprehensive income								
Exchange differences				(7.0)	1.0			(5.9)
Share of other comprehensive income and expenses of associates							(48.2)	(48.2)
Actuarial gains and losses on pension					(339.8)			(339.8)
Tax on other comprehensive income							89.8	89.8
Total components of other comprehensive income				(7.0)	(338.8)		41.5	(304.2)
Total comprehensive income for the year				(7.0)	(338.8)		2,789.4	2,443.7
Own shares		(0.1)					(3.9)	(4.0)
Paid dividend							(2,349.9)	(2,349.9)
Actuarial gains and losses on pension in other companies					(13.3)		13.3	
Equity-settled share-based payment transactions						1.0		1.0
Equity as at 31.12.2011	1,000.0	(0.1)	1,430.0	(141.7)	(2,476.1)	8.4	23,408.1	23,228.6

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK million	1.1.-31.12.2011	1.1.-31.12.2010
Cash flow from operating activities		
Premiums paid, net of reinsurance	20,380.9	20,166.5
Claims paid, net of reinsurance	(13,307.5)	(12,970.2)
Net payment of loans to customers	(857.8)	(2,489.2)
Net payment of deposits from customers	656.2	2,569.6
Payment of interest from customers	848.3	731.8
Payment of interest to customers	(281.5)	(208.1)
Net receipts/payments on premium reserve transfers	(235.5)	(142.6)
Net receipts/payments from financial assets	(2,095.0)	933.6
Net receipts/payments from properties	1,131.3	(88.8)
Operating expences paid, including commissions	(3,540.1)	(3,932.9)
Taxes paid	(364.5)	(1,155.2)
Net other receipts/payments	381.2	642.9
Net cash flow from operating activities	**2,716.1**	**4,057.3**
Cash flow from investing activities		
Net receipts/payments from sale/aquisition of subsidiaries and associated companies	229.6	(2,629.9)
Net receipts/payments on sale/aquisition of owner-occupied property, plant and equipment	(56.9)	(214.5)
Dividends from associated companies	177.4	36.2
Net cash flow from investing activities	**350.1**	**(2,808.2)**
Cash flow from financing activities		
Payment of dividend	(2,349.9)	(1,677.6)
Net receipts/payments on loans to credit institutions	61.4	395.3
Net receipts/payments on other short-term liabilities	14.0	(15.9)
Net receipts/payments on interest on funding activities	(169.6)	(146.1)
Net cash flow from financing activities	**(2,444.2)**	**(1,444.3)**
Effect of currency exchange rate changes on cash and cash equivalents	1.3	(18.5)
Net cash flow for the year	**623.3**	**(213.6)**
Cash and cash equivalents at the start of the period	2,889.9	3,103.5
Cash and cash equivalents at the end of the period	3,513.3	2,889.9
Net cash flow for the year	**623.3**	**(213.6)**
Specification of cash and cash equivalents		
Cash and deposits with central banks	3,151.4	2,830.7
Deposits with credit institutions	361.9	59.2
Total cash and cash equivalents	**3,513.3**	**2,889.9**

ACCOUNTING POLICIES

REPORTING ENTITY
Gjensidige Forsikring ASA is a publicly listed company domiciled in Norway. The company's head office is located at Drammensveien 288, Oslo, Norway. The consolidated financial statements of the Gjensidige Insurance Group (the Group) as at and for the year ended 31 December 2011 comprise Gjensidige Forsikring ASA and its subsidiaries and the Group's interests in associates. The activities of the Group consist of general insurance, pension and savings, online retail banking and health care services. The Group 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 the entire Group 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 2011, and additional disclosure requirements in accordance with the Norwegian Financial Reporting Regulations for Insurance Companies (FOR 1998-12-16 nr 1241) pursuant to the Norwegian Accounting Act.

CHANGES IN ACCOUNTING POLICIES
There are no changes in accounting policies in 2011.

The following International Financial Reporting Standards (IFRS) and interpretation statements have been published up until 7 March 2012, without them having entered into force or having been implemented early

Standards that can influence accounting principles
- Amendments to IAS 12 *Income Taxes*, which enter into force on 1 January 2012, but have not yet been approved by the EU, will not have any significant effect.
- IFRS 9 *Financial Instruments*, issued in November 2009 and October 2010, is expected to enter into force on 1 January 2015. This is the first phase of the International Accounting Standards Board's (IASB) three-phase project aimed at replacing IAS 39. It concerns the classification and measurement of financial assets and liabilities. Financial assets will be classified either at fair value or at amortised cost, depending on how they are managed and on what contractual cash flow characteristics they have. Phases two and three concern impairment losses and hedge accounting, respectively. The standard is still being prepared and is not yet completed. Our preliminary assessment is that the standard can result in the reclassification of financial instruments in the consolidated financial statements.
- Based on our preliminary assessments and on the basis of Gjensidige's current operations, neither IFRS 10 *Consolidated Financial Statements* nor IFRS 11 *Joint Arrangements*, which enter into force on 1 January 2013, but which it is uncertain whether the EU will have approved by that date, will have a significant effect on our accounting items.
- Based on our preliminary assessments and on the basis of Gjensidige's current operations, IFRS 13 *Fair Value Measurements*, which enters into force on 1 January 2013, will not have any significant effect.
- Amendments to IAS 19 *Employee Benefits*, which enter into force on 1 January 2013, will, using the same interest rate to calculate the expected return on the pension assets as for discounting the pension commitments, entail higher recognised pension costs, but it is not expected that this change will be significant for the overall group profit/loss. The other amendments will not have any significant effect for Gjensidige.

Standards that will affect disclosure requirements
- Several amendments have been made to IFRS 7 *Disclosure – Financial Instruments* with different commencement dates, and to IFRS 12 *Disclosure of Interests in Other Entities*, which enters into force on 1 January 2013, but which it is uncertain when the EU will approve. All these will entail additional disclosure requirements for us.

Based on our preliminary assessments and on the basis of Gjensidige's current operations, other amendments to standards and interpretation statements will not have any 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
- financial assets available for sale are measured at fair value
- investment properties are measured at fair value

FUNCTIONAL AND PRESENTATION CURRENCY
The consolidated financial statements are presented in NOK. Gjensidige Forsikring has three functional currencies: Norwegian, Swedish and Danish kroner. 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
According to IFRS 8, the operating segments are determined based on the Group's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Insurance 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 within the meaning of IFRS 8. 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 Norway
- General insurance Commercial Norway
- General insurance Nordic
- General insurance Baltic
- Pension and savings
- Online retail banking

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 in which Gjensidige Forsikring has a controlling influence, which will apply to companies where Gjensidige Forsikring owns more than 50 per cent of the voting shares, either directly or indirectly through subsidiaries. The subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary, to align them with the policies adopted by the Group.

ASSOCIATES

Associates are entities in which the Group has a significant, but not a controlling, influence over the financial and operating policies. Normally this will apply when the Group has between 20 and 50 per cent of the voting power of another entity. Associates are accounted for using the equity method, and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of income, expenses, and movements in equity, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that the significant influence ceases.

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 the Group'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 purchase 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 the Group, in exchange for control of the acquired company, and any expenses directly attributable to the business combination.

If the fair value, after a reassessment of the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess amount is recognised immediately in profit or loss.

CASH FLOW STATEMENT

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

RECOGNITION OF REVENUE AND EXPENSES

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 the company 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.

INTEREST INCOME AND CREDIT COMMISSION INCOME FROM BANKING OPERATIONS

Interest income and interest expenses are calculated and recognised using the effective interest method. The calculation takes into account arrangement fees and direct marginal transaction costs that form an integral part of the effective interest rate. Interest is recognised in profit or loss using the effective interest method both for balance sheet items that are measured at amortised cost and those that are measured at fair value through profit and loss. Interest income on impaired loans is calculated as the effective interest on the impaired value.

Commission income from various customer services is recognised depending on the nature of the commission. Charges are recognised as income when the services have been delivered or when a significant proportion have been completed. Charges that are received for services provided are recognised as income in the period in which the service was performed. Commissions received as payment for various services is recognised as income when the service has been performed. Commission expenses are transaction based, and are recognised in the period in which the service was received.

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.

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 consist of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income is recognised in profit or loss using the effective interest method.

Financial expenses consist of interest expenses on loans 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 are recognised in profit or loss using the effective interest method.

FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

Every company in the Group determines its functional currency, and transactions in the entities' financial statements are measured in the functional currency of the subsidiary.

Transactions in foreign currencies are translated to the respective functional currencies of the respective Group entities at exchange rates at the date of the transaction.

At the reporting date monetary items are retranslated to the functional currency at exchange rates at that date. Non-monetary items denominated in foreign currencies that are measured at historical cost, are retranslated using the exchange rates at the date of the transaction. Non-monetary items denominated in foreign currencies that are measured at fair value, are retranslated to the functional currency at the exchange rates at the date when the fair value was determined.

Exchange differences arising on retranslations are recognised in profit or loss, except for differences arising on the retranslation of financial instruments designated as hedge of a net investment in a foreign operation that qualifies for hedge accounting. These are recognised in other comprehensive income.

FOREIGN OPERATIONS

Foreign operations that have other functional currencies are translated to NOK by translating the income statement at average exchange rates for the period of activity, and by translating the balance sheet at exchange rates at the reporting date. Exchange differences are recognised as a separate component of equity. On disposal of the foreign operation, the cumulative amount of the exchange difference recognised in other comprehensive income relating to that foreign operation is recognised in profit of loss, when the gain or loss on disposal is recognised.

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 of the foreign operation.

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. If the properties are used both for the company's own use and as investment properties, classification of the properties is based on the actual use of the properties.

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 the Group, 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.

Gjensidige may engage in refurbishment, major upgrades or new property projects. The costs for these are recognised using the same principles as for an acquired asset.

Depreciation

Each component of owner-occupied property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows

- owner-occupied property 10-50 years
- plant and equipment 3-5 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.

INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation, or for both. These properties are not used in production, deliveries of goods and services, or for administrative purposes.

Investment properties are measured initially at cost, i.e. the purchase price including directly attributable expenses associated with the purchase. Investment properties are not depreciated.

Subsequent to initial recognition investment properties are measured at fair value, and any changes in fair value are recognised in profit or loss.

Fair value is based on market prices, after consideration of any differences in type, location or condition of the individual property. Where market prices are not available, the properties are individually assessed by discounting the expected future net cash flow by the required rate of return for each investment. The net cash flow takes into account existing rental contracts and expectations of future rental income based on the current market situation. The required rate of return is determined based on the expected future risk-free interest rate and an individually assessed risk premium, dependent on the rental situation and the location and standard of the building. An observation of yields reported from market transactions is also performed. The valuation is carried out both by external and internal expertise having substantial experience in valuing similar types of properties in geographical areas where the Group's investment properties are located.

In cases of change of use and reclassification to owner-occupied property, fair value at the date of the reclassification is used as cost for subsequent reporting.

INTANGIBLE ASSETS

GOODWILL

Goodwill acquired in a business combination represents cost price of the acquisition in excess of the Group'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.

Goodwill acquired in a business combination is not amortised, but is tested for impairment annually or more frequently, when indications of impairment losses exist.

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 the Group intends to and has sufficient resources to complete the development and to use or sell the asset.

AMORTISATION

Intangible assets, other then 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 10 years
- trademarks 10 years
- internally developed software 5–8 years
- other intangible assets 5–10 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 the Group 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 the Group'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 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.

In the case of group life insurance for the commercial market, the provision for unearned premiums, gross also includes provisions for fully paid whole-life cover (after the payment of disability capital).

CLAIMS PROVISION, GROSS

The claims provision comprise 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 to the company (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 in Denmark with annuity payments over a long horizon, discounting is performed. IFRS 4 permits the use of different policies within the Group 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 the company's liabilities. Current estimates for future claims payments for the company'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, claims provision 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 3.6 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
- available for sale
- investments held to maturity
- loans and receivables
- financial derivatives
- financial liabilities at amortised cost

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 the Group transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if

- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

Gjensidige holds an investment portfolio that is designated at fair value at initial recognition, and that is managed and evaluated regularly at fair value. This is according to the Board of Directors' approved risk management and investment strategy, and information based on fair value is provided regularly to the Senior Group Management and the Board of Directors.

The banking operation has established a liquidity portfolio which is continuously measured and reported at fair value. The bank has a goal of having low interest rate risk and plans and manages the interest rate risk so that one aggregates fixed-rate positions on both deposits, loans and placements in a model, and then use interest rate swaps to balance out potential remaining risk. Interest rate swaps are measured at fair value, and in order to avoid inconsistent measurement, bonds and certificates with fixed interest-rates subject to interest rate hedging are measured at fair value.

Transaction expenses are recognised in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

The category at fair value through profit or loss comprises the classes shares and similar interests and bonds and other fixed income assets.

AVAILABLE FOR SALE

Financial assets available for sale are non-derivative financial assets that have been recognised initially in this category, or are not recognised initially in any other category. Subsequent to initial recognition financial assets in this category are measured at fair value, and gain or loss is recognised in other comprehensive income except for impairment losses, which are recognised in profit or loss.

The Group has no financial assets in this category.

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, prepaid expenses and earned, not received income and 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.

The Group 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.

Hedge accounting is applied on the largest subsidiaries. Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. If subsidiaries are disposed of, the cumulative value of such gains and losses recognised in other comprehensive income is transferred to profit or loss. Where hedge accounting is not implemented, this implies a divergent treatment of the hedged object and the hedge instrument used.

The category financial derivatives comprises the classes financial derivatives at fair value through profit or loss and financial derivatives used as hedge accounting.

FINANCIAL LIABILITIES AT AMORTISED COST

Financial liabilites are measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

The category financial liabilities at amortised cost comprises the classes deposits from and liabilities to customers, interest-bearing liabilities, other liabilities, liabilities related to direct insurance and accrued expenses and deferred income. Interest-bearing liabilities consist mainly of issued certificates and bonds, and buy-back of own issued bonds.

DEFINITION OF FAIR VALUE

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in a transaction carried out at arm's length distance.

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.

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. 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. 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.

For further description of fair value, see note 9.

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 are calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

AVAILABLE FOR SALE

For financial assets available for sale, an assessment to whether the assets are impaired is carried out quarterly.

If a decline in fair value of an available-for-sale financial asset, compared to cost, is significant or has lasted longer than nine months, the cumulative loss – measured as the difference between the historical cost and current fair value, less impairment loss on that financial asset that previously has been recognised in profit or loss - is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

Impairment losses recognised in profit or loss are not reversed through profit or loss, but in other comprehensive income.

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 the Group 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.

RESTRUCTURING

Provision for restructuring are recognised when the Group 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.

PENSIONS

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.

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. Obligatory contributions are recognised as employee benefit expenses in profit or loss when they are due.

The defined benefit plan is a post-employment benefit plan that entitles employees to contractual future pension benefits. Pension liabilities are determined on the basis of linear earning and using assumptions of length of service, discount rate, future return on plan assets, future growth in wages, pensions and social security benefits from the National Insurance, and estimates for mortality and staff turnover, etc.

Plan assets are measured at fair value, and are deducted from pension liabilities in the net pension liabilities in the balance sheet. Any surplus is recognised if it is likely that the surplus can be used.

Any actuarial gains and losses related to defined benefit plan is recognised in other comprehensive income.

SHARE-BASED PAYMENT

The fair value of share-based payment arrangements allocated to employees is at the time of allocation recognised as personnel costs, with a corresponding increase in equity. Share-based payment arrangements which are recovered immediately are recognised as expenses at the time of allocation. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised shall be based on the number of equity instruments that eventually vest. Non-vesting conditions are reflected in the measurement of fair value, and no adjustment of the amount charged as expenses is done upon failing to meet such conditions.

Share-based payment transactions in which the company receives goods or services as payment for the company's own equity instruments is recognised as share-based payment transactions with settlement in equity, regardless of how the company has acquired the equity instruments. 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 27 for a further description of the Group's share-based payment arrangements.

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 the Group 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.

CURRENT AND DEFERRED TAX

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 Contribution Arrangement as described in OECD Guidelines chapter 8 and on the basis of paragraph 13-1 in the Norwegian Tax Act.

Identified functions that are categorized as core activities will be charged out with a reasonable mark up or alternatively at market price if identifiable, comparable prices exist.

TRANSACTIONS WITH AFFILIATED COMPANIES

The Fire Mutuals operates as agents on behalf of Gjensidige Forsikring. For these services commission is paid. For handling the cooperation and to reinsure the Fire Mutuals' fire insurance Gjensidige receives cost refunds. Due to the fire policy reinsurance plan, Gjensidige Forsikring also manages assets on behalf of the Fire Mutuals. The Fire Mutuals are credited interest for these assets.

NOTES

1 – 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 equity certificates/shares	2011	2010
Issued 1 January	500,000	100,000
Share split		400,000
Issued 31 December	500,000	500,000

In connection with conversion from limited liability mutual (BA) to public limited liability company (ASA) on 28 June 2010 the equity certificate capital is converted to share capital.

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.

At the end of the year the number of own shares was 60,755 (26,983).

A total of 257,175 shares at an average share price NOK 64.13 have in 2011 been acquired to be used in Gjensidige's share savings scheme. Of this 205,434 shares have been transferred to employees. In addition 17,969 bonus shares have been allocated to employees in Sweden and Denmark from Gjensidige's own shares. Thus, the increase in own shares throughout the year amounts to 33,722.

PREMIUM RESERVE
Premium reserve consists of paid in capital and can be used to cover losses.

OTHER PAID IN EQUITY
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.

EXCHANGE DIFFERENCES
Exchange differences consist of exchange differences that occur when converting foreign subsidiaries, and when converting liabilities that hedge the company's net investment in foreign subsidiaries.

ACTUARIAL GAINS/LOSSES PENSION
Actuarial gains/losses pension consists of 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 restricted funds (Natural perils fund, guarantee scheme).

NATURAL PERILS FUND
Operating profit/loss from the compulsory natural perils insurance shall be adjusted against a Natural perils fund. The provision can only be used for claims related to natural perils. Natural peril is defined as claim in direct relation to natural hazard, such as landslide, storm, flood, storm surge, earthquake or eruption.

GUARANTEE SCHEME
The provision for guarantee scheme shall provide security to the insured for the right fulfillment of claims covered by the agreement even after the agreement is terminated in Norway.

DIVIDEND
Proposed and approved dividend

NOK million	2011[1]	2010
As at 31 desember		
NOK 4.55 per ordinary share (4.70)	2,275.0	2,350.0

[1] Proposed dividend for 2011 is not recognised at the reporting time, and it does not have any tax consequences.

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.

The accounting policies that are used by Gjensidige in which the assessments, estimates and prerequisites may deviate significantly from the actual results are discussed below.

INVESTMENT PROPERTIES

Fair value is based on market prices and generally accepted valuation models where there are no market prices. A key parameter of the valuation is the long-term required rate of return for the individual property. A further description of the real estate price risk and a sensitivity analysis of investment properties are given in note 8.

PLANT AND EQUIPMENT, OWNER-OCCUPIED PROPERTY AND INTANGIBLE ASSETS

Plant and equipment, owner-occupied property and intangible assets are assessed annually to ensure that the depreciation method and the depreciation period used are in accordance with useful life. The same applies to residual value. Impairment losses will be recognised if impairment exists. An ongoing assessment of these assets is made in the same manner as investment properties.

Goodwill is tested for impairment annually or more often if there are indications that the amounts may be subject to impairment. The testing for impairment entails determining recoverable amount for the cash-generating unit. Normally recoverable amount will be determined by means of discounted cash flows based on business plans. The business plans are based on prior experience and the expected market development. See note 5 and 7.

FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities that are not traded in an active market (such as unlisted shares) is determined by means of generally accepted valuation methods. These valuation methods are based primarily on the market conditions at the reporting date. See note 9.

LOANS AND RECEIVABLES

For financial assets that are not measured at fair value, it is assessed whether there is objective evidence that there has been a reduction in the value of a financial asset or a group of financial assets on each reporting date. See note 10.

INSURANCE-RELATED LIABILITIES

Use of estimates in calculation of insurance-related liabilities is primary 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 13.

PENSION

The present value of pension liabilities is calculated on the basis of actuarial and financial assumptions. Any change in the assumptions affects the estimated liability. Change in the discount rate is the assumption most significant to the value of the pension liability. The discount rate and other assumptions are normally reviewed once a year when the actuarial calculations are performed unless there have been significant changes during the year. See note 14.

3 – MANAGEMENT OF INSURANCE AND FINANCIAL RISK

OVERVIEW

Management of risk is an integrated part of the daily operations in Gjensidige. Identification, assessment, management and control of the risk exposure as well as analyses of the effects of potential strategic decisions on the risk profile is an essential part of the operations to ensure that the level of risk-taking is in keeping with the approved risk appetite and to enhance value creation.

An overall management of risks ensures that risks are assessed and handled in a consistent way throughout the Group. Risk management in Gjensidige has two main objectives. First, the risk exposure should not exceed capacity. Secondly, but equally important, a comprehensive risk management should help create value for customers and owners. Through a strong risk management process, risks are identified, analysed, measured and managed not only with the purpose of reducing uncertainty and avoiding extreme losses, but also to maximize the return relative to the risk.

General insurance is Gjensidige's core business and constitutes the major part of operations and risks in the Group, through Gjensidige Forsikring in Norway and its branches and subsidiaries in Sweden, Denmark and the Baltic. Gjensidige also offers pension, investment and savings products through the subsidiaries Gjensidige Pensjonsforsikring (GPF) and Gjensidige Investeringsrådgivning (GIR). In addition, Gjensidige offers banking services through Gjensidige Bank.

The basis of insurance is transfer of risk, from the insured to the insurer. Gjensidige receives insurance premiums from a large number of policy holders and commits to compensate in case a loss occurs. Naturally, insurance risk is a major component of risk for the Group. Insurance premiums are received in advance and set aside in order to cover future claims. The actuarial provisions combined with the Company's equity are invested, and consequently the Group is exposed to market and credit risk as well.

In the areas of pension, savings and investment advice, there will be insurance and financial risk in the subsidiary Gjensidige Pensjonsforsikring (GPF). Within the commercial market GPF offers defined-contribution occupational pensions with related risk coverage such as disability insurance, disability pension and child and spouse pensions. In addition GPF manages funds related to paid-up policy portfolios. Within the private market GPF offers life and pension products and pure risk products such as disability pension. Mortality and disability risks are the two main insurance risks within GPF, whereas the greatest financial risk is related to the guaranteed return for the paid-up policies.

The subsidiary Gjensidige Bank offers banking products primarily to private individuals and organisations in the Norwegian market. Gjensidige Bank is mainly exposed to credit and liquidity risk.

Given the division of the operations into operative and reporting segments, the Group has chosen to also divide the information in this note according to the business areas general insurance, life insurance/savings and banking, with the exception of certain contexts where it has been natural to present these areas as one. For the description of the management of financial risk within the general insurance operations the focus is on the Group's total general insurance operations and separate tables have not been set up for Gjensidige Forsikring ASA. This reflects the way in which the financial risk is managed.

Figure 1 – Operational structure

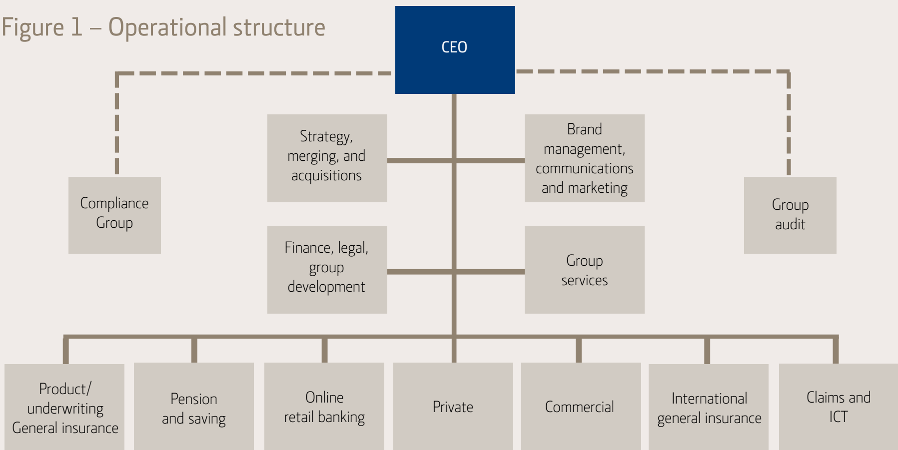
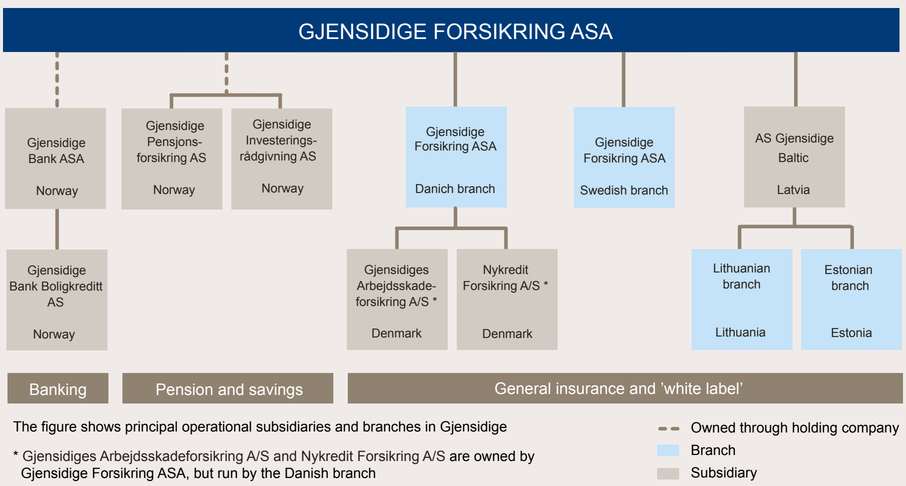


Figure 2 – Business structure

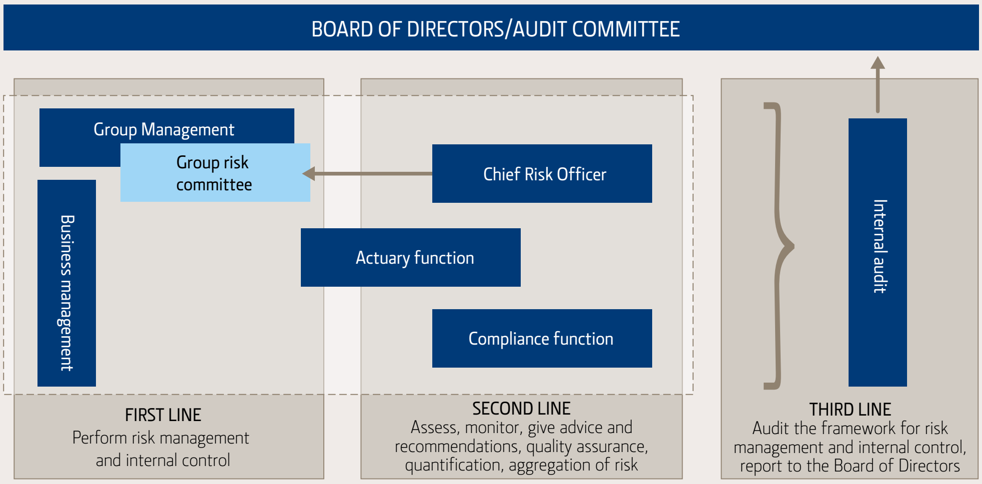


ORGANISATION

The Board of Directors 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. This entails ensuring that necessary policies, routines and reporting are in place to guarantee satisfactory risk management and compliance with laws and regulations and that the risk management and internal control efforts will be appropriately organized and documented.

The group CEO is responsible for the overall risk management in the Group. The Group's risk management committee, chaired by the group CEO, has a supervisory role with regard to the Group's total risk situation and an advisory role to the group CEO with regard to risk management. The responsibility to help prepare for the risk management committee's work and to facilitate the Group's internal control processes is delegated to the Chief Risk Officer. Likewise, the Head of Group Compliance, which reports on professional matters to the group CEO, is responsible for the Group's process for preventing and detecting compliance risk pursuant to laws and regulations as well as internal policies and instructions. The responsibility for the ongoing risk management is delegated to the responsible line managers in their respective areas. Gjensidige has centralized risk control functions, such as risk management, compliance and actuarial functions. Moreover, the Group has an independent internal audit function, which monitors risk management and internal control to ensure that they function properly and which reports directly to the Board of Directors.

Figure 3 – The management system is organized with three lines of defence



The responsibility for the execution of investments for the insurance operations is vested in the organization of the CFO. The function for monitoring and reporting financial returns and compliance of limits in investment management of the insurance business reports to the Executive Vice President, Group Staff/General Services in order to ensure an independent follow-up. In addition, the Chief Risk Officer has an independent line of reporting to the Group's risk management committee.

The responsibility for all investment management is centralized in the Group's investment centre. The responsibility for the reserve setting in the insurance companies is correspondingly centralized in the Group's actuary department. All internal guidelines and requirements for risk taking are based on comprehensive group policies and are subject to approval by the Board of Directors in each company where this derives from local legislation. A group-wide credit committee chaired by the CFO has been established to set credit limits for individual issuers of credit together with general guidelines for counterparty risk.

CAPITAL MANAGEMENT

The core function of insurance is the transfer of risk, and the Group is exposed to risk in both its insurance and investment operations. Identification, measurement and management of risk are essential parts of the operations. Risk and capital are, and must be interlinked. Any insurance company must adapt its risk exposure to its capital base. On the other hand, solvency capital, or equity, has a cost. A key objective of capital management is to balance these two aspects. Gjensidige's overall capital management objectives are firstly to ensure that the capitalization of the Group can sustain an adverse outcome without creating a financially distressed situation and secondly that the Group's capital is used in the most efficient way.

Gjensidige's minimum capitalization is determined on the basis of the strictest of three criteria: regulatory requirements, rating requirements and internal risk-based requirements. In the calculations of excess capital, consideration was given to an assumed dividend of NOK 2,275.0 million for the 2011 financial year, which reduces the excess capital equivalently from all three perspectives. The Group has a very strong capitalization from all three of these perspectives.

Insurance operations and banking business are subject to capital requirements specified by the authorities. Capital adequacy and solvency positions are reported for the Group and subsidiaries to the financial supervisory authorities. In accordance with capital adequacy rules (BIS rules) as at 31 December 2011 the excess capital was NOK 7,332.6 million, equivalent to a capital adequacy ratio of 16.2 per cent. As associated companies, the stakes in Storebrand and SpareBank1 SR-Bank are consolidated in the calculation of capital adequacy. The Group's excess capital above the solvency margin requirements was NOK 10,092,9 million as at 31 December 2011. The stake in Storebrand is consolidated in this calculation.

For the Group, the rating requirements are most binding. Gjensidige Forsikring's target financial strength rating is 'A' (single A) from Standard & Poor's or the equivalent from another rating institution. This target has been achieved by actual rating of 'A' (Stable) from Standard & Poor's (unchanged since 1999, last updated on 30 August 2011). The rating is subject to an annual review. Standard & Poor's rating model is used as an approximation of the capital requirements from this perspective, even though a number of other factors also play an important role in determining the Group's rating. Based on data as at 31 December 2011, the excess capital relative to the targeted A rating is estimated at NOK 5,302.6 million. The subsidiaries do not have their own interactive rating, although the rating for Gjensidige Forsikring is based on the Group's financial position.

Table 1 – Capital in excess of legal requirements per company

NOK million	2011	2010	Requirement
Gjensidige Forsikring	10,633.4	11,066.5	Capital adequacy (8 %)
Gjensidiges Arbejdsskadeforsikring	174.9	140.2	Indvidual solvency test
Nykredit Forsikring	117.8	1,188.0	Indvidual solvency test
Gjensidige Baltic	175.1	100.2	Solvency I requirement (100 %)
Gjensidige Bank Group	559.4	617.9	Capital adequacy (8 %)
Gjensidige Pensjon og Sparing Holding Group	349.4	239.1	Capital adequacy (8 %)

The solvency margin in Gjensidige Baltic does not include the profit for the year until the completion of the auditing of the financial statement for

2011. In Denmark, an individual solvency calculation was introduced as an adaptation to the upcoming Solvency II regulations. Gjensidige Forsikring and all subsidiaries met all regulatory capital requirements during 2011.

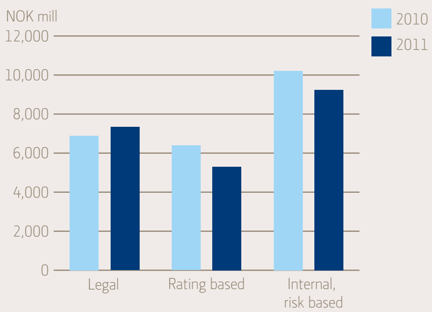
The internal risk based capital requirement is determined in the Group's risk and capital management policy, which is approved by the Board of Directors. It is defined as the capital that is necessary in order to have a probability of 99.97 per cent of not using up all capital measured over one year, including all of the general insurance group's assets and liabilities and without counting the expected profit performance during the period as available capital. In this context both profit/loss and available capital are measured according to economic principles, even if these may deviate from the accounting policies, in keeping with the proposals that have been made for the Solvency II regulations. Among other things, this means that actuarial reserves are assessed at the discounted value instead of at recognised (nominal) value. Both method and level of probability are in keeping with what seems to have been established as an industry standard in Europe. The internal requirement is measured by means of Gjensidige's internal model as described below.

Gjensidige has, over several years, been developing an internal stochastic simulation model for its insurance operations, based on state-of-the-art modeling technology. The model is customized to Gjensidige's risk profile and provides fully stochastic simulations of both insurance and investment operations. This model is a key tool for aggregated risk measurement and capital management as it provides an overview of the aggregated risk profile. The main areas of use of the internal model are

- Overall risk profile and capital need
- Capital allocation to lines of business and products
- Capital consequences of asset allocation
- Requirements for and optimization of reinsurance

Using the internal model, with the definition of internal capital as stated above, the internal capital requirement for the insurance group was set at NOK 11,600 million at the end of 2011, compared to NOK 12,200 million at the end of 2010. Excess capital above the internal capital requirement is NOK 9,200 million.

Figure 4 – Excess capital from different perspectives



The necessary capital for the insurance business is allocated to the products in order to set a more correct cost of capital for pricing and assessments of profitability. The excess capital relative to the most binding of the capital requirements is regarded as an additional buffer and is available to finance the Group's strategic growth targets.

Gjensidige Forsikring is adapting to the upcoming Solvency II rules, which will both replace the current capital rules and specify requirements for good risk management and reporting. One of the elements in the new rules is that it allows for the utilization of the Group's own model for setting the statutory capital requirements according to clearly defined criteria. Gjensidige participates in the formal pre-application process for internal models with the Norwegian FSA (Financial Supervisory Authority). Gjensidige's existing model is deemed to be a good point of departure and is further developed for this purpose.

INSURANCE RISK

The risk under any insurance contract is the probability that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and must therefore be estimated.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency and/or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level calculated using statistical techniques.

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. Gjensidige has developed its steering documents for insurance risk to diversify the types of insurance risks and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group has an overall underwriting policy , approved by the Board of Directors in Gjensidige Forsikring ASA, with more detailed underwriting guidelines for each of the product segments, supported by strictly defined authorisation rules.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. Unexpected rise in inflation rate will also have negative effect on claims and benefit payments. Gjensidige writes general insurance in Norway, Sweden, Denmark and the Baltics. General insurance in these countries have a lot of similarities. The description of risks to the insurance business is, with a few exceptions, common for the Group. In case of significant deviations between the countries, these are commented separately.

GENERAL INSURANCE

FREQUENCY AND SEVERITY OF CLAIMS

The frequency and severity of claims can be affected by several factors. The different factors will depend on the products, or lines of business (LOB) considered.

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 cold winter will cause an increase in the frequency of claims due to frozen water pipes and increased use of electrical power and open fire places for heating of the houses. More permanent shifts in the level of frequency of claims may occur due to e.g. change of customer behaviour and new types of claims. The effect on the profitability of a permanent change in the level of the frequency of claims will be high. In Motor insurance in Norway, for example, an increase of one percentage point in the level of the frequency of claims will increase the loss ratio by approximately four percentage points.

The severity of claims is affected by several factors. In some LOBs, with relatively few claims, the severity may be heavily influenced by large claims. The number of incurred large claims during a year varies significantly from one year to another. This is typically for the commercial market. In most LOBs the underlying development of the severity of claims is influenced by inflation.

Growth in severity of claims may be driven by the development of consumer price index (CPI), salary increases, social inflation and the price for material and services purchased with claims settlement. In Property insurance the inflation will consist of CPI and an increase in 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 were the compensation is adjusted by a public/government index (in Norway: 'G' - The basic amount for national insurance). This is for instance the case in Workers' Compensation. The Group writes Workers' Compensation in Norway and Denmark. The regulation for this LOB 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 restricted to lump sums, while in Denmark the compensation is both lump sums and annuity payments. Annuity payments are calculated according to 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.

Gjensidige manages these risks mainly through close supervision of the development for each LOB, underwriting guidelines and proactive claims handling. The monthly supervision of the results for each LOB contains an overview of both premium and loss development. If there is an adverse development of the profitability, sufficient measures will be put in force. This includes necessary premium increases to ensure that the profitability is within the accepted level. The analysis of the profitability can be tracked further to different groups of customers and portfolios. The underwriting guidelines attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and location of the risks. Underwriting limits are in place to enforce appropriate risk selection criteria and to ensure that accepted risks are within the limits of the reinsurance contracts.

Premiums, deductibles and elements in the conditions may be changed at the yearly renewal of policies. Insurance companies have the right to reject the payment of a fraudulent claim. Gjensidige has the right not to renew individual policies in cases of insurance fraud, and in some instances legislation or policy conditions give the company the right to terminate or not to renew individual policies in cases where special reasons indicate that such termination is reasonable. In cases where a claim has been paid, Gjensidige is entitled to pursue any third parties liable for the damage, for payment of some or all costs (recourse claim). The underwriting policy and guidelines in all companies are within the Group's approved risk level.

The claims handling procedures also include a clear strategy and routines for purchasing material and services in an optimal manner. The routines are to use purchase agreements to ensure the quality of our benefits to our customers and to reduce the inflation risk.

CONCENTRATION OF INSURANCE RISK

The Gjensidige Group still has its concentration in the Norwegian general insurance market, with operations in other Nordic countries and the Baltic. The percentage share of premiums written in Nordic increased in 2010 after the purchase of Nykredit Forsikring.

Table 2 – Gross premiums written per geographical area

NOK million	Gross premiums written 2011	Per cent of total	Gross premiums written 2010	Per cent of total
Private Norway	8,216.9	40.9 %	8,031.7	40.6 %
Commercial Norway	5,658.1	28.2 %	5,682.7	28.8 %
Nordic	3,807.3	19.0 %	3,357.1	17.0 %
Baltics	429.5	2.1 %	395.2	2.0 %
Pension and savings	1,963.0	9.8 %	2,296.7	11.6 %
Total	**20,074.8**	**100.0 %**	**19,763.5**	**100.0 %**
Total Gjensidige Forsikring ASA	17,239.7	85.9 %	16,313.1	82.5 %

Table 3a – Gross premiums written per line of business, Gjensidige Group

NOK million	Gross premiums written 2011	Per cent of total	Gross premiums written 2010	Per cent of total
Accident and health - workers' compensation	1,052.6	5.2 %	1,216.1	6.1 %
Accident and health - others/default	2,694.7	13.4 %	2,622.3	13.3 %
Motor, third party liability	2,450.3	12.2 %	2,599.6	13.2 %
Motor, other classes	3,708.0	18.5 %	3,399.7	17.2 %
Marine, aviation and transport	267.5	1.3 %	257.7	1.3 %
Fire and other damage to property	6,834.5	34.0 %	6,027.7	30.5 %
Third-party liability	461.9	2.3 %	492.2	2.5 %
Other general insurance	642.3	3.2 %	851.5	4.3 %
Pension and savings	1,963.0	9.8 %	2,296.7	11.6 %
Total	**20,074.8**	**100.0 %**	**19,763.5**	**100.0 %**

Table 3b – Gross premiums written per line of business, Gjensidige Forsikring

NOK million	Gross premiums written 2011	Per cent of total	Gross premiums written 2010	Per cent of total
Accident and health - workers' compensation	749.2	4.3 %	828.7	5.1 %
Accident and health - others/default	2,501.8	14.5 %	2,445.6	15.0 %
Motor, third party liability	2,185.2	12.7 %	2,337.2	14.3 %
Motor, other classes	3,361.5	19.5 %	3,060.9	18.8 %
Marine, aviation and transport	264.9	1.5 %	249.5	1.5 %
Fire and other damage to property	6,288.4	36.5 %	5,386.5	33.0 %
Third-party liability	428.2	2.5 %	447.3	2.7 %
Other general insurance	1,460.5	8.5 %	1,557.4	9.5 %
Total	**17,239.7**	**100.0 %**	**16,313.1**	**100.0 %**

Other concentration risk is mainly aggregation of fire risks and within Workers' Compensation. These risks are assessed by analyzing historical events, studying the insurance values exposed, and managed through reinsurance programmes.

The reinsurance programme for the Gjensidige Group, primarily non-proportional reinsurance, is based on calculated exposure, claims history and capitalisation. The limits for the reinsurance programme for each year are set by the Board of Directors. In Norway the exposure to natural perils is limited through Gjensidige's compulsory membership in the Norwegian Natural perils pool. The pool has its own reinsurance programme on behalf of its members, which further reduces the exposure. Insurance risk is deemed to be moderate with the reinsurance cover the Group has in place.

Subsidiaries are reinsured by Gjensidige Forsikring ASA and the subsidiaries' reinsurance exposure is included in the outwards reinsurance programme for the Gjensidige Group.

SOURCES OF UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIMS PAYMENTS

Gjensidige is liable for insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, and claims are paid according to the policy conditions valid at the time of occurrence. As a result, claims are settled over a long period of time, and there is an element of the claims provision that relates to incurred but not reported claims (IBNR).

There are several variables that affect the amount and timing of cash flows from the insurance contracts. These variables mainly relate to the characteristics of the different types of risks covered and the applied risk management procedures. The compensation paid is according to the terms specified in the insurance contract. Compensation for claims with respect of bodily injuries are calculated as the present value of lost earnings, rehabilitation expenses and other expenses that the injured party will incur as a result of the accident or disease. In most cases in Norway, and also in the other countries where Gjensidige operates, personal injury claims are paid as a lump-sum. An exception from this is Workers' Compensation claims in Denmark, where claims may be paid as annuity payments. The calculations for those claims will include information about the severity of the loss, mortality rates, the number of years until retirement age and assumptions about future social welfare inflation. Mortality rates are from tables approved by the supervisory authorities.

The estimated cost of claims includes expenses to be incurred in settling claims, net of the expected recourse amount and other recoveries. Gjensidige takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liabilities established. The liabilities in the financial statements related to these contracts comprise a provision for IBNR, a provision for reported claims not yet paid (RBNS) and a provision for unexpired risks at the balance sheet date (provision for unearned premiums). The amount for bodily injury claims is influenced by the level of court awards, particularly to the development of legal precedence on matters of contract and tort.

Liability insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the balance sheet date.

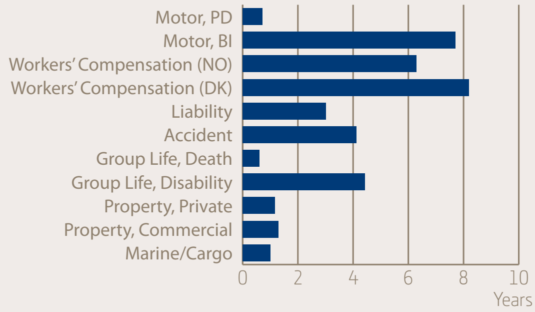
The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified (RBNS), where information about the claim is available. There may be cases where certain claims may not be apparent to the insured until many years after the event that gave rise to the claims.

In estimating the liability for the cost of reported claims not yet paid, Gjensidige considers any information available from loss adjusters, claims handlers and information about the costs of settling claims with similar characteristics in previous periods. All claims are assessed on a case-by-case basis by a claims handler. Claims with potential for distortive effects of their development are handled separately and projected to their ultimate by an additional provision (e.g. bodily injury claims in Motor insurance). Where possible, Gjensidige adopts multiple techniques to estimate the required level of provision. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The development of the estimate of ultimate claim cost for claims incurred in a given year is presented in tables 6a and b. This gives an indication of the accuracy of Gjensidige's estimation techniques for claims payments.

Insurance contracts are often classified as risks that are short-tail and risks that are long-tail. Short-tail risk is characterized by that the period between the occurrences, reporting and final settlement of claims is short. Long-tail risk is the opposite. The period between the occurrence, reporting and settlement of claims is long. In Property and Motor insurance (excluding bodily injury claims) the claims are reported soon after occurrence, while for Accident and health insurance the claims may be reported several years after the occurrence and settled several years after they were reported. The provisions for IBNR for short-tail risks are relatively small, while for long-tail risks the provisions for IBNR may constitute a substantial part of the total loss provision.

The duration (average time between the date of loss until the claim is finally settled) differs significantly between the types of risk considered. Long duration will increase the company's exposure to inflation. In Motor insurance, physical damage, the duration is less than one year, while in Motor bodily injury claims the average duration is almost eight years. In Property insurance the average duration is one to two years, in Workers' Compensation in Norway the average duration is six years. In Group life insurance the duration differs significantly between death and disability coverage. Workers' Compensation in Denmark has a particularly long duration due to the annuity part. For the other LOBs in the subsidiaries the duration is in line with the similar LOBs in Norway. In the Baltic the duration is significantly shorter due to few bodily injury claims.

Figure 5 – Average duration per insurance product



PROCESS USED TO DECIDE ON ASSUMPTIONS

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis.

Gjensidige uses standard actuarial models based on statistical information.

The provisions related to reported claims are assessed individually by a claims-handler and registered into the claims system. The development of provisions for notified claims is supervised by the claims managers. In case of adverse development necessary efforts are put in force.

Calculation of claims provisions are based on empirical data, where the basis is the development of claims cost over time. This includes development both for reported claims (RBNS provisions) and incurred, but not reported claims (IBNR provisions). Based on experience and the development of the portfolio statistical models are prepared to calculate the claims provisions. The fit of the model is measured by looking at the deviation between earlier post-reported claims and those estimated by the model.

The key statistical methods used 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 (Bornhuetter-Ferguson), which use Gjensidige's expectation of the loss ratio for a line of business.
- Methods where "Chain ladder" and "Expected loss ratio" methods are used in combination. One advantage in 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 LOBs and the time period of data available. To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying model parameters. Such reasons include

- Economical, legal and social trends and social inflation (e.g. a shift in court awards)
- Changes in the mix of insurance contracts incepted
- 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. Gjensidige purchases almost exclusively excess of loss reinsurance contracts with sufficiently high retentions for only relatively few, large claims to be recoverable.
The actuaries in the Gjensidige Group working with technical provisions

meet regularly as a part of keeping a high professional level, and they all have access to a common actuarial software system for calculating claims provisions.

During the last years Gjensidige has had processes where external actuarial firms have calculated best estimates of the technical provisions. This is done to get a second opinion of the level of the provision from independent, recognised actuarial firms. The deviation between the internal and external estimates of the claims provisions has been within normal range for calculations of this type.

SENSITIVITY ANALYSIS – UNDERWRITING RISK

Underwriting risk is the risk that an insurer does not charge premiums appropriate for the insurance contracts. The pricing processes for the different insurance products involve estimates of future frequency and severity of claims, based on statistics from internal and external sources. Even if the underwriting criteria are adequate and the premium calculations are performed on a good statistical basis, the claims cost may deviate from the expected level, due to large claims, natural catastrophes etc.

Gjensidige Forsikring ASA and its subsidiaries have detailed underwriting guidelines, intended to ensure good quality in the assessment and quantification of insured risks, define risk types and limits for sums insured that may be accepted, thus ensure control of the risk exposure in the insurance portfolio.

Table 4 below shows the impact on profit or loss for the year, and thereby on equity at year-end, of changes in Combined Ratio (CR). Tax impact is not included in the calculations. CR is the key measure of profitability in the general insurance business. The calculations show the effect of a change of one per cent in CR for each segment. An increase in CR can be caused by an increase in the loss frequency and/or an increase in the severity. In some LOBs there is a risk that the loss frequency and the severity of claims are correlated so that an increase in the underlying insurance risk may affect both the frequency and severity of claims.

Table 4 – Sensitivity analysis insurance

NOK million	2011	2010
Change in CR (1 %-percentage point)		
Private Norway	80.8	72.5
Commercial Norway	54.1	54.4
Nordic	36.4	39.1
Baltic	4.0	4.6
Pension and savings	5.3	3.4
Total	**180.6**	**174.0**
Total Gjensidige Forsikring ASA	**167.2**	**161.3**
Change in loss frequency (1 %-point)		
Private Norway	631.3	640.1
Commercial Norway	976.6	936.1
Total Gjensidige Forsikring ASA	**1,608.0**	**1,576.2**
Change in severity of claims (+10 %)		
Private Norway	552.9	575.3
Commercial Norway	428.3	434.0
Total Gjensidige Forsikring ASA	**981.2**	**1,009.3**

Changes in the composition of the insurance portfolio will also have impact on changes in the frequency and severity of claims. In times when there are changes in the composition of the insurance portfolio, the effect of changes in the frequency and severity of claims will be influenced by the percentage share of the different insurance product types in the total portfolio.

SENSITIVITY ANALYSIS – PROVISION RISK

The estimation of technical provisions for an insurance portfolio represents an approximation of future cash flow for the claims payments, and there will always be an element of uncertainty in such calculations. Provision risks relate to this kind of uncertainty. The uncertainty depends on the nature of the risk. Risk with a short duration is less exposed to changes that will affect the future payments. Bodily injury claims are on the other hand very sensitive regarding changes in e.g. inflation and court awards. The effect of court awards are taken into account as soon as they are known. In cases when a judgement is not yet final and legally binding, the effect on the loss provision is based on a probability weighted estimate of the possible outcomes.

Inflation is an underlying risk in most insurance products. The effect will be different, depending on the characteristics of each product and the terms and conditions that apply for the claims settlement. For LOBs with nominal long-tailed provisions the effect of a one percentage point increase in inflation will be significant, proportional to the average duration (in number of years).

Interest risk is a significant risk factor associated with Workers' Compensation business in Denmark. This risk is an expression for loss/profit due to changes in market rates. There is both interest and inflation risk associated with the liabilities (technical provisions). The risk is hedged by use of interest and inflation swaps.

The sensitivity analysis shows the effect of a change in inflation rate of one percentage point on the claim provision. The calculations do not include the effect of inflation swap.

Table 5 – Sensitivity analysis claims provision

CHANGE IN INFLATION (+/- 1 %-POINT)

NOK million	2011	2010
Private Norway	330.7	382.0
Commercial Norway	423.3	413.7
Nordic	477.8	397.2
Baltic	1.7	1.7
Total	**1,233.5**	**1,194.6**
Total Gjensidige Forsikring ASA	**857.1**	**886.3**

Table 6a – Analysis of claims development, Gjensidige Group

NOK million	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
GROSS											
Estimated claims cost											
At the end of the accident year	9,591.0	10,371.3	10,638.6	11,760.7	11,820.2	12,326.7	12,471.8	12,014.5	14,071.2	15,144.4	
- One year later	9,570.7	10,411.4	10,566.5	11,724.1	11,689.9	12,356.1	12,555.1	11,954.5	13,946.4		
- Two years later	9,612.7	10,424.0	10,621.7	11,710.6	11,623.1	12,251.9	12,468.0	11,809.5			
- Three years later	9,629.7	10,474.9	10,540.8	11,662.7	11,458.6	12,194.7	12,447.6				
- Four years later	9,678.2	10,433.4	10,482.2	11,511.7	11,447.7	12,213.7					
- Five years later	9,656.5	10,364.6	10,371.1	11,502.2	11,459.5						
- Six years later	9,632.3	10,317.9	10,384.1	11,504.6							
- Seven years later	9,654.7	10,325.7	10,394.5								
- Eight years later	9,641.6	10,319.7									
- Nine years later	9,649.8										
Estimated amount as at 31.12.2011	9,649.8	10,319.7	10,394.5	11,504.6	11,459.5	12,213.7	12,447.6	11,809.5	13,946.4	15,144.4	
Total disbursed	9,180.2	9,627.8	9,239.3	9,978.7	9,593.3	10,039.3	9,682.1	8,564.4	9,118.7	6,783.5	91,807.3
Claims provision	469.6	691.9	1,155.2	1,525.9	1,866.2	2,174.3	2,765.4	3,245.1	4,827.7	8,360.9	27,082.3
Prior-year claims provision											2,684.1
Gjensidige Baltic											195.2
Total											29,961.6
NET OF REINSURANCE											
Estimated claims cost											
At the end of the accident year	9,054.1	10,120.5	10,520.1	11,269.6	11,715.2	12,079.1	12,317.5	11,989.7	13,601.0	14,057.0	
- One year later	8,988.5	10,141.7	10,440.3	11,231.4	11,581.4	12,109.5	12,411.4	11,929.9	13,498.6		
- Two years later	9,059.3	10,158.3	10,471.0	11,214.5	11,473.4	11,988.8	12,329.6	11,789.8			
- Three years later	9,062.5	10,216.1	10,394.4	11,173.6	11,303.0	11,935.7	12,304.9				
- Four years later	9,091.2	10,178.9	10,326.9	11,023.1	11,287.7	11,954.6					
- Five years later	9,086.8	10,113.9	10,215.0	11,012.7	11,299.5						
- Six years later	9,088.5	10,075.7	10,234.1	11,015.2							
- Seven years later	9,179.6	10,076.4	10,244.5								
- Eight years later	9,097.3	10,070.4									
- Nine years later	9,105.5										
Estimated amount as at 31.12.2011	9,105.5	10,070.4	10,244.5	11,015.2	11,299.5	11,954.6	12,304.9	11,789.8	13,498.6	14,057.0	
Total disbursed	8,644.0	9,380.2	9,100.0	9,613.9	9,442.5	9,815.7	9,619.3	8,547.5	8,781.8	6,518.0	89,463.0
Claims provision	461.4	690.2	1,144.4	1,401.3	1,857.0	2,138.9	2,685.6	3,242.3	4,716.8	7,539.0	25,876.9
Prior-year claims provision											2,909.3
Gjensidige Baltic											167.9
Total											28,954.1

The operations in Denmark and Sweden are included in the table as from 2002. The claims provision in Gjensidige Baltic is shown separately.

Table 6b – Analysis of claims development, Gjensidige Forsikring ASA

NOK million	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
GROSS											
Estimated claims cost											
At the end of the accident year	8,802.9	9,800.9	9,811.2	10,926.7	10,953.2	11,665.1	11,647.8	11,145.4	13,049.1	13,882.8	
- One year later	8,781.0	9,846.5	9,740.9	10,878.2	10,818.5	11,662.0	11,762.0	11,056.0	12,937.8		
- Two years later	8,800.5	9,847.8	9,755.3	10,842.4	10,745.7	11,644.1	11,674.3	10,931.2			
- Three years later	8,813.4	9,885.2	9,701.8	10,808.2	10,677.1	11,590.3	11,677.9				
- Four years later	8,835.3	9,842.4	9,639.4	10,773.2	10,678.7	11,602.3					
- Five years later	8,811.8	9,775.2	9,579.9	10,769.6	10,679.1						
- Six years later	8,784.1	9,745.4	9,594.3	10,772.9							
- Seven years later	8,770.1	9,747.8	9,598.4								
- Eight years later	8,751.0	9,733.3									
- Nine years later	8,753.3										
Estimated amount as at 31.12.2011	8,753.3	9,733.3	9,598.4	10,772.9	10,679.1	11,602.3	11,677.9	10,931.2	12,937.8	13,882.8	
Total disbursed	8,416.7	9,154.5	8,758.0	9,505.6	9,074.7	9,625.0	9,164.2	8,008.9	8,488.0	6,065.3	86,260.8
Claims provision	336.6	578.9	840.4	1,267.3	1,604.4	1,977.3	2,513.7	2,922.3	4,449.8	7,817.5	24,308.2
Prior-year claims provision											1,172.9
Total											25,481.1

Table 6b – Analysis of claims development, Gjensidige Forsikring ASA

NOK million	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
NET OF REINSURANCE											
Estimated claims cost											
At the end of the accident year	8,266.0	9,550.2	9,692.8	10,552.4	10,848.2	11,417.5	11,499.0	11,131.6	12,587.4	12,803.6	
- One year later	8,198.7	9,576.9	9,614.7	10,502.3	10,710.0	11,415.3	11,623.8	11,042.4	12,498.6		
- Two years later	8,247.0	9,582.2	9,604.7	10,463.1	10,596.0	11,381.0	11,541.4	10,922.4			
- Three years later	8,246.3	9,626.6	9,555.4	10,435.9	10,521.4	11,331.2	11,540.8				
- Four years later	8,248.3	9,587.9	9,484.1	10,401.4	10,518.7	11,343.2					
- Five years later	8,242.0	9,524.5	9,423.9	10,396.9	10,519.1						
- Six years later	8,240.3	9,503.4	9,444.4	10,400.2							
- Seven years later	8,295.0	9,498.6	9,448.4								
- Eight years later	8,206.7	9,484.1									
- Nine years later	8,209.0										
Estimated amount as at 31.12.2011	8,209.0	9,484.1	9,448.4	10,400.2	10,519.1	11,343.2	11,540.8	10,922.4	12,498.6	12,803.6	
Total disbursed	7,880.5	8,906.9	8,618.7	9,140.8	8,924.0	9,401.4	9,105.7	8,000.6	8,158.4	5,807.8	83,944.7
Claims provision	328.5	577.3	829.7	1,259.5	1,595.2	1,941.8	2,435.1	2,921.9	4,340.1	6,995.8	23,224.7
Prior-year claims provision											1,296.0
Total											**24,520.7**

As from 1 January 2010 the insurance operations in Denmark, except Gjensidiges Arbejdsskadeforsikring, was reorganised as a branch of Gjensidige Forsikring ASA. After the purchase of Nykredit Forsikring in 2010 the Commercial market insurance portfolio in Nykredit Forsikring was transferred to the Danish branch as from fourth quarter 2010. Tennant Försäkringsaktiebolag and its Norwegian branch were merged with Gjensidige Forsikring ASA as from 14 October 2011. The table is updated, also for previous years, to illustrate the development over time.

LIFE INSURANCE

INSURANCE RISK

The purpose of insurance is to meet the desire of the customer (insured party) to safeguard against an unexpected, arbitrary loss deriving from an unforeseen event. In respect of the products offered by Gjensidige Pensjonsforsikring AS these events are primarily incapacity for work and death with ensuing loss of income for the insured or their surviving dependants, alternatively that the insured should live a long life with the consequent risk that their pension savings will not last their entire lives.

The risk inherent in the individual contract, therefore, is the probability that one of the aforementioned events takes place and the uncertainty attaching to the amount of insurance that the person in question was covered by. Some contracts allow the insured party themselves to choose the sum insured, creating an element of variation in the portfolio's risk profile. In other contracts the sum insured is predetermined, either as an entirely fixed sum or relative to some other variable factor. In occupational pension contracts this variable factor will typically be salary and time remaining to retirement, again creating a chance variation in the portfolio's risk profile.

In the portfolios concerned recognised theories and methods for calculating probability are used to work out the premium necessary to meet future liabilities. Furthermore, the insurance industry's own methods for calculating provisions will also be employed for large portfolios to ensure good estimates of future liabilities. During the start-up period of smaller portfolios it will be sufficient, and necessary due to the lack of data, to employ simplified methods for calculating provisions with a conservative estimate.

The challenge for this type of business will be to get customers to pay in a sufficient risk premium to build up claims provisions ample enough to meet future liabilities. When an insurance event does occur it is by no means automatic that any shortfall in the claims provision may be covered by additional insurance premiums from the healthy population.

The largest insurance risk that Gjensidige Pensjonsforsikring AS faces is if actual pension payments exceed the amount set aside to meet its agreed insurance liabilities. This would occur in the event of a higher than anticipated rise in the level of disability among those insured, a rise in the level of mortality among those insured parties with coverage for dependants, or a longer than anticipated lifespan for those receiving retirement pensions. It would also occur if a majority of claimants had agreed pension sums that were higher than the average pension sum in the insurance portfolio.

In order for the insurance business to operate with an appropriate degree of security the portfolio should be both of a certain size and sufficiently homogeneous in relation to the spread between the best and worst risk and between the smallest and greatest risk. The larger the portfolio and the more homogeneous the actual risk is, the greater will be the probability of meeting its future liabilities. In addition to the aforementioned factors, such as the probability of disability, mortality and longevity, any concentration around certain occupations or a few major risks could have a negative impact on insurance earnings.

The products' mortality risk relates largely to benefits payable to surviving dependants in connection with defined contribution schemes, i.e. surviving spouse, domestic partner or child pensions. Surviving dependants benefits relate largely to contribution schemes where planned contributions exceed the statutory two per cent minimum for compulsory occupational pensions. Surviving dependants benefits deriving from paid-up policies also represent an area of exposure, but with a clearly lower sum per insured party. Surviving dependants benefits under defined contribution pension schemes generally have a limited payment period, while the vast majority of surviving dependants benefits under paid-up policies are payable for as long as the beneficiary lives (lifelong).

The table below shows the number of members and contracts divided between compulsory occupational pensions and other defined contribution pensions.

Table 7a – Number of members and contracts 2011

	Number of members	Number of contracts
Compulsory occupational pensions	62,063	15,535
Other defined contribution pensions	40,145	7,474
Total	**102,208**	**23,009**
Compulsory occupational pensions	61 %	68 %
Other defined contribution pensions	39 %	32 %

Table 7b – Number of members and contracts 2010

	Number of members	Number of contracts
Compulsory occupational pensions	59,718	15,562
Other defined contribution pensions	35,067	7,054
Total	**94,785**	**22,616**
Compulsory occupational pensions	63 %	69 %
Other defined contribution pensions	37 %	31 %

Since most contracts are based on the regulations for defined contribution schemes under which on-account payments over a ten year period after retirement age has been reached are so far the most common arrangement, the company has a very small exposure to longevity risk in respect of its ordinary occupational pensions. Most of the paid-up pensions that are transferred to the company pay a lifelong retirement pension, and are thus subject to longevity risk. The risk tariff for this coverage is computed using the industry-wide calculation basis (K2005), including safety margins as directed by the Financial Supervisory Authority of Norway.

The disability risk relates to the exemption from agreed annual contributions by the individual member as well as the disability benefit payable. Since the exemption from contributions is a mandatory benefit under compulsory occupational pension schemes, the largest number of such benefits will relate to pension contributions amounting to two per cent of salary. Pension agreements in excess of the statutory minimum carry correspondingly larger benefits. Disability pensions are linked to defined contribution schemes and paid-up policies. The risk premium for disability risk is based on an internal tariff developed in conjunction with Gjensidige Forsikring ASA, and is based on figures from the Norwegian National Insurance Scheme and in-house claims figures, primarily from Gjensidige Forsikring.

For paid-up policies there is in addition a guaranteed minimum annual rate of return amounting to 3.6 per cent at the end of 2011, the same as in 2010.

The company's largest insurance exposure is to disability risk, followed by longevity risk, while the smallest exposure is to mortality risk.

The insurance risk as at 31 December 2011 is considered satisfactory, and efforts are made to alleviate any uncertainty surrounding cases not yet reported through claims provisions. The company has a reinsurance arrangement with Gjensidige Forsikring ASA which provides satisfactory coverage in the event of major fluctuations. Gjensidige Forsikring ASA has a substantial portfolio involving both individual and group personal risk with disability risk, and close collaboration with specialists in this company will make it possible to identify changes in disability trends both in society at large and among the insured population.

Actual amounts paid out for mortality and disability in 2011 remain modest in size, totalling NOK 26 million. IBNR provisions at the end of 2011 totalled NOK 176 million, accounting for 49 per cent of the overall claims provisions. Provisions for filed and settled claims equal the expected cash value of future liabilities, and totalled NOK 181 million, or 51 per cent of the overall claims provision. Provisions to cover those pensions currently being paid out are within expected parameters.

Both insurance payouts and claims provisions have increased in recent years, and will continue to do so in the years ahead. This can be ascribed to continued strong growth in the insured population and a disproportionately large percentage increase in the number of risk years, since relatively few years have passed since the start-up of the company. The number of retirement pensioners is expected to remain low, with modest benefit payments. Benefit payments will come either from the defined pension's savings account or from the premium reserve from paid-up policies and individual, funded pensions transferred from other companies.

Gjensidige Pensjonsforsikring AS concentrates its business on defined contribution pension schemes in the commercial market, and management of premium reserves for paid-up policies and individual, funded pensions. The bulk of the individual, funded pensions have been transferred to the company, with no additional premiums being paid into the account. Furthermore, there is associated risk coverage for the company-related defined contribution pensions, as well as a small proportion of pure risk insurance policies with disability benefits.

PENSION INSURANCE SENSITIVITY ANALYSIS

Gjensidige Pensjonsforsikring AS has been in operation for six years, which is a relatively short period compared with other pension insurance providers. Although the portfolio is clearly growing the number of insurance events remains small. The number of disability claims has risen through 2011, which is expected since the insured population has grown, while the number of risk years has risen from five to six. Experience so far shows a slightly higher level of disability risk than originally anticipated. Premiums were therefore increased for the individual products in 2010 and for products aimed at the commercial market in 2011. The rise in premiums is largest for risk associated with the paying in of contributions (contribution exemption), with the biggest increase for the youngest insured parties. To this must also be added the increase due to the fact that highest calculation rate has now been reduced from 2.75 to 2.5 per cent.

Mortality risk

The vast majority of the mortality risk coverage relates to members of occupational pension schemes, which include a surviving spouse, domestic partner or child pension entitlement. The risk period is limited to the member's term of employment, expiring at the latest when the individual reaches the age of 67. No information relating to the member's family situation is obtained when the policy is taken out. The premium is therefore calculated using assumptions with respect to mortality, civil status, number of children, as well as their stated age and gender. For Gjensidige Pensjonsforsikring AS these calculations are based on the industry-wide standard K2005, which has been developed jointly with the trade organisation Finance Norway (FNO).

The agreements with companies are, moreover, of a one year duration, such that the risk premium can be amended at each annual renewal. Overall, this provides a sound financial foundation, with limited likelihood that the accumulated premiums and claims provisions will be insufficient to meet future liabilities. Since the portfolio is still not very large, the bulk of the annual risk premium goes into the claims provision. After some time each year's risk will be assessed with respect to insurance events and anticipated claims patterns. Since these pension schemes are company-related, it is assumed that the time between an insurance event occurring, in this case death, until the company is notified will be relatively short.

Sensitivity for this portion of the portfolio will therefore be proportional to the factor selected for the claims provision, compared with the year's risk premium.

There is additionally a minor mortality risk exposure in the paid-up policy population.

Longevity risk

The issue of longevity, which will affect only paid-up policyholders out of the company's future pensioners, primarily retirement pensioners, is inversely proportional to the mortality rate of those insured in relation to the aforementioned surviving dependants benefits. In this case the company's risk is that the pensioners that have agreed lifelong pensions live longer than anticipated. In this case, too, the K2005 basis for mortality rate is employed, but now with survival probability and safety margins "the other way". Furthermore, the Financial Supervisory Authority of Norway has imposed additional safety margins with respect to this risk. The adequacy of these margins is assessed continually through industry-wide mortality analyses. Empirical figures for the Norwegian population published by Statistics Norway, and the industry's own empirical figures for the insured population show that average life expectancy continues to rise. This trend means that the safety margins originally included in the basis for calculation will have been eliminated in a few years. The insurance industry has therefore taken the initiative for a revision of the K2005 calculation basis. The outcome of this reassessment was sent to the Financial Supervisory Authority of Norway in December 2011. The insurance industry will, in conjunction with the Financial Supervisory Authority of Norway, draw up a plan for when a new basis for calculation is to be introduced, and how the necessary increase in provisions shall be funded. To ensure consistency for contracts that are moved between companies it is necessary to have a uniform, industry-wide set of regulations. In 2011 Gjensidige Pensjonsforsikring AS recognised a

5.33 per cent return on its paid-up policy portfolio, which provided a net financial income of NOK 35 million. The company has sought and obtained the Financial Supervisory Authority of Norway's permission to set aside this income for the coming increase in the paid-up policy claims provision that a new basis for calculation will require. This transaction precludes use of the opportunity available in the regulations for modified profit-sharing to keep back up to 20 per cent of net financial income for the owner, and results in a reduction of up to NOK 7 million in the owner's profit.

In the autumn of 2010, through the work undertaken to prepare for the introduction of Solvency II, Gjensidige Pensjonsforsikring AS participated for the first time in the authorities' Quantitative Impact Studies (QIS). The company took part in QIS5. When assessing the various "stress situations", it is primarily reduced mortality and thereby the longevity issue that will be of material importance for insurance risk. Furthermore, each quarter stress reports are sent to the Financial Supervisory Authority of Norway, so-called "risk-based supervision". A 10 per cent reduction in the mortality rate, which is the stress factor employed in the study for the fourth quarter 2011, results in an increase in the necessary premium reserve in the order of NOK 50 million.

The number of paid-up policyholders who are in receipt of a retirement pension today is otherwise still low, and will remain so for the next few years.

Disability risk

Disability risk relates to disability pensions and/or exemptions from paying in the agreed annual contribution to a pension scheme. Benefits cease at the latest when the individual reaches normal retirement age, which is normally 67 years. Any disability claims will be filed only after an uninterrupted period of sick leave lasting 12 months. Risk exposure will therefore depend on the agreed pension sum and the total time remaining until retirement age. Although in these cases Gjensidige Pensjonsforsikring AS employs some of the assumptions from the K2005 basis for calculation, it rests primarily on its own disability tables based on recently updated Norwegian disability statistics. The tables have been drawn up in close collaboration with Gjensidige Forsikring ASA, which has a substantial portfolio involving disability risk, and take into consideration differences between disability rates in the population at large and those in an insured population. Insured populations are generally subject to one or other forms of risk assessment or restricted terms in connection with the assumption of a disability risk. For occupational pension schemes companies are also divided into different risk categories depending on the nature of their businesses. Customers who take out individual disability pension insurance are subject to ordinary rules regarding individual risk assessment based on the insured party's statement of health.

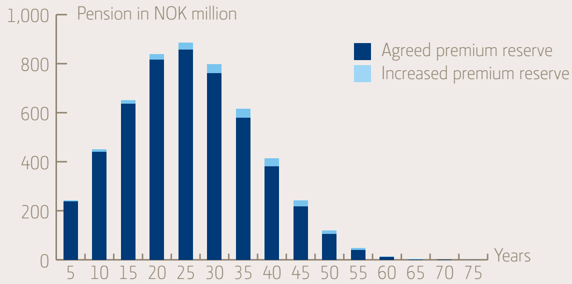
The number of insured people who receive some form of disability benefit, either disability pension and/or exemption from agreed contributions, remains small, compared with the overall number of policyholders. Here too simplified methods for making provisions are employed, in that the bulk of the year's risk premium is set aside as a general claims provision. After some time each year's risk is assessed with respect to the reported insurance events and anticipated claims patterns. Since most of the disability risk in question is linked to company-related pension schemes, it is assumed that the time between an insurance event occurrin, in this case a disability that has lasted longer than 12 months, until the company is notified will be relatively short.

For policies where the insured has filed a claim on the basis of disability, and a disability pension or exemption from agreed contributions has been granted, a claim provision will be made to cover the cash value of future liabilities until the agreed termination age (retirement age) or the insured recovers their functional capacity. This latter probability is difficult to estimate, and is dealt with by means of a "reactivation deduction" in the claims provision. Sensitivity in the disability claims provision will primarily relate to this assumption. In this context mortality rate assumptions are of less importance. Calculations show that the claims provision must increase by around NOK 20 million with a disability rate of 25 per cent in the first year and 15 per cent in subsequent years.

Cash flows

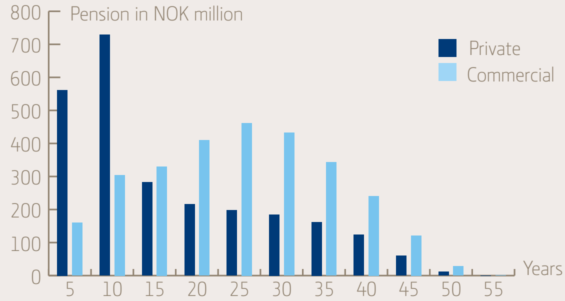
The first graph shows the overall cash flow for the company's insurance liabilities. In addition, it shows the increase in liabilities ascribable to the aforementioned stress factors, i.e. ten per cent reduced mortality (increased longevity) and disability risk (25 per cent in the first year and 15 per cent in the remaining years).

Figure 6 – Cash flow before and after the "stress scenario"



The second graph shows how the amounts saved in connection with funded agreements will be paid out in the coming years, based on an assumed retirement age of 62 and a ten year payment period.

Figure 7 – Cash flow for funded pensions



REINSURANCE

Gjensidige purchases reinsurance to protect the Group's equity capital and reinsurance is thus a capital management tool. The same models and methodology, as used for evaluation of the internal risk based capital allocation, are also used to analyze and purchase reinsurance.

The maximum retention is set by the Board of Directors, and the Reinsurance department is responsible for the purchasing and follow-up of reinsurance activities.

Gjensidige's reinsurance programme primarily consists of non-proportional reinsurance. The maximum retention level for the Group was NOK 250 million in 2011, unaltered from 2010. As a general rule Gjensidige purchases reinsurance to limit any single claim or event per insurance product to NOK 100 million. Further reinsurance was purchased in 2011 to reduce the retention in some sectors down to NOK 20 million. Decisions concerning the reinsurance programme are based on analysis of exposure, claims history, model simulations and Gjensidige's capitalisation.

Gjensidige Forsikring ASA provides a corporate function with regard to reinsurance. Gjensidige Forsikring is acting as reinsurer for group subsidiaries, and their exposure is included in the outward reinsurance covers for the Group. The reinsurance programme for property insurance also include the cooperating mutual fire insurers. The subsidiaries' reinsurance programmes generally have a lower retention, as they are smaller entities than Gjensidige Forsikring ASA . The difference between the retention levels of the subsidiaries and Gjensidige Forsikring ASA are held for own account by Gjensidige Forsikring ASA .

In Norway the exposure to natural perils disasters is handled through the compulsory membership in the Norwegian Natural Perils Pool. Through this arrangement, Gjensidige is exposed to the market share of the total claims for the Norwegian market as a whole. On behalf of its members the pool has its own reinsurance programme in place, which further reduces the risk exposure. As in 2010, Gjensidige participates with ten per cent on the pool's programme in 2011. This exposure is included in the outward reinsurance programme, resulting in synergy effects, economies of scale and diversification in Gjensidige's reinsurance programme. In Gjensidige's other geographies natural perils claims are included in the ordinary property reinsurance covers. An event resulting in claims in several countries where Gjensidige has its business will be aggregated into one event in respect of reinsurance.

MANAGEMENT OF FINANCIAL RISK – GENERAL INSURANCE OPERATIONS

Financial risk is a collective term for various types of risk related to financial assets. The different types of financial risk are described in greater detail below. Operational risk is monitored and controlled as well, and requirements for operational risk management is included in the Board of Directors' approved guidelines for asset management.

Equity price risk is defined as a loss in value resulting from a fall in equity prices. This is analogous to real-estate price risk. See amounts below in the stress test and sensitivity analysis. Interest-rate risk is defined as the loss in value resulting from a change in interest rates and is viewed both from the asset-only perspective and in relation to the interest-rate sensitivity of the liabilities. The Board of Directors set a limit of NOK 500 million on the interest-rate risk in the total fixed-income portfolio (excluding bonds at amortized cost and the swaps in Gjensidiges Arbejdsskadeforsikring) for 2011 (given a 100 basis points shift in the yield curve) for the general insurance operations. Asset liability risk is limited to NOK 295 million, or a duration mismatch of maximum one year.

Foreign-exchange risk is defined as the loss resulting from a movement in exchange rates. Generally, foreign-exchange risk in the investment portfolio is hedged close to 100 per cent, within limits of +/- ten per cent per currency, except for smaller mandates where active currency management is a part.

Credit risk is defined as the loss arising from an issuer defaulting on its obligations or because of increased risk premiums for bonds with credit risk. Credit risk is managed both via credit lines for named counterparties, from lines based on official credit ratings and from diversification requirements on mandates for corporate bonds. Credit spread risk is limited to NOK 1,100 million, given a spread increase of 100 basis points. Credit risk in relation to reinsurance is handled through minimum rating requirements for Gjensidige's reinsurance companies and close follow-up of receivables.

Liquidity risk is defined as the inability to meet payments at due date, or the need to realize investments at a high cost to meet payments. The Board of Directors has set minimum limits for the amount of assets to be realized without undue transaction costs within various time frames. The liquid buffer shall after these criteria be at least NOK 4,000 million.

The insurance operations are exposed to these types of risk through the Group's investment activities, and they are managed at the aggregate level and handled through guidelines for capital management and investment strategies that have been drawn up for the Gjensidige Group and its subsidiaries and through resolutions in the Group's credit committee.

Specific limits for ALM risk and credit spread risk was introduced in 2011. Apart from this, there has not been any material changes in Gjensidige in the processes used to manage risks from previous periods. The investment strategy and other risk management policies are approved by the Board of Directors in each company, but are closely coordinated with the parent company's overarching policies. The general rule is that the asset allocation in the subsidiaries in general insurance will only be used to ensure the technical reserves against interest and foreign-exchange risk with excess funds invested in interest-bearing securities with low risk. Exposures to market risk are recognised in the balance sheet of Gjensidige Forsikring ASA. This is done in order to improve the efficiency of the investment management and capitalization in the Group.

The table below gives the main overview of the asset allocation for the insurance business at year-end 2011 and 2010. The asset allocation is divided in a match portfolio to cover insurance liabilities, and a free portfolio which can be viewed as the invested equity of the Group. The item associated companies are the stakes in Storebrand and SpareBank1 SR-Bank. The actual allocation will vary throughout the year and follow movements in the market, tactical allocation and risk situation.

In terms of concentration risk, the main risks for the Group are the investments in Storebrand and SpareBank1 SR-Bank and the exposure to office properties in the Oslo area. Concentration risk is further analysed under the various market risk factors.

Table 8 – Asset allocation general insurance

	31.12.2011		31.12.2010	
	NOK million	Per cent	NOK million	Per cent
Match portfolio				
Money market	3,637.5	6.7 %	3,559.4	6.8 %
Bonds at amortized cost	18,407.8	33.8 %	17,814.1	34.0 %
Current bonds [1]	7,458.1	13.7 %	8,856.8	16.9 %
Match portfolio total	**29,503.4**	**54.1 %**	**30,230.2**	**57.7 %**
Assosiated companies	**4,478.2**	**8.2 %**	**4,275.5**	**8.2 %**
Free portfolio				
Money market	7,248.5	13.3 %	4,715.4	9.0 %
Other bonds [2]	3,365.4	6.2 %	2,142.5	4.1 %
Convertible bonds	674.7	1.2 %	523.2	1.0 %
Equities	776.5	1.4 %	1,365.4	2.6 %
PE-funds	1,293.4	2.4 %	1,134.9	2.2 %
Property	5,753.9	10.6 %	6,445.1	12.3 %
Other [3]	1,392.8	2.6 %	1,514.7	2.9 %
Free portfolio total	**20,505.1**	**37.6 %**	**17,841.3**	**34.1 %**
Investment portfolio total	**54,486.7**	**100.0 %**	**52,347.0**	**100.0 %**

[1] The item includes the discounting effects of insurance obligations in Denmark and mismatch between interest rate adjustments on the liability side in Denmark versus the interest rate hedge.
[2] The item consist of total investment grade, high yield and current bonds.
[3] The item includes currency hedging of Gjensidige Sverige, Gjensidige Baltic and Gjensidige Denmark.

Gjensidige's investment strategy is determined annually by the Board of Directors. Here the Board of Directors sets upper and lower limits per asset class, the overall risk tolerance related to the financial results and specific limits for interest rate, liquidity, ALM, market risk of credit and foreign-exchange risk. The asset allocation shall be within these limits at all times. The starting point of the investment strategy is the insurance operations' need to balance expected future outflows against inflows from investments, while other funds in the insurance operations are invested to optimize return on equity in a well-diversified manner given the approved risk appetite.

The development of the financial results is measured continuously relative to the targets and risk limits set by the Board of Directors. In the liquid part of the free portfolio, daily risk limits in accordance with Tail Value at Risk (TVaR) is measured, see table below. Approximately half of the risk capacity measured by TVaR was used as at 31 December 2011. TVaR is a statistical measure of maximum loss in NOK million per day given a 95 per cent confidence level. TVaR has fluctuated between 40 and 60 throughout the year. In the event of a significant negative development in the financial results, the limit for investments in risky assets will be lowered. The development in the financial results and asset allocation is measured and reported regularly to group management and the Board of Directors.

Table 9 – TVaR utilization of risk limits in the liquid part of the free portfolio

	31.12.2011	
NOK million	Risk	Limit
TVaR	46.6	100.0

STRESS TESTING

Stress testing is performed on the value of the investment assets relative to the market, credit, interest rate and foreign-exchange risk as well as to negative scenarios for the insurance activities measured relative to the buffer capital (defined as capital in excess of legal minimum requirements) and reported regularly to the Board of Directors. The purpose of the stress test is not to analyze the effect on profit or loss or on recognised equity, but rather the effect on the capital buffer.

This stress test based on figures at year-end is shown below (group figures). The capital buffer here is relative to the capital adequacy requirement for the Gjensidige Group, which is calculated according to Norwegian GAAP. Interest rate risk and credit spread risk in the stress test are calculated exclusive of bonds at amortised cost. For purposes of capital adequacy, Gjensidige's stakes in Storebrand and SpareBank1 SR-Bank are consolidated so that any decline in the share price of these enterprises will not affect the capital buffer as long as there is no impairment on the assets. This impairment risk is reflected in the stress test. Changes to Storebrand and Sparebank1 SR-Bank and claim provisions are modeled through Gjensidige's internal model. Catastrophe risk includes losses on reassurance receivables, exposure to natural catastrophes and possible credit risk of reinsurers given a natural catastrophe. Finally, the risk in the subsidiaries outside general insurance (Gjensidige Pension and savings, Gjensidige Bank) are included by assuming a reduction of ten percentage points in their return on equity and including the losses that this may entail.

Stress parameters for asset risk are closely aligned with the recommendations in the Norwegian FSA's "risikobasert tilsyn" (RBT), with correlation matrices to visualize diversification effects both between asset classes, and market and insurance risk. The only deviation from the recommendations of the Norwegian FSA is that private equity (PE) and hedge funds are stressed by 25 per cent, and their correlation with shares are set to 0,75.

The large capital surplus was representative for the situation throughout the year, although the precise figures will vary along with changes in asset allocation and year-to-date profit. A rule for management actions with escalation to CEO or Board is implemented if total decrease in value/buffer capital is above predefined levels.

Table 10a – Stress test financial assets 2011

NOK million	Scenario	Decrease in value
Assets/risk		
Equities	20 % drop	(155.3)
Interest rate risk	150 bps change	(362.3)
Property	12 % drop	(690.5)
Hedgefund and private equity	25 % drop	(454.7)
Currency	12 % change towards NOK	23.1
Credit spread	Spread widening	(400.6)
Total undiversified market risk		**(2,040.2)**
Diversification effect		333.1
Total market risk		**(1,707.1)**
Claims provision		(552.5)
Catastrophe		(185.0)
Storebrand and SpareBank1 SR-Bank	Internal model	(2,059.0)
Result subsidiaries (GPS and Bank)	10 % drop in ROE	(116.8)
Total insurance risk		**(2,913.3)**
Diversification effect market/insurance risk		1,062.4
Total decrease in value of stress test		**(3,558.0)**
Buffer capital		7,332.6
Capital/surplus in stress scenario		**3,774.6**

Table 10b - Stress test financial assets 2010

NOK million	Scenario	Decrease in value
Assets/risk		
Equities	20 % drop	(500.1)
Interest rate risk	100 bps 1 change	(274.1)
Property	12 % drop	(773.4)
Hedgefund	12 % drop	(90.8)
Currency	10 % change towards NOK	(87.2)
Rating		
AAA	0.15 %	(31.5)
AA	0.15 %	(7.3)
A	0.62 %	(26.7)
BBB	0.75 %	(20.4)
BB	2.03 %	(16.8)
B	3.36 %	(29.4)
CCC or lower	6.72 %	(2.1)
Not rated	1.20 %	(66.3)
Underwriting result	3 percentage points weaker CR	
Claims provision	2 % increase	(567.4)
Catastrophe	NOK 135 million	(135.0)
Storebrand og SpareBank1 SR-Bank	1.3 std.deviation	(422.3)
Reinsurance receivables	2 % loss	(10.1)
Result subsidiaries (GPS and Bank)	10 % drop in ROE	(196.5)
Total decrease in value of stress test		**(3,257.5)**
Buffer capital		6,894.1
Capital/surplus in stress scenario		**3,636.6**

EQUITY PRICE RISK

In 2011, Gjensidige's equity portfolio was reduced from the previous year. The largest exposures are to Storebrand, SpareBank1 SR-Bank and underlying companies in private equity funds. The concentration risk is shown in the table below. The majority of the geographic exposure is to Norwegian shares.

Table 11a – Largest equity exposures 2011

NOK million	31.12.2011
Storebrand ASA	3,454.2
Sparebank1 SR-Bank	992.5
Spring Energy Norway AS	48.4
Via Travel Group	47.2
Spotify	42.3
Total five largest	**4,584.6**
Total equities	**6,548.2**

Table 11b – Largest equity exposures 2010

NOK million	31.12.2010
Storebrand ASA	3,287.8
Sparebank1 SR-Bank	958.9
Spring Energy Norway AS	49.9
AT Group	40.2
RenoNorden Holding AS	35.2
Total five largest	**4,372.1**
Total equities	**6,775.8**

To illustrate the sensitivity of the equity portfolio to a fall in equity prices, the table below shows the effect of a possible scenario. The figures show the effect on equity, but do not take into account taxation effects. Consideration is given to the fact that Storebrand and SpareBank1 SR-Bank were recognised as an associated company as at 31 December 2011 so that a drop of ten per cent in the share price will not result in an impairment of the value in the balance sheet, and the items are excluded from the sensitivity calculation. As shown in the table, the sensitivity is reduced since 2010. As previously mentioned, this was attributed to a decrease in the shareholdings.

Table 12 – Sensitivity analysis equity portfolio

NOK million	31.12.2011	31.12.2010
10 per cent drop in equity prices	(77.7)	(250.0)

Excluding investment in Storebrand ASA and SpareBank1 SR-Bank.

Gjensidige Forsikring invests in a number of private equity funds as well as fund-of-funds. The focus is on the Nordic region, and Gjensidige will seek to assume an active role through a place on the board or advisory committees of the different funds. The portfolio consists of a mixture of venture and buy-out strategies.

Table 13a – Largest private equity funds 2011

NOK million	31.12.2011
HitecVision Private Equity V LP	173.2
FSN Capital II LP	132.5
HitecVision Private Equity IV LP	116.7
Altor Fund II LP	78.5
Northzone V KS	68.8
Total five largest	569.6
Total private equity	1,293.4

Table 13b – Largest private equity funds 2010

NOK million	31.12.2010
FSN Capital II LP	129.3
HitecVision Private Equity V LP	106.4
HitecVision Private Equity IV LP	85.6
Altor Fund II LP	83.2
Northzone V KS	61.5
Total five largest	466.1
Total private equity	1,134.9

In addition to the invested amounts, Gjensidige had committed capital, not invested, amounting to NOK 699.9 million as at 31 December 2011.

INTEREST-RATE RISK

Within the Group's insurance companies, overall exposure to interest-rate risk will be reduced by matching a portfolio of fixed income instruments to the overall duration and the payout pattern of the insurance liabilities. Since the insurance liabilities are generally not discounted in the balance sheet, this implies that from an accounting perspective insurance liabilities will be exposed to changes in inflation (but not directly to interest rates). An economic perspective, however, argues for hedging interest-rate risk, because the present value of the provisions will be exposed to changes in the real interest rate. From an accounting perspective, the risk from choosing this hedging strategy is reduced, because a major part of the bond portfolio is classified as held to maturity or loans and receivables (hereafter only referred to as the amortized cost portfolio). Furthermore from an economic perspective the inflation risk is partly reduced since a part of these bonds carries a coupon linked to the development of the consumer price index.

In one of the Danish operations, Gjensidiges Arbejdsskadeforsikring, the long-tail Workers' Compensation line of business is hedged against changes in the real interest rate through swap agreements. The real-interest-rate risk relates to outstanding premium- and claims provisions of approximately NOK 3,900 million (discounted value), where a large percentage of the claims are paid out as annuities, the payments of which are linked to the yearly increase in Danish workers compensation awards, determined by the authorities (a function of the wage developments). The risk to the present value of these annuities is hedged through a series of swap agreements stretching out over 40 years and covering inflation and interest-rate risk separately so that the net real-interest-rate risk is removed. The swap agreements are reset once a year and security is provided for outstanding market value between the parties, which reduces the counterparty risk and results in a limited book value. The fixed-income portfolio in Gjensidiges Arbejdsskadeforsikring is invested with a low duration.

The table below shows the maturity profile of the Group's fixed-income portfolio. It does not include the above-mentioned swap agreements, which have a limited carrying amount, but instead the actual fixed-income portfolio in Gjensidiges Arbejdsskadeforsikring.

Table 14 – Maturity profile (number of years) fixed income portfolio

NOK million	31.12.2011	31.12.2010
Maturity		
0-1	17,444.2	15,153.8
1-2	6,196.1	4,197.4
2-3	4,226.3	5,547.0
3-4	2,412.4	4,191.3
4-5	2,343.5	2,676.6
5-6	1,634.7	1,312.1
6-7	2,701.2	1,125.8
7-8	907.9	1,399.0
8-9	499.1	891.1
9-10	1,431.2	158.8
>10	995.4	958.5
Total	40,791.9	37,611.4

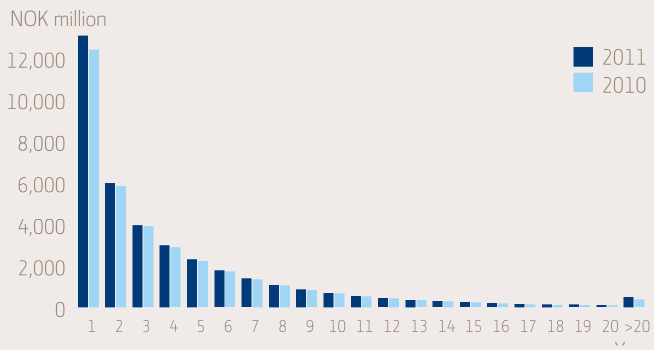
Furthermore, the interest-rate sensitivity of the fixed income portfolio is shown in the table below. This table does not include the amortized cost portfolio, and the effect of the swap agreements in Gjensidiges Arbejdsskadeforsikring have not been included either because they have a reciprocal effect on the liabilities. The effect on profits and equity is the same, and tax effects have been disregarded.

Table 15 – Sensitivity fixed income portfolio

NOK million	31.12.2011	31.12.2010
100 bps parallell shift up	(241.6)	(274.1)

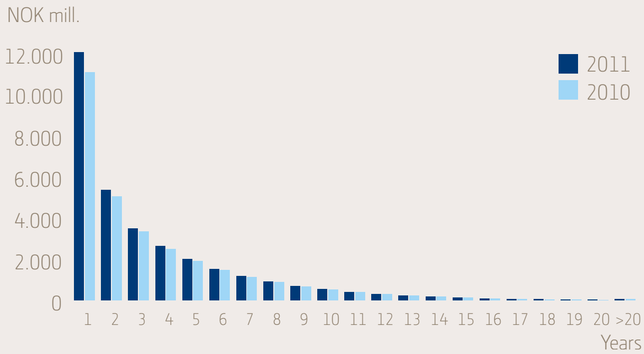
The following graph shows the expected payout pattern for the Group's premium and claims provisions at year-end 2011 and 2010 respectively. Approximately one third of the provisions are expected to be paid out within one year.

Figure 8a – Payout pattern insurance liabilities, Gjensidige Group



The next figure shows the corresponding payout pattern for Gjensidige Forsikring ASA. The average duration for Gjensidige Forsikring ASA is slightly shorter than for the Group.

Figure 8b – Payout pattern insurance liabilities, Gjensidige Forsikring ASA



The match portfolio will match these cash flows, with a maximum duration mismatch of one year. The table below shows the duration of discounted liabilities versus the match portfolio as at 30 November 2011.

Table 16 – ALM risk

	Liabilities, NOK million	Duration liabilities, years	Hedge, NOK million	Duration Hedge, years	Duration mismatch, years
Duration mismatch ALM versus limit 1 year	30,607.6	3.6	29,951.2	3.3	(0.4)

PROPERTY PRICE RISK

Real estate constitutes a significant part of the portfolio of Gjensidige Forsikring. The motivation for investing in real estate is primarily that it enhances the risk-adjusted return of the asset portfolio, through an expected rate of return that lies between bonds and equities, and that there is a modest correlation to both of them.

The Group owns most of its properties directly, although a small part of the portfolio is invested in property funds outside of Norway. In addition to the amounts invested through funds, an additional NOK 46,1 million is committed, but not called upon. The management of the directly owned real estate portfolio is carried out in the wholly owned subsidiary Oslo Areal. The portfolio consists both of property for own use and investment properties. The real estate portfolio has its largest concentration in offices in the Oslo area, but also has offices in other major cities in Norway as well as a substantial holding of shopping centers. In addition there is a property for own use and an investment property in Denmark. Exposure to real estate has been reduced as a consequence of portfolio optimization and sales of properties in Oslo Areal.

Table 17 – Largest real estate investments

NOK million	31.12.2011	31.12.2010
Total ten largest properties	3,810.0	4,007.8
Total property	5,753.9	6,445.1

HEDGE FUNDS

Hedge fund is a common term for funds that invest in most types of asset classes with few limitations on the use of derivatives, shorting or leverage in order to earn a return that is partly independent of (has a low correlation with) traditional market indices. Gjensidige utilizes hedge funds to gain exposure to active risk in the individual asset classes and to allocation risk between the individual asset classes and/or risk premiums. Both fund-of-funds and individual funds are used. The fund-of-fund manager will perform the selection and follow-up of the underlying hedge funds, thus reducing operational risk.

Table 18a – Largest hedge funds 2011

NOK million	31.12.2011
Winton Futures Fund - Lead Series	191.4
The Winton Evolution Fund	181.2
Sector EuroPower Fund Class A EUR	78.4
Sector Speculare IV Fund Class A USD (alle x Ferd)	19.8
Sector Maritime Investment Class A	15.5
Total five largest	470.8
Total hedgefunds	525.2

Table 18b – Largest hedge funds 2010

NOK million	31.12.2010
Winton Futures Fund - Lead Series	180.0
Sector Polaris	144.2
The Winton Evolution Fund	112.9
Sector EuroPower Fund Class A EUR	81.0
Sector Healthcare - A USD	79.3
Total five largest	597.4
Total hedgefunds	756.6

FOREIGN EXCHANGE RISK

Foreign-exchange risk is defined as the financial loss resulting from a fluctuation in exchange rates. Generally, foreign-exchange risk in the investment portfolio is hedged close to 100 per cent, within permitted limit of +/- ten per cent per currency, except for smaller mandates where active currency management is a part.

The parent company hedges its investments, but not future income, in subsidiaries against foreign-exchange risk. For Gjensidige Baltic, the hedging is performed in EUR because periodically there is low liquidity in the market for LVL. In order to counteract the risk that then arises, a percentage of Gjensidige Baltic's interest-bearing papers are invested in EUR. The results of the hedging are recognised in the income statement while the change of value in the hedged object is recognised in other comprehensive income. In the Danish branch and the subsidiaries Nykredit Forsikring and Gjensidiges Arbejdsskadeforsikring, hedge accounting is employed where only the inefficient part of the hedging is recognised in the income statement. This gives a more consistent accounting of hedging and the hedged object. The hedging is carried out with currency swaps, where the amount is adjusted quarterly.

The Group underwrites insurance in the Scandinavian and Baltic countries, so it has insurance liabilities in these currencies. The foreign-exchange risk at both the group and company levels is generally hedged by matching technical provisions with investments in the corresponding currency. In Gjensidige Baltic, there are investments in EUR-denominated interest-bearing papers that are not equivalent to liabilities in EUR.

The table below shows the foreign currency exposure by currency type. The gross position shows the exposure after taking into account the distribution of the insurance liabilities among different currencies and includes the investments in the subsidiaries that are entered in the parent company's accounts. In the net position column, the hedges of the subsidiaries are included.

A ten per cent strengthening of NOK against all other currencies will have a positive effect on equity of about NOK 19.3 million (97.7). Since the conversion effect related to subsidiaries is recognised in other comprehensive income, whereas the currency hedging for Gjensidige Baltic is recognised in the income statement, the effect on profit or loss will be positive and amount to NOK 86.1 million (87.2).

In the opposite case, if there is a ten per cent weakening of NOK against all other currencies, the effect on the basis of the situation as at 31 December

2011 will be about the same amount, but with an opposite sign, provided that all other variables are held constant.

Currency transactions are performed within strictly defined limits and are employed in both the ordinary management and to hedge financial instruments. The table below shows both gross and net positions. Currency hedging (not including the hedging of investments in subsidiaries) is done by means of forwards or swaps, and currency position is monitored continuously against exposure limits per currency.

Table 19 – Currency exposure

NOK million	Gross position in currency	Gross position in NOK	Currency contracts	Net position in currency	Net position in NOK
DKK	3,013.1	3,140.7	(3,171.9)	(158.9)	(165.6)
EUR	316.7	2,455.5	(313.2)	3.6	29.4
SEK	124.0	108.0	(121.1)	2.9	2.5
USD	565.0	3,372.1	(556.2)	8.8	52.8

CREDIT RISK

Gjensidige is exposed to credit risk, i.e. the risk that a counterparty is not able or willing to settle its liability at due date or the risk that the credit spreads will increase (credit risk premium). The Group is primarily exposed to credit risk in the investments in the insurance companies, and through receivables from the insurance customers and reinsurers. Credit risk in Gjensidige Bank will be covered in a separate section.

For investments, risk limits are set for credit risk in several ways. As a point of departure there is a credit limit on designated counterparties. For issuers with an official credit rating from a recognised rating agency, this is generally utilized as a criterion. The list of credit limits is approved by the CFO and employed for all separate mandates and for derivative counterparties. In addition, the board-approved asset allocation sets limits on global bonds, both bonds with high financial strength ratings (investment grade) and other bonds (high yield). Additionally, there is a maximum limit for credit duration measured as a one per cent change in credit spreads that include all fixed income assets in the balance sheet. This limit was NOK 1,100 million in 2011.The Group's total fixed-income portfolio of NOK 40,791.9 million as at 31 December 2011 (including the amortized cost portfolio, other bonds, certificates and deposits) consisted of NOK 7,212.9 million issued by government sector entities and NOK 33,579.0 million by non-public entities. The majority of the latter category was financial institutions. The percentage issued by government sector entities decreased from the level in 2010. The distribution is shown in the table below.

Table 20 – Credit spread risk

NOK million	Credit duration, years	Risk	Limit
Risk by 100 bps change in credit spread	2.4	(967.3)	(1,100.0)

Table 21 – Allocation of fixed-income portfolio per sector

	31.12.2011	31.12.2010
Public	17.7 %	20.1 %
Banking and financial institutions	60.5 %	62.1 %
Industry	21.8 %	17.8 %
Total	**100.0 %**	**100.0 %**

The following tables show the allocation of the fixed-income portfolio by rating category at year-end in 2011 and 2010.

Table 22a – Fixed-income portfolio per rating category

NOK million	31.12.2011	31.12.2010
AAA	9,035.4	11,079.4
AA	8,040.8	5,513.9
A	9,401.6	9,548.0
BBB	1,264.5	2,276.6
BB	684.0	403.4
B	636.4	323.5
CCC or lower	215.2	365.0
Not rated	11,514.1	8,101.6
Total	**40,791.9**	**37,611.4**

Table 22b – Fixed-income portfolio per rating category, internal rating included

NOK million	31.12.2011	31.12.2010
AAA	9,035.4	11,286.2
AA	9,723.1	6,545.6
A	11,453.4	11,435.0
BBB	5,534.3	5,421.8
BB	775.7	403.4
B	636.4	323.5
CCC or lower	215.2	365.0
Not rated	3,418.5	1,830.9
Total	**40,791.9**	**37,611.4**

A large part of the Norwegian fixed-income portfolio consists of issuers without a rating from an official rating company. However, the asset managers and brokerages conduct their own internal rating, assigning rating categories in the same way as the rating companies. For completeness, the second table includes the allocation also using the internal rating of Gjensidige's main asset manager, Storebrand Kapitalforvaltning. The following tables show the largest issuers as at 31 December 2011 and 31 December 2010, respectively

Table 23a – Ten largest issuers 2011

NOK million	31.12.2011
Nykredit Realkredit A/S	1,980.3
DnB NOR ASA	1,591.5
Kongeriket Norge	1,547.0
Svenska Handelsbanken	1,429.7
Skandinaviska Enskilda Banken	1,379.5
Danske Bank A/S	1,372.5
Citigroup	742.7
Barclays Bank London	709.6
J.P. Morgan Chase & Co.	644.3
Sparebanken Nord-Norge	630.1
Total ten largest	**12,027.4**
Total fixed income portfolio	**40,791.9**

The overview of the largest issuers also includes the fixed-income portfolio for GPF and Gjensidige Bank because the individual counterparty risk is monitored at group level. Total fixed-income portfolio is only for general insurance.

Table 23b – Ten largest issuers 2010

NOK million	31.12.2010
Kongeriket Norge	2,499.2
Nykredit Totalkredit	1,779.8
Realkredit Danmark	1,508.6
DnB NOR Bank	1,406.0
Danske Bank	1,367.3
Nordea Kredit	953.5
Statkraft	937.3
Barclays Bank Plc	734.5
Oslo kommune	621.1
UBS AG Jersey Branch	573.6
Total ten largest	12,380.8
Total fixed income portfolio	37,611.4

CREDIT RISK IN THE INSURANCE OPERATION

The table below presents the age distributions of the receivables arising out of direct insurance operations and of the reinsurance receivables.

Table 24 – Age distribution receivables insurance

NOK million	Direct insurance	Reinsurance
31.12.2011		
Installments not due	3,148.6	0.5
<35 days	284.7	96.4
35-90 days	96.5	4.4
> 90 days	96.4	63.6
Total	3,626.2	164.9
31.12.2010		
Installments not due	3,020.0	31.6
<35 days	282.2	1.2
35-90 days	102.6	
> 90 days	135.7	11.8
Total	3,540.5	44.6

Reinsurance is used to manage insurance risk. This does not, however, discharge Gjensidige from any liability as primary insurer. If a reinsurer fails to pay a claim for any reason, Gjensidige remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by reviewing their financial strength prior to finalization of any contract. 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 the contract with Gjensidige. The figure below shows the breakdown of the purchased reinsurance capacity for 2011 and 2010, i.e. the rating of the reinsurers that would have been drawn in if the losses had occurred.

Figure 9a – Potential credit exposure reinsurance per rating category 2011

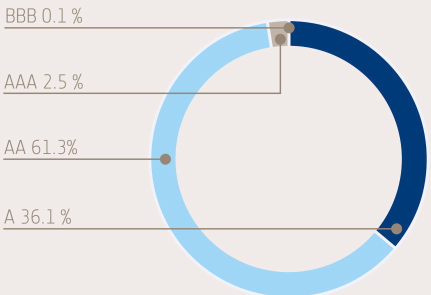
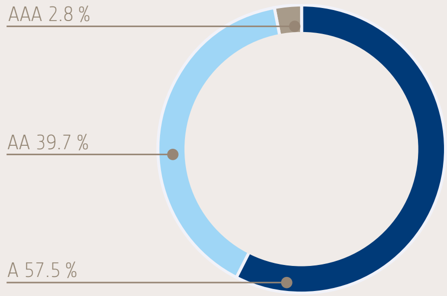


Figure 9b – Potential credit exposure reinsurance per rating category 2010



The following table provides an overview of the breakdown of reinsurance receivables and the reinsurers' share of outstanding claims per rating category. The exposure in the not-rated category primarily relates to run-off business and is broken down among a large number of counterparties. The companies in run-off do not have a rating anymore.

Table 25 – Reinsurance receivables and reinsurers' share of claims provisions

	2011		2010	
Rating	NOK million	Per cent	NOK million	Per cent
AAA	0.8	0.1 %	2.8	0.5 %
AA	545.1	46.5 %	232.5	46.1 %
A	586.6	50.0 %	194.1	38.5 %
BBB			0.2	
BB			0.6	0.1 %
B			0.6	0.1 %
Not rated	39.9	3.4 %	73.2	14.5 %
Total	1,172.4	100.0 %	504.0	100.0 %

LIQUIDITY RISK

For most general insurers, the 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 when claims occur and how long the claims handling lasts. See the expected payout pattern presented in previous figure. Liquidity risk in Gjensidige Bank is described separately.

For a going concern, this will result in a positive net cash flow under normal circumstances. Large net outflows will normally arise only from acquisitions or recapitalization of subsidiaries. In case of a large claim or catastrophic event, the payments will take place some time after the event, and the reinsurers will cover most of the amount within a short time after the payments have been made to the claimants. In an extreme scenario, reinsurers could fail to honor their obligations after such a catastrophic event.

Based on this kind of scenario, the Board of Directors has set a liquidity requirement for 2011 of at least NOK 4,000 million in the most liquid funds, defined as deposits in banks, covered bonds (OMF), bonds and certificates issued by OECD countries or guaranteed by these countries and money market instruments with a rating of A or better and with a due date within six months. The current allocation meets these requirements. The table below shows the classification used and the amounts as at 31 December 2011 for Gjensidige Forsikring ASA. Similar figures are shown for 2010 versus the definition of most liquid funds of that year.

Table 26a – Liquidity investment assets 2011, Gjensidige Forsikring ASA

NOK million	Total	Minimum level	Excess over limit
Bank deposits	1,385.2		
Money market instruments	4,772.4		
Bonds and certificates coupons with maturity less than 6 months	306.7		
OECD-bonds with less than 5 years to maurity	1,279.8		
Covered bonds	535.0		
Total	8,279.0	4,000	4,279

Table 26b – Liquidity investment assets 2010, Gjensidige Forsikring ASA

NOK million	Incl bonds held to maturity	Excl bonds held to maturity	Minimum level
Bank deposits	560.5	560.5	
Bonds and certificates issued by, or guaranteed by OECD-countries	2,627.2	1,358.9	
Fixed income portfolio with rating A or better and maturity less than 6 month	1,217.1	705.9	
Total	4,404.8	2,625.4	4,000.0

MANAGEMENT OF FINANCIAL RISK – GJENSIDIGE PENSJONSFORSIKRING

Gjensidige Pensjonsforsikring (GPF) has a separate guidelines for asset management and investment strategy approved by the Board of Directors, which specifies targets and limits for and the organization of the investment management activities. A separate investment committee with representatives from GPF, Gjensidige Investeringsrådgivning (GIR) and the Group's investment and capital management departments gives advice to the CEO on matters pertaining to asset and risk management. The portfolio management is outsourced to GIR. Asset manager selection and asset allocation is based on advice from the Group's investment centre.

Gjensidige Pensjonsforsikring (GPF) has separate strategies for the funds in each portfolio, the unit-linked, paid-up policy, other group policy and company portfolios. GPF does not bear investment risk for the unit-linked portfolio; both positive and negative returns are passed on in full to the customers. The other portfolios expose the Company's equity to risk. For the company and other group policy portfolios, very little risk is taken, the funds are mainly invested in bank deposits and fixed-income instruments with high creditworthiness. The company portfolio is financed by the Company's equity and also includes a small trading portfolio to support incoming and/or outgoing capital in the customer portfolios. The other group portfolio is funded by premium reserves, claims provisions for unreported and/or unsettled claims and the risk equalization fund. The paid-up policies give a minimum guaranteed interest to the customers at the same time as the customers receive a percentage of any excess return above this amount. Therefore, for the paid-up policy portfolio, the objectives are to be able to offer the customers a competitive return over a period of time at the same time as the risk relative to strain on equity is kept at a targeted low level. The pension and savings operations have most of their balance in defined-contribution products, but the paid-up policy portfolio is growing. Therefore, GPF is also exposed to the types of risk mentioned above and has its own investment strategy approved by the Board of Directors, which sets the limits for exposure. The portfolios are stress tested in the same way as for the insurance operations (cf. previous section) to measure whether the buffer capital can tolerate a given decline in value. In addition, VaR calculations at a 95 per cent confidence level are done for the paid-up policy portfolio. With the current asset allocation, risk is very low according to all these measures. The paid-up policy portfolio amounted to NOK 2,290.6 million as at 31 December 2011 with an average guaranteed interest rate of 3.6 per cent. The other group policy portfolio amounted to NOK 376.9 million, whereas the company portfolio had NOK 293.8 million in financial assets.

Table 27 – Asset allocation excluding the unit-linked portfolio, Gjensidige Pensjonsforsikring

NOK million	31.12.2011	31.12.2010
Money market	59.4	14.9
Bank deposits	355.1	340.4
Bonds held to maturity	513.5	587.3
Loan and receivables	2,007.7	1,249.6
Current bonds	13.3	214.8
Equities	12.3	39.5
Other		9.8
Total	2,961.3	2,456.3

The accounting interest-rate risk in GPF's assets is extremely limited because bonds are classified as bonds held to maturity and loans and receivables, and the remaining fixed-income instruments are of short duration.

GPF is exposed to equity price risk through its investment in equities. The following table shows the effect of a ten per cent drop in the stock market and a one percentage point increase in the interest rate level of equity in GPF. The calculations do not take tax effects into consideration or that a share of the return normally is allocated to the customers.

Table 28 – Sensitivity fixed-income and equity portfolio, Gjensidige Pensjonsforsikring

NOK million	31.12.2011	31.12.2010
100 bps parallell shift up	(0.1)	(11.5)
10 % drop in equity prices	(1.0)	(3.9)

A large part of the fixed-income portfolio in GPF does not have an official rating. These fixed-income securities are mainly invested in Norwegian banks and financial institutions.

Table 29 – Fixed-income portfolio per rating, Gjensidige Pensjonsforsikring

NOK million	2011	2010
AAA	764.7	488.0
AA	171.7	158.0
A	1,112.5	866.0
BBB	26.0	20.0
BB		37.0
B	3.8	58.0
CCC or lower		10.0
Not rated	870.4	780.0
Total	2,949.0	2,417.0

The largest individual exposures per counterparty are included in the Group's table above.

MANAGEMENT OF CREDIT AND FINANCIAL RISK – GJENSIDIGE BANK

The banking business is exposed to credit risk in its loan portfolio and in addition liquidity and interest-rate risk from any mismatches of maturity and time of repricing between assets and liabilities. The bank is also exposed to credit risk in connection with placement in securities. The bank does not invest in equity instruments, nor does it have any foreign currency positions. The Board of Directors of Gjensidige Bank approves the Company's credit policy and lending regulations. A credit strategy is approved annually, as well as limits for market and liquidity risk.

Risk areas are continuously monitored and statistical models used to calculate capital needs given specified confidence level for most risk categories. The capital need is calculated over the strategy horizon in the current strategy plan, included in the ICAAP document, and reported to Board of Directors quarterly.

CREDIT RISK

The credit risk the bank faces is the risk that borrower's fail to repay a loan or credit or to meet their contractual obligation to the bank. The bank's credit risk originates from its loans and credits to consumers as a result of its lending operations in Norway.

The Board of Directors sets the overall framework for the bank's credit risk appetite through its credit strategy and policy.

Gjensidige Bank ASA offers a wide range of lending products including secured as well as unsecured loans and credits to meet a variety of needs of the consumers in the country.

Secured lending mainly includes loans and credits secured by property. In this type of lending Gjensidige Bank ASA maintains a conservative risk profile, and the majority of the portfolio is secured within 80 percent loans to property value.

The bank is one of the leading players in the unsecured consumer finance lending business in the Norway. This portfolio has a different risk and return profile compared to the secured portfolio, with higher returns proportionate to the level of risk in the portfolio. The bank uses risk based pricing models driven by credit scores.

MODELS FOR CALCULATING CREDIT RISK

The bank uses application score models based on internal and external data of a customer for decisions relating to customer's application for a loan. In addition the bank uses behaviour score models which predict the probability of default based primarily on the customer's credit behaviour with the bank. The behaviour score models are used for decisions related to top-ups, collections, group provisioning and other portfolio management decisions. With the help of these score models the lending portfolios in the bank are grouped into several risk categories starting from the lowest risk to the highest risk segments based on their probability of default. These risk categorizations are done mainly to assist in various credit decisions. These are then further grouped into three main risk classes: low risk, medium risk and high risk which is used for the bank's monthly monitoring, reporting and follow-up of the customer base.

The table below shows the portfolio and provisions as of 31 December 2011 and 31 December 2010 segmented by the risk classes. The 2010 numbers are restated to make the numbers comparable to 2011 numbers. The restatement includes group impairments for non-secured consumer loans that are not defined as impaired.

Table 30a – Risk classification banking operations 2011

NOK million	Gross lending	Per cent	Individual impairment losses	Group impairment losses
Low risk	11,470.5	76.4 %		21.9
Medium risk	2,662.1	17.7 %		36.8
High risk	886.4	5.9 %	0.2	195.2
Total	**15,019.0**	**100.0 %**	**0.2**	**253.9**

Table 30b – Risk classification banking operations 2010

NOK million	Gross lending	Per cent	Individual impairment losses	Group impairment losses
Low	10,233.1	72.5 %		5.8
Medium	3,310.9	23.4 %		4.2
High	575.5	4.1 %	0.7	106.5
Total	**14,119.5**	**100 %**	**0.7**	**116.5**
Total restated	**14,119.5**	**100 %**	**0.7**	**182.7**

Table 31 – Payments overdue

NOK million	31.12.2011	31.12.2010
10-30 days	176.2	233.9
30-90 days	82.0	86.3
Over 90 days	243.7	157.5
Total	**501.9**	**477.8**

Defaulted loans over 30 days amounted to NOK 325.7million by the end of the year compared to NOK 243,8 million in the corresponding year in 2010. Total impaired balance on loans in 2011 is NOK 254.0 million versus NOK 183.4 million in 2010, which includes NOK 117.1 million as reported in 2010 and NOK 66.2 million in group impairment recognised in the balance sheet on the unsecured consumer loans portfolio. The increase in defaulted loans over 30 days and the impaired balance is primarily related to this unsecured consumer loan portfolio which was acquired in December 2009 and the consequent change in the account rules to IFRS. Defaulted loans over 30 days as a percentage of gross loans represent 2.17 per cent at the end of the quarter.

MARKET RISK

Market risk is the risk of losses associated with unfavourable movements in market prices, which in this context relates to positions and activities in the interest, currency and stock markets.

The Board has specified limits on the bank's exposure to interest rate risk. The limit for the interest rate risk under one year is a negative exposure of up to 500 milli years (MY). A limit is also provided for interest rate risks for all time periods plus/minus 300 MY. The bank's maximum exposure to interest rate risk is 500 MY. Interest rate risk under three months is reported but does not enter into the risk framework. This means that when the limit is fully utilised, the maximum loss for the bank at one percentage point change in the yield curve will be NOK 5 million. Utilisation of this limit is reported monthly to the Board of Directors.

Fixed interest rate loans and deposits are also a market risk and are included in the limits as defined above.

As at 31 December 2011 the bank has a negative interest rate exposure in the three months to one year interval of 211 MY. The net accumulated interest rate exposure over three months is a negative 81 MY as at 31 December 2011.

The bank measures the market risk using a Value at Risk analysis in the bank's total risk model. As at 31 December 2011 the capital provisions for interest rate risk was NOK 3.1 million with a confidence level of 99.95 per cent.

Gjensidige Bank ASA does not have currency or share risk. Gjensidige Bank ASA does not have market risk under Pillar 1 because the bank does not have a trading portfolio.

OPERATIONAL RISK

Operational risk refers to the risk loss resulting from human errors, external events or deficiencies or inadequacies in the bank's internal systems, routines or processes. The bank has its own losses and events database for the evaluation, follow-up and storage of operational mistakes.

The Bank uses the basis method for calculating capital needs related to operational risk. As at 31 December 2011 the capital provisions for operational risk was NOK 28.7 million.

CONCENTRATION RISK

Concentration risk is the risk of losses due to the bank having large parts of its lending tied to single actors or to limited geographic or business areas. The concentration risk is managed using the bank's risk frameworks, and is measured and evaluated through annual stress tests/scenario analyses in the credit area.

As at 31 December 2011 the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest loan is about NOK 9.9 million. The exposure related to the ten largest loans (limit) is about NOK 87.4 million. In the case of the banks liquidity reserves, then bank has the greatest exposure in securities to the Norwegian government. The total exposure in securities to the Norwegian government as at 31 December 2011 is about NOK 515.5 million.

LIQUIDITY RISK

Liquidity risk is the risk of the bank not being able to meet its debt obligations when due and/or not being able to finance a growth in its assets without incurring a substantial increase in costs in the form of a loss of value on assets that must be realised or in the form of especially expensive financing.

We distinguish between two types of liquidity risk
- the bank has its credit rating downgraded as a result of large losses but still has access to liquidity in the financial market
- the bank does not have access to liquidity as a result of large losses

Provision for the first type of liquidity loss is estimated in the total risk model. Liquidity risk arising from losses that result in a downgrading of credit rating category is defined as the charge against equity due to increased financing costs.

Liquidity risk due to reduced access to liquidity is a matter of having sufficient liquid assets to meet the obligations which fall due.

Through recession scenarios and stress tests using the probability and consequences of weakened financing, requirements are defined for deposit coverage, maturities structure and liquidity reserves. These calculations are based on a relatively short time frame.

The Board of Directors has established limits that restrict the bank's liquidity needs within different time periods, and targets for long-term liquidity indicators. The bank shall have a liquidity reserve (buffer capital) available in short-term deposits, highly liquid securities and/or committed credit facilities which during an acute liquidity shortage in the market would provide a reasonable time period in which to implement necessary measures.

The liquidity reserve shall cover the total of
- 100 per cent of the funding due in the first month in the future
- 100 per cent of the funding due in the second month in the future
- 75 per cent of the funding due in the third month in the future
- 50 per cent of the funding due in the fourth month in the future
- 50 per cent of the funding due in the fifth month in the future
- 25 per cent of the funding due in the sixth month in the future
- An unexpected decline in deposits of nine per cent, based on the deposits published in the most recent quarterly financial statements

Based on this, the requirement for a liquidity reserve as at 31 December 2011 was NOK 1,143 million and the actual liquidity reserve was NOK 1,890 million composed of NOK 374 million in deposits and NOK 1,517 million in bonds, securities and money market funds. NOK 364 million of this were investments in preferential bonds from Gjensidige Bank ASA Boligkreditt AS (eliminated in the consolidated accounts) that were not utilised in the swap arrangement with Norges Bank. The liquidity reserves are mainly realisable within a few days and the liquidity holdings are sufficient to meet payments due on debts for 14 months .

Stress tests have also been completed demonstrating the bank's requirements for a liquidity reserve based on future scenarios of recession and financial crisis.

Table 32a – Liquidity profile banking operations 2011

NOK million	< 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Debt to credit institutions		4.1	15.1	526.9			546.1
Deposits from and liabilities to customers	9,598.0	6.8	178.3				9,783.2
Debt incurred through the issue of securities	2.7	348.4	1,291.8	3,593.5			5,236.4
Loan approvals and unused drawing rights	3,265.3						3,265.3
Derivatives - gross outflows [1]	0.4	0.3	16.3	37.4			54.4
Total liabilities	**12,866.4**	**359.7**	**1,501.6**	**4,157.7**			**18,885.4**
[1] Derivatives gross inflows	0.8	0.3	17.8	41.1			60.0
Financial derivatives - net settlement (negative figures yield net payment)	(0.4)	(0.0)	(1.5)	(3.7)			(5.6)

Table 30b – Liquidity profile banking operations 2010

NOK million	< 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
Debt to credit institutions		3.8	13.6	542.5			559.9
Deposits from and liabilities to customers	9,079.7	0.2	41.4	0.2			9,121.4
Debt incurred through the issue of securities	119.2	229.7	955.0	3,776.3			5,080.2
Loan approvals and unused drawing rights	2,367.0						2,367.0
Derivatives - gross outflows [1]	0.4		12.7	37.5			50.6
Total liabilities	**11,566.3**	**233.7**	**1,022.7**	**4,356.5**			**17,179.2**
[1] Derivatives gross inflows	0.5		16.5	49.0			65.9
Financial derivatives - net settlement (negative figures yield net payment)	(0.1)		(3.8)	(11.4)			(15.3)

4 – SEGMENT INFORMATION

The group has six reportable segments, as described below, which offers different products and services within different geographical areas. The Group CEO holds regular meetings with its reporting managers 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 four segments, mainly based on the customer's geographical placement. Other operational segments deliver products and services mainly to customers in Norway.

The subsidiary Hjelp24 AS which previously constituted the segment Health care services is sold. Hence the segment is removed from the segment information. Income and expenses related to this segment is included in Eliminations etc. Comparable figures are restated correspondingly.

DESCRIPTION OF THE SEGMENTS

PRIVATE NORWAY

Gjensidige is a broad supplier of general insurance products to private consumers in Norway. The company is a market leader in motor insurance and accident and health insurance, and it also has a solid position in other types of private insurances.

COMMERCIAL NORWAY

Gjensidige is a complete provider of general and life insurance products for Norwegian businesses. The company has a particularly strong position in the market segment for medium-sized enterprises, and it is the clear market leader in accident and health insurances.

NORDIC

The Group offers general insurance products to private and commercial customers in Sweden and Denmark. In both countries the operations are run under the brand Gjensidige.

Gjensidige has entered into a strategic collaboration with Nykredit concerning distribution of general insurance for Gjensidige for the private market under the brand Nykredit.

Furthermore, the Danish operations are the Group's centre of expertise for insurances to municipalities and other public sector entities in Norway, Sweden and Denmark, under the KommuneForsikring brand. The Norwegian branch of the Swedish operations handles the Group's white label initiative.

BALTICS

The Baltic insurance market is in an early development phase and a significant share of the market is still uninsured. Motor insurances are the most widespread insurance product in these markets. The Group has operations in each of the three Baltic states.

PENSION AND SAVINGS

Gjensidige offers a broad range of pension, investment and savings products for both the private and commercial market in Norway. The products offered include among others occupational pensions, fund pensions, paid-up policies and fund savings.

ONLINE RETAIL BANKING

Gjensidige Bank is a nationwide Internet bank aimed at the private, affinity group and agricultural markets in Norway. The bank offers traditional banking products adapted to electronic distribution.

DESCRIPTION OF THE SEGMENTS INCOME AND EXPENCES

Segment income is defined as earned premiums for general insurance, earned premiums, management income and other income for Pension and savings and interest and credit commission income and other income for Online retail banking.

Segment expenses are defined as claims incurred for general insurance and for Pension and savings, interest expenses etc. for Online retail banking, operating expenses for all segments, and net income for investments for Pension and savings as well as Online retail banking.

CHANGE IN SEGMENT DIVISON

Effective 1 January 2010, the division into segments has been modified by transferring the Agriculture business area from the Private Norway segment to the Commercial Norway segment. In addition, the Group's white label business has been transferred from the Nordic segment to the Private Norway segment. The changes in the segments are attributed to changes in the management structure in the Group.

In addition, all large losses (net) over NOK 30.0 million have been removed from the individual segment and transferred to the Corporate Centre. The corresponding figures have been equivalently modified.

	GENERAL INSURANCE							
NOK million	Private Norway	Commercial Norway	Nordic	Baltics	Pension and savings	Banking	Eliminations etc. [1]	Total
2011								
Segment income								
Segment income - external	8,082.8	5,411.9	3,635.0	395.8	586.0	900.1	369.9	19,381.5
Segment income - group [2]								
Total segment income	**8,082.8**	**5,411.9**	**3,635.0**	**395.8**	**586.0**	**900.1**	**369.9**	**19,381.5**
- Claims, interest expenses, loss etc.	(5,670.9)	(4,283.4)	(2,933.3)	(270.7)	(438.0)	(550.0)	(91.0)	(14,237.2)
- Operating expenses	(1,226.2)	(734.1)	(626.1)	(122.2)	(151.6)	(308.9)	(703.5)	(3,872.5)
+ Net income from investments					18.7	25.5	2,331.3	2,375.6
Segment result/profit/(loss) before tax expense	**1,185.7**	**394.4**	**75.6**	**3.0**	**15.1**	**66.8**	**1,906.8**	**3,647.4**
2010								
Segment income								
Segment income - external	7,719.9	5,401.0	3,453.1	459.3	372.4	790.9	594.2	18,790.8
Segment income - group [2]								
Total segment income	**7,719.9**	**5,401.0**	**3,453.1**	**459.3**	**372.4**	**790.9**	**594.2**	**18,790.8**
- Claims, interest expenses, loss etc.	(5,895.5)	(4,339.6)	(2,882.7)	(305.3)	(258.1)	(484.9)	(33.5)	(14,199.6)
- Operating expenses	(1,162.3)	(692.9)	(640.7)	(136.7)	(156.7)	(302.1)	(993.9)	(4,085.3)
+ Net income from investments					14.5	29.2	2,704.6	2,748.2
Segment result/profit/(loss) before tax expense	**662.0**	**368.5**	**(70.4)**	**17.4**	**(27.9)**	**33.1**	**2,271.4**	**3,254.0**
Impairment loss goodwill	**(100.0)**							**(100.0)**

[1] Eliminations etc. consist of internal eliminations and other income and expenses not directly attributable to one single segment and large losses of NOK 89.1 million (33.5).
[2] There is no significant income between the segments at this level in 2010 and 2011.

An impairment loss on goodwill is in 2010 recognised in Private Norway. For further information, see note 5.

5 – INTANGIBLE ASSETS

NOK million	Goodwill	Customer relation-ship	Trade-marks	Internally developed software	Other intangible assets	Total
Cost						
As at 1 January 2010	1,662.2	495.0	155.8	648.7	907.0	3,868.7
Additions	2.6			105.8	8.5	116.9
Additions through business combinations	1,261.0	380.6		2.0	254.1	1,897.8
Additions from internal development				39.6		39.6
Disposals	(11.8)			0.3	(901.8)	(913.4)
Exchange differences	(46.4)	(20.0)	(9.8)	(6.7)	(1.5)	(84.3)
As at 31 December 2010	**2,867.6**	**855.7**	**146.0**	**789.7**	**266.3**	**4,925.3**
Uncompleted projects				76.4		76.4
As at 31 December 2010, including uncompleted projects	**2,867.6**	**855.7**	**146.0**	**866.0**	**266.3**	**5,001.6**
Amortisation and impairment losses						
As at 1 January 2010	(154.7)	(156.9)	(70.3)	(317.1)	(899.6)	(1,598.5)
Amortisation recognised during the period		(73.2)	(11.4)	(136.1)	(33.9)	(254.6)
Disposals	(26.0)				897.1	871.1
Impairment losses recognised in profit or loss during the period	(111.0)			(0.6)		(111.6)
Exchange differences	4.8	9.1	3.7	3.8	0.9	22.3
As at 31 December 2010	**(286.9)**	**(221.1)**	**(78.0)**	**(450.1)**	**(35.4)**	**(1,071.4)**
Carrying amount						
As at 1 January 2010	1,507.5	338.1	85.5	416.0	7.5	2,354.6
As at 31 December 2010	**2,580.7**	**634.6**	**68.1**	**416.0**	**230.9**	**3,930.2**
Cost						
As at 1 January 2011	2,867.6	855.7	146.0	789.7	266.3	4,925.3
Additions	1.7		0.8	26.9	36.0	65.4
Additions from internal development				145.5		145.5
Disposals	(214.2)	(40.4)	(10.8)	(131.4)	(8.6)	(405.4)
Exchange differences	(4.4)	(2.2)	(0.3)	(0.1)	(1.1)	(8.0)
As at 31 December 2011	**2,650.8**	**813.0**	**135.7**	**830.6**	**292.6**	**4,722.7**
Uncompleted projects				93.2		93.2
As at 31 December 2011, including uncompleted projects	**2,650.8**	**813.0**	**135.7**	**923.8**	**292.6**	**4,815.9**
Amortisation and impairment losses						
As at 1 January 2011	(286.9)	(221.1)	(78.0)	(450.1)	(35.4)	(1,071.4)
Amortisation recognised during the period		(78.9)	(10.6)	(184.9)	(36.2)	(310.6)
Disposals	31.0	17.6	3.7	100.7	8.9	161.8
Impairment losses recognised in profit or loss during the period	(19.2)					(19.2)
Exchange differences	(0.8)	0.5	0.1		0.2	(0.1)
As at 31 December 2011	**(276.0)**	**(281.9)**	**(84.8)**	**(534.2)**	**(62.6)**	**(1,239.5)**
Carrying amount						
As at 1 January 2011	2,580.7	634.6	68.1	416.0	230.9	3,930.2
As at 31 December 2011	**2,374.8**	**531.1**	**50.9**	**389.6**	**230.0**	**3,576.4**
Amortisation method	N/A	Straight-line	Straight-line	Straight-line	Straight-line	
Useful life (years)	N/A	10	10	5-8	5-10	

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. Internally developed software is developed for use in the insurance business. External and internal assistance is used in relation with implementation or substantial upgrade of IT-software, including adjustment of standard systems, are capitalized as intangible assets. Amortization is included in the accounting line Expenses.

The group has not had any substantial additions through business combinations during 2011. The disposals of other intangible assets concerns amortized insurance portfolios. None of the intangible assets have undetermined useful lives. In 2011 and 2010 a technical impairment of goodwill in Oslo Areal has been conducted.

IMPAIRMENT TESTING OF GOODWILL

The carrying amount of goodwill in the Group as at 31 December 2011 is NOK 2,374.8 million. This is primarily related to acquisitions of different subsidiaries/portfolios in the period 2006 to 2011. See table.

5 – INTANGIBLE ASSETS (CONT.)

NOK million	2011	2010
Subsidiaries/portfolios		
Glitne Invest	22.5	183.2
Oslo Areal	203.6	220.6
Gjensidige Forsikring, Danish branch	1,018.3	1,022.2
Gjensidige Forsikring, White label [1]	128.7	
Gjensidiges Arbejdsskadeforsikring	98.0	94.4
Nykredit Forsikring	751.5	753.6
Gjensidige Baltic	65.9	65.5
Tennant Försäkringsaktiebolag [1]		151.2
Gjensidige Forsikring, Swedish branch	85.2	84.7
Gjensidige Bank	1.5	1.5
Total	2,374.8	1,580.7

[1] Tennant Försäkringsaktiebolag has merged with Gjensidige Forsikring.

Each of the units is considered to be separate cash-generating units. In Oslo Areal is each underlying property defined as a cash-generating unit, and goodwill related to Oslo Areal occurs as a consequence of provision for deferred tax on temporary differences (tax amortization benefit). Goodwill in Gjensidige Bank is established through the purchase of Citibank's Norwegian portfolio of consumer loans.

The annual assessment of impairment losses was carried out in the third quarter of 2011. 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.

An impairment loss of goodwill has also been recognised in Oslo Areal amounting to NOK 19.2 million. The impairment is of a technical nature due to this being goodwill connected to deferred tax reversed.

There is no need for recognition of impairment losses of goodwill or other intangible assets related to other business combinations/portfolios.

Recoverable amount for the cash flow generating unit is determined based on an assessment of the utility value. The utility value 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 budgets for the next four years reviewed by the management and approved by the Board of Directors. In the period after 2015 an annual growth of three per cent has been projected until 2020. The terminal value is calculated in 2020. The growth is grounded in the fact that the companies are small and with a solid parent company, which gives them good chances of increasing market shares. The cash flows are estimated to a normal level before a terminal value is calculated. Gjensidige normally has a ten-year horizon on its models, as the company is in a growth phase and a shorter period will not give a correct view of expected cash flows.

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 86.8 to 96.9.

	CR-level in growth period	CR-level when calculating terminal value
Cash flow generating unit		
Gjensidige Forsikring, Danish branch	93.2-96.2 %	96.2 %
Gjensidiges Arbejdsskadeforsikring	92.7-93.3 %	92.7 %
Nykredit Forsikring	97.1-97.7 %	91.8 %
Gjensidige Forsikring, Swedish branch	91.9-92.1 %	96.9 %
Gjensidige Baltic	92.7-94.9 %	92.7 %

Growth rate

The growth rate is considered to be 3.0 per cent. This is based on the following assumptions

Long-term real BNP-growth	2-3 %
Long-term expected inflation	2-3 %
Total nominal expected growth	4-6 %

Based on an overall assessment the management has nevertheless chosen to use a 3.0 per cent growth expectation, as this is considered to be more in line with market expectations.

DISCOUNT RATE

The discount rate is before tax, and is composed of a risk-free interest rate, a risk premium and a market beta. 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. In addition a risk premium of 5.5 percentage point in Denmark and Sweden and 6.0 percentage points in the Baltic has been added.

SENSITIVITY ANALYSIS KEY ASSUMPTIONS

The excess values associated with the acquisition 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. The models are especially sensitive to deviations from expected CR. See table.

SENSITIVITY TABLE	Discount rate increases by 1 %	Growth reduced by 2 % compared to expected next 3 years	CR increases by 2 % next 3 years	All circumstances occur simultanously
Gjensidige Forsikring, Danish branch	Need for impairment, app. NOK 40 million	No need for impairment	No need for impairment	Need for impairment, app. NOK 120 million
Gjensidiges Arbejdsskadeforsikring	Need for impairment, app. NOK 35 million	No need for impairment	No need for impairment	Need for impairment, app. NOK 35 million
Nykredit Forsikring	Need for impairment, app. NOK 185 million	No need for impairment	No need for impairment	Need for impairment, app. NOK 255 million
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gjensidige Baltic	No need for impairment	No need for impairment	No need for impairment	No need for impairment

6 – SHARES IN ASSOCIATES

NOK million	Registered office	Interest held	Cost 31.12.2011	Carrying amount 31.12.2011	Cost 31.12.2010	Carrying amount 31.12.2010
Storebrand ASA	Oslo	24.3 %	4,604.4	3,454.2	4,604.4	3,287.8
SpareBank1 SR-Bank	Stavanger	10.3 %	866.4	992.5	866.4	958.9
Bilskadeinstituttet AS	Oslo	29.5 %	0.4	1.4	0.3	1.4
Vervet AS including subordinated loan [1]	Tromsø	25.0 %	32.3	2.2	30.3	0.8
Botrygt Prinsegården AS (liquidated in 2011)	Fetsund				0.3	0.4
FDC A/S	Ballerup, Danmark	33.3 %	5.2	28.0	5.3	26.4
Total shares in associates			5,508.7	4,478.2	5,506.9	4,275.5

[1] Subordinated loan of NOK 24.0 million is included in cost.

ADDITIONAL INFORMATION NOK million	Assets	Equity	Liabilities	Revenues	Profit/(loss)	Profit/(loss) recognised [2]	Share of stock value
For the whole company 2011							
Storebrand ASA	401,442.0	18,777.0	382,665.0	38,225.0	681.0	307.2	3,404.2
SpareBank1 SR-Bank	131,142.0	9,757.0	121,385.0	3,267.0	1,081.0	118.4	843.0
Bilskadeinstituttet AS	5.0	4.7	0.3	1.3	0.1	(0.1)	N/A
Vervet AS	115.6	18.0	96.1	0.1		0.1	N/A
Botrygt Prinsegården AS (liquidated in 2011)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FDC A/S	108.9	53.9	55.0	315.8	14.6	5.9	N/A
Total shares in associates	532,813.5	28,610.6	504,201.4	41,809.2	1,776.7	431.6	

ADDITIONAL INFORMATION NOK million	Assets	Equity	Liabilities	Revenues	Profit/(loss)	Profit/(loss) recognised [2]	Share of stock value
For the whole company 2010							
Storebrand ASA	390,414.0	18,417.0	371,997.0	48,241.0	1,480.0	342.2	4,777.9
Sparebank1 SR-bank	134,778.0	9,402.0	125,376.0	3,414.0	1,317.0	142.1	1,180.6
Bilskadeinstituttet AS	5.3	4.8	0.5	1.6	0.2		N/A
Forsikring og Finans Sandnes AS (sold in 2010)	N/A	N/A	N/A	N/A	N/A	(0.2)	N/A
Forsikringskontoret Johansen og Torkelsen AS (sold in 2010)	N/A	N/A	N/A	N/A	N/A	(0.3)	N/A
Fossmark Assuranse AS (sold in 2010)	N/A	N/A	N/A	N/A	N/A	(0.1)	N/A
Vervet AS	109.2	13.1	96.1	0.5	(0.4)		N/A
Botrygt Prinsegården AS	0.8	0.8					N/A
FDC A/S	111.2	53.8	57.4	334.0	12.8	5.0	N/A
Total shares in associates	525,418.5	27,891.5	497,527.0	51,991.2	2,809.6	488.7	

[2] Share of profit (loss) is adjusted for Gjensidige's net excess values and accounting policies..

The investment in SpareBank1 SR-Bank is classified as investments in an associate and is carried at cost. Gjensidige Forsikring ASA owns 16.3 per cent of the primary certificate capital and 10.3 per cent of the equity in the bank, and has not, based solely on the interest held alone, significant influence. However, the company is represented in both the board in SpareBank1 SR-Bank and the nomination committee. This gives Gjensidige Forsikring ASA significant influence and thus the opportunity to participate in the financial and operational decisions of the bank.

Gjensidige also owns bonds issued by SpareBank1 SR-Bank. The carrying amount of these bonds is NOK 343.7 million.

Percentage of votes held is the same as percentage of interest held for all investments.

7 – OWNER-OCCUPIED PROPERTY, PLANT AND EQUIPMENT

NOK million	Owner-occupied property	Plant and equipment [1]	Total
Cost			
As at 1 January 2010	365.8	777.6	1,143.4
Transferred from/to investment property	(87.9)		(87.9)
Additions	206.1	122.7	328.8
Disposals	(119.4)	(55.5)	(174.9)
Exchange differences	(3.9)	(3.2)	(7.1)
As at 31 December 2010	**360.6**	**841.7**	**1,202.2**
Uncompleted projects		53.5	53.5
As at 31 December 2010, including uncompleted projects	**360.6**	**895.2**	**1,255.8**
Depreciation and impairment losses			
As at 1 January 2010	(83.5)	(480.8)	(564.4)
Depreciation for the year	(6.8)	(95.2)	(102.0)
Disposals	56.4	24.2	80.6
Impairment losses [2]	(2.2)		(2.2)
Exchange differences	(6.0)	1.7	(4.2)
As at 31 December 2010	**(42.1)**	**(550.1)**	**(592.2)**
Carrying amount			
As at 1 January 2010	282.2	316.1	598.4
As at 31 December 2010	**318.5**	**345.1**	**663.6**
Cost			
As at 1 January 2011	360.6	841.7	1,202.2
Additions		66.6	66.6
Disposals	(28.5)	(151.7)	(180.2)
Exchange differences		0.1	0.1
As at 31 December 2011	**332.1**	**756.6**	**1,088.7**
Uncompleted projects		32.6	32.6
As at 31 December 2011, including uncompleted projects	**332.1**	**789.2**	**1,121.3**
Depreciation and impairment losses			
As at 1 January 2011	(42.1)	(550.1)	(592.2)
Depreciation for the year	(4.9)	(87.6)	(92.5)
Disposals	15.6	87.0	102.6
Impairment losses [3]	(28.8)		(28.8)
Exchange differences	(1.3)	(0.1)	(1.5)
As at 31 December 2011	**(61.4)**	**(550.9)**	**(612.3)**
Carrying amount			
As at 1 January 2011	318.5	345.1	663.6
As at 31 December 2011	**270.7**	**238.4**	**509.1**
Depreciation method	Straight-line	Straight-line	
Useful life (years)	10-50	3-5	

[1] Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.
[2] In 2010, an impairment loss of NOK 2.2 million on an owner-occupied property was recognised. The new value of the property was determined by using the Group's internal valuation model, cf. Note 8 The valuation was not based on observeable market prices or recent transactions. The carrying amount of the property before the impairment was NOK 16.8 million.
[3] In 2011, an impairment loss of NOK 28.8 million on an owner-occupied property was recognised. The new value of the property was determined by using the Group's internal valuation model, cf. Note 8 The valuation was not based on observeable market prices or recent transactions. The carrying amount of the property before the impairment was NOK 198.0 million.

Each component of owner-occupied property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land is not depreciated. Estimated useful life for the period and comparable periods are between ten and 50 years for property, with technical installations having the highest depreciation rate, and between three and five years for plant and equipment.

There are no restrictions on owner-occupied property, plant and equipment. Owner-occupied property, plant and equipment are not pledged as security for liabilities.

The market value of owner-occupied property exceeds the carrying amount as shown below. For plant and equipment there is no material difference between the carrying amount and the market value. Some equipment, such as furniture, is fully depreciated, but still in use.

NOK million	2011	2010
Market value of land and owner-occupied property	282.6	332.7
Carrying amount of land and owner-occupied property	270.7	318.5
Excess value beyond carrying amount	**11.9**	**14.2**

8 – INVESTMENT PROPERTIES

NOK million	2011	2010
Statement of financial position		
As at 1 January	5,900.3	5,509.9
Additions	140.9	4.1
Additions from subsequent expenditure	4.0	146.1
Additions through business combinations	12.0	412.0
Disposals	(892.7)	(256.1)
Net gains/(losses) from fair value adjustments	83.5	(1.0)
Transfer to/(from) owner-occupied property		87.9
Exchange differences		(2.7)
As at 31 December	**5,248.1**	**5,900.3**

Financial income and expenses from investment properties is shown in note 19.

The Gjensidige Insurance Group carries investment properties at fair value. Investment properties consist of commercial properties that are rented to tenants outside the Group, or are acquired in accordance with the company's capital management strategy. Properties used by Group companies are classified as owner-occupied property, see note 7. In properties that are both rented to tenants outside the Group and that are used by the Group's own business, the parts held for rent that can be sectioned are classified as investment property.

The investment properties are mainly located in Oslo and the surrounding area, Lillehammer and Stavanger In addition, the Group has one investment property in Denmark. The average rental period is 4.7 years and the portfolio of investment properties includes offices and shopping centres.

Gjensidige Forsikring's own valuation model has been used both in the quarterly financial statements and at year end. In addition, two independent external advisors were brought in to value selected parts of the portfolio at year end. From 2011 onwards, the Group will use a new valuation model. This new model had no effect on financial statements in 2011.

The Group's valuation model values each property separately. Valuation model relies on a semi-annually in arrears cash flow method. The most important inputs are yield, market rent, contractual rent, potentially vacant premises, the properties' long-term normalised operating costs and any investment requirements. The method maps all incomes and all expenses in a given investment horizon (usually ten years) so that net the cash flow is given yearly for each property. Thereafter, the present value is calculated using this cash flow based on real yield adjusted for expected inflation. Present value of the cash flow and present value of the remaining value compose the cash flow value of the property, and this is considered as the market value.

Yield is determined based on a normal required rate of return adjusted for the location of the property,type, technical standard and the contracts. The normal required rate of return is determined from the required rate of return that can be derived from transactions in the market, and expectations of interest level and risk adjustment. The market rent is determined from existing contracts on the property and comparable properties, observations from contractual negotiations, requests for offers and information from realtors and Eiendomsverdi's database.

For 2011 the following parameters have been used in the valuation of investment property, which yield the following average value per square meter.

NOK	Yield	Average market rent	Average contractual rent	Average value per sqm
Office and education	6.55 %	1,420.0	1,312.0	22,482.0
Shopping center	6.33 %	1,147.0	1,081.0	18,411.0
Combined portfolio	6.50 %	1,343.0	1,247.0	21,450.0

The adoption of the above parameters implies a significant level of judgement. Emphasis is put on this judgement being consistent with that observed in the market and that the judgement is applied consistently from period to period.

The table below shows how the sensitivity of the yield and the market rent affects the value of the property portfolio, as it stands as at 31 December 2010.

NOK million	Market rent reduced by 10 %	Market rent as at 31.12.2011	Market rent increased by 10 %
Yield increases by 0,25 percentage point	4,563.1	5,029.7	5,499.2
Yield 6,50 per cent	4,761.5	5,248.1	5,737.6
Yield decreases by 0,25 percentage point	4,979.1	5,487.5	5,999.0

There are no restrictions with regard to the sale of the investment properties or how income and cash flows generated by the investment properties can be used.

There are contractual commitments regarding development of investment properties amounting to NOK 39.0 million (96.0), and also a commitment to invest NOK 15.0 million (45.0) in a residential development project. The latter commitment falls due in the period 2012 to 2013, depending on the progress of the project.

The Group has no investment properties for leasing or classified as available for sale.

There are no loans with collateral in investment properties in 2010 or 2011.

9 – FINANCIAL ASSETS AND LIABILITIES

NOK million	Notes	Carrying amount as at 31.12.2011	Fair value as at 31.12.2011	Carrying amount as at 31.12.2010	Fair value as at 31.12.2010
Financial assets					
Financial derivatives					
Financial derivatives at fair value through profit or loss		511.0	511.0	382.1	382.1
Financial derivatives subject to hedge accounting		36.4	36.4	154.5	154.5
Financial assets at fair value through profit or loss, initial recognition					
Shares and similar interests	12	4,021.7	4,021.7	4,282.9	4,282.9
Bonds and other fixed income securities		19,747.1	19,747.1	18,389.9	18,389.9
Financial assets held to maturity					
Bonds held to maturity		11,693.4	12,017.2	14,497.5	14,923.7
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	10	9,235.9	9,106.2	5,163.1	5,154.8
Loans	10	15,220.6	15,220.6	14,374.7	14,376.7
Receivables related to direct operations and reinsurance	10	3,791.1	3,791.1	3,585.1	3,585.1
Other receivables	10	227.6	227.6	342.2	342.2
Prepaid expenses and earned, not received income	10	108.9	108.9	84.5	84.5
Cash and cash equivalents	11, 25	3,513.3	3,513.3	2,889.9	2,889.9
Total financial assets		68,107.1	68,301.1	64,146.6	64,566.5
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		69.4	69.4	155.3	155.3
Financial liabilities at fair value through profit or loss, initial recognition					
Interest-bearing liabilities at fair value through profit or loss	15	308.2	308.2	303.8	303.8
Financial liabilities at amortised cost					
Deposits from and liabilities to customers, bank	15	9,776.2	9,776.2	9,120.0	9,120.0
Interest-bearing liabilities	15	4,955.2	4,930.2	4,951.1	4,930.4
Other liabilities	15	1,172.6	1,172.6	1,234.4	1,234.4
Liabilities related to direct insurance	15	477.1	477.1	392.5	392.5
Accrued expenses and deferred income	15	262.2	262.2	210.7	210.7
Total financial liabilities		17,021.0	16,996.0	16,367.7	16,347.0
Gain/(loss) not recognised in profit or loss			218.9		440.6

FAIR VALUE

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in a transaction carried out at arm's length distance. All financial assets and liabilities are recognised initially at fair value. In the normal course of business, fair value of a financial instrument on initial recognition is the transaction price.

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

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 transaction transactions at arm's length distance. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

The following financial assets/liabilities 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.).

9 – FINANCIAL ASSETS AND LIABILITIES (CONT.)

- 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.

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 values (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture capital Valuation) set out by the Equity Venture Capital Association. The NAV values are estimated by the fund administrators by using the valuation techniques best suited to estimate fair value, given the actual circumstances of each underlying investment. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value. These values are then adjusted for known events since the last reporting date. The typical known event is the increase/decrease in value on listed shares owned by a fund.
- Real estate funds. The real estate funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.
- Gjensidige's investment in Gjensidige Pensjonskasse. The investment is valued equal to the paid-in equity.

SENSITIVITY FINANCIAL ASSETS LEVEL THREE

The sensitivity analysis for financial assets valued based on non-observable market data show the gain/loss of realistic and plausible market scenarios. A decrease in value of ten per cent is considered a realistic and plausible market scenario for both shares and similar interests and for bonds and other fixed income securities that are included in level three in the valuation hierarchy.

VALUATION HIERARCHY 2011

The table shows a valuation hierarchy where financial assets/liabilities measured at fair value through profit or lossare divided into three levels based on the method of valuation.

NOK million	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	419.1	91.9		511.0
Financial derivatives subject to hedge accounting		36.4		36.4
Financial assets at fair value through profit or loss, initial recognition				
Shares and similar interests	712.6	1,356.4	1,952.8	4,021.7
Bonds and other fixed income securities	9,615.3	10,107.9	24.0	19,747.1
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		69.4		69.4
Financial liabilities at fair value through profit or loss, initial recognition				
Interest-bearing liabilities at fair value through profit or loss		308.2		308.2

9 – FINANCIAL ASSETS AND LIABILITIES (CONT.)

RECONCILIATION FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2011

NOK million	As at 1.1.2011	Net realised/unrealised gains recognised in profit or loss	Purchases	Sales	Settlements	Transfers into or out of level 3	As at 31.12.2011	Amount of net unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2011
Shares and similar interests	1,772.8	215.0	260.4	(63.7)	(231.8)		1,952.8	205.0
Bonds and other fixed income securities	8.5	15.3					24.0	
Total	1,781.4	230.3	260.4	(63.7)	(231.8)		1,976.7	205.0

SENSITIVITY FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2011

NOK million		Sensitivity
Shares and similar interests	Decrease in value 10 %	195.3
Bonds and other fixed income securities	Decrease in value 10 %	2.4
Total		197.7

VALUATION HIERARCHY 2010

The table shows a valuation hierarchy where financial assets/liabilities measured at fair value through profit or loss are divided into three levels based on the method of valuation.

NOK million	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	83.2	298.9		382.1
Financial derivatives subject to hedge accounting		154.5		154.5
Financial assets at fair value through profit or loss, initial recognition				
Shares and similar interests	252.1	2,258.0	1,772.8	4,282.9
Bonds and other fixed income securities	12,148.4	6,233.0	8.5	18,389.9
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		155.3		155.3
Financial liabilities at fair value through profit or loss, initial recognition				
Interest-bearing liabilities at fair value through profit or loss		303.8		303.8

RECONCILIATION FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2010

NOK million	As at 1.1.2010	Net realised/unrealised gains recognised in profit or loss	Purchases	Sales	Settlements	Transfers into or out of level 3	As at 31.12.2010	Amount of net unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2010
Shares and similar interests	1,200.9	92.5	732.3	(149.1)	(103.7)		1,772.8	81.4
Bonds and other fixed income securities	9.0	(0.5)					8.5	
Sum	1,209.9	92.0	732.3	(149.1)	(103.7)		1,781.4	81.4

SENSITIVITY FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2010

NOK million		Sensitivity
Shares and similar interests	Decrease in value 10 %	177.3
Bonds and other fixed income securities	Decrease in value 10 %	0.9
Total		178.1

9 – FINANCIAL ASSETS AND LIABILITIES (CONT.)

HEDGE ACCOUNTING

Gjensidige Forsikring utilizes hedge accounting of currency of the net investment in the foreign operation. The hedging efficiency is measured per heding object. The hedging instruments are rolled over continously so that the principal value is approximately similar to that of the hedged object.

Fair Forsikring A/S NOK million	Principal	Market value as at 31.12.2011 Asset	 Liability	Ineffiency recognised in profit or loss
Currency-related contracts - hedging instruments				
Hedging object				
Per cent	**1 q**	**2 q**	**3 q**	**4 q**
Hedging efficiency - prospective	100.0 %	101.5 %	N/A	N/A
Hedging efficiency - retrospective	100.2 %	100.3 %	N/A	N/A

The net investment in Fair Forsikring is hedged through currency-related contracts that are renewed every quarter at a principal equal to the value of the investment in Fair Forsikring in Gjensidige's cosolidated financial statements. The credit risk associated with the hedging derivatives is within the limits of Gjensidige's credit policy. Fair Forsikring was liquidated in the second quarter in 2011.

The effect of the hedge accounting is a gain on the hedging instruments of NOK 6.5 million, which is reclassified from net income from investments to exchange differences on the net investment.

Nykredit Forsikring A/S NOK million	Principal	Market value as at 31.12.2011 Asset	 Liability	Ineffiency recognised in profit or loss
Currency-related contracts - hedging instruments	1,256.8	15.7		0.1
Hedging object	1,229.3			
Per cent	**1 q**	**2 q**	**3 q**	**4 q**
Hedging efficiency - prospective	100.0 %	107.4 %	106.4 %	105.2 %
Hedging efficiency - retrospective	106.4 %	105.2 %	93.2 %	100.6 %

Gjensidige Forsikring ASA initiated hedge accounting of the currency exposure of the net investment in the fully owned subsidiary Nykredit Forsikring A/S on 1 Oktober 2010. The net investment in Nykredit Forsikring is hedged through currency-related contracts that are renewed every quarter at a principal equal to the value of the investment in Nykredit Forsikring in Gjensidige's consolidated financial statements. The credit risk associated with the hedging derivatives is within the limits of Gjensidige's credit policy.

The effect of the hedge accounting is a gain on the hedging instruments of NOK 7.7 million, which is reclassified from net income from investments to exchange differences on the net investment.

Gjensidiges Arbejdsskadeforsikring A/S NOK million	Principal	Market value as at 31.12.2011 Asset	 Liability	Ineffiency recognised in profit or loss
Currency-related contracts - hedging instruments	652.8	9.9		
Hedging object	644.2			
Per cent	**1 q**	**2 q**	**3 q**	**4 q**
Hedging efficiency - prospective	N/A	100.0 %	100.0 %	100.0 %
Hedging efficiency - retrospective	N/A	100.0 %	99.6 %	100.0 %

Gjensidige Forsikring ASA initiated hedge accounting of the currency exposure of the net investment in the fully owned subsidiary Gjensidige Arbejdsskadeforsikring A/S on 1 April 2011. The net investment in Gjensidiges Arbejdsskadeforsikring is hedged through currency-related contracts that are renewed every quarter at a principal equal to the value of the investment in Gjensidiges Arbejdsskadeforsikring in Gjensidige's consolidated financial statements.The credit risk associated with the hedging derivatives is within the limits of Gjensidige's credit policy.

The effect of the hedge accounting is a gain on the hedging instruments of NOK 2.4 million, which is reclassified from net income from investments to exchange differences on the net investment.

Gjensidige Forsikring ASA, Danish branch NOK million	Principal	Market value as at 31.12.2011 Asset	 Liability	Ineffiency recognised in profit or loss
Currency-related contracts - hedging instruments	888.7	10.9		
Hedging object	897.4			
Per cent	**1 q**	**2 q**	**3 q**	**4 q**
Hedging efficiency - prospective	N/A	100.0 %	100.0 %	100.0 %
Hedging efficiency - retrospective	N/A	100.0 %	109.0 %	98.1 %

Gjensidige Forsikring ASA initiated hedge accounting of the currency exposure of the net investment in the Danish branch. The net investment in the Danish branch is hedged through currency-related contracts that are renewed every quarter at a principal equal to the value of the investment in the Danish branch.The credit risk associated with the hedging derivatives is within the limits of Gjensidige's credit policy.

The effect of the hedge accounting is a gain on the hedging instruments of NOK 1.8 million, which is reclassified from net income from investments to exchange differences on the net investment.

10 – LOANS AND RECEIVABLES

NOK million	2011	2010
Mortgage loans	12,459.6	11,016.4
Other loans	401.2	773.3
Provision for impairment losses	(193.7)	(121.8)
Impairment to fair value	(16.3)	(31.2)
Subordinated loans	8.5	8.3
Loans for consumer goods	2,561.4	2,729.6
Bonds classified as loans and receivables	9,235.9	5,163.1
Total loans and other receivables	**24,456.5**	**19,537.8**

Mortgage loans consist mainly of loans from the Gjensidige Bank Group, which primarily target the private segment.

Of other loans 243.5 mill are loans regarding to agricultural customers. The loans are in their entirety intended for installment of fire detection systems with these customers. There is no mortgage attached to the loans, and the terms varies from two years to over 20 years. Gjensidige Forsikring has not offered this type of loan to its customers since 2008. The default rate is 1.69 per cent at year end, compared to 1.5 per cent in 2010. Discounting has been conducted in order to take into account the fact that the loans are non-interest-bearing. The discount rate used is 4.66 per cent.

On 15 December 2009 Gjensidige Bank acquired Citibank's Norwegian portfolio of loans for consumer goods, and as at 31 December 2011 the portfolio of loans for consumer goods consist mainly of this portfolio. The portfolio of loans for consumer goods is spread across Norway. Bonds are securities classified as loans and receivables in accordance with IAS 39.

NOK million	2011	2010
Assets in life insurance with investment options	5,542.1	4,503.6
Total assets in life insurance with investment options	**5,542.1**	**4,503.6**

Assets in life insurance with investment options consist of equity funds, money market funds, bond funds and combination funds. These assets belong to the customers and the customers bear all risk associated with the investments. A corresponding amount is thus carried as a liability under Liabilities in life insurance with investment options.

NOK million	2011	2010
Receivables from policy holders	3,626.2	3,540.5
Receivables related to reinsurance	164.9	44.6
Total receivables related to direct operations and reinsurance	**3,791.1**	**3,585.1**

Gjensidige considers the credit and liquidity risk associated with policy holders to be small, since the outstanding amount per policyholder is relatively small. Provisions for potentially irrecoverable amounts have been made.

Receivables related to reinsurance arise when Gjensidige issues claims towards reinsurers in accordance with reinsurance contracts. Provision for potentially irrecoverable amounts has been made.

Note 3 table 24 shows the age distribution of this receivables.

NOK million	2011	2010
Receivables in relation with property	6.0	11.3
Receivables in relation with asset management	74.8	29.3
Receivables regarding to Gjensidigestiftelsen [1]		34.4
Other receivables and assets	146.8	267.2
Total other receivables	**227.6**	**342.2**

[1] See note 21 for transactions with related parties.

A considerable amount of receivables in relation with asset management as at 31 December 2011 is short-term receivables in relation with sale of securities.

NOK million	2011	2010
Earned, not received interest income	44.8	59.5
Other prepaid expenses and earned, not received income	64.1	25.1
Total prepaid expenses and earned, not received income	**108.9**	**84.5**

11 – CASH AND CASH EQUIVALENTS

NOK million	2011	2010
Deposits with financial institutions	408.6	217.1
Cash and bank deposits	3,104.7	2,672.8
Total cash and cash equivalents	**3,513.3**	**2,889.9**

Cash and bank deposits are cash and bank deposits available for day to day business. Deposits with financial instistutions consist of short-term currency deposits and other short-term credit deposits.

Weighted average rate for interest earned on cash, bank deposits and deposits with financial institutions is approximately 2.4 per cent (3.1).

12 – SHARES AND SIMILAR INTERESTS

NOK million	Interest held beyond 10 %	31.12.2011
GJENSIDIGE FORSIKRING ASA		
Norwegian financial shares		
Ringerikes Sparebank		24.0
DnB NOR ASA		11.1
Indre Sogn Sparebank		0.2
Total Norwegian financial shares		**35.3**
Other Norwegian shares		
Statoil ASA		36.5
Norsk Hydro ASA		22.8
Orkla ASA		18.2
Yara International ASA		13.0
Petroleum Geo-Services ASA		12.0
Telenor ASA		11.6
Aker Solutions ASA		10.1
Schibsted ASA		9.6
Odfjell SE		7.1
Solstad Offshore ASA		6.9
Norwegian Air Shuttle ASA		5.6
Austevoll Seafood ASA		5.3
Other Norwegian shares		4.8
Total other Norwegian shares		**163.5**
Other foreign shares		
CSETF ON S&P 500		96.0
Pacific Drilling LTD		11.1
Subsea 7 S A		9.2
Royal Caribbean Cruises		8.5
Other foreign shares		13.1
Total other foreign shares		**137.9**
Equity funds		
Capital Intl Emerging Mkt-I		166.4
Valueinvest Lux GLB-IC		80.0
NUVEEN Trade Global All-Cap ESG Fund		75.7
DnB NOR Globalspar II		0.2
Total equity funds		**322.2**
Private equity investments		
HitecVision Private Equity V LP		173.2
FSN Capital II LP		132.5
HitecVision Private Equity IV LP		116.7
Altor Fund II LP		78.5
Northzone V KS		68.8
Northzone IV KS	10.8 %	56.4
Partners Group European Buyout 2005 (A) LP		51.5
Argentum Secondary II		48.9
Energy Ventures III LP		44.9

12 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	Interest held beyond 10 %	31.12.2011
Norvestor V LP		40.8
Viking Venture III DIS		32.0
Verdane Capital VI KS	10.0 %	31.3
Energy Ventures II B IS	17.4 %	31.0
Partners Group Direct Investments 2006 LP		30.3
Energy Ventures II KS		28.0
HitecVision Asset Solution KS		27.6
LGT Crown European Private Equity PLC		26.6
Viking Venture II AS		23.0
CapMan BO IX LP		22.4
NeoMed Innovation IV LP		20.9
BaltCap PEF LP		20.7
Norvestor IV LP		17.7
Nordic PEP 1 IS (Altor fund III)	12.3 %	15.1
Teknoinvest VIII KS (inkl. Teknoinv. VIII (GP) KS)	13.9 %	13.1
Convexa Capital VIII AS - klasse B		11.1
Verdane Capital V B KS		10.6
Teknoinvest VIII B DIS	15.7 %	9.9
Verdane Capital VII KS		9.4
Fjord Invest AS		8.9
Northzone VI L.P.		8.1
Viking Venture II B IS	16.9 %	6.1
Kapnord Fond AS		5.5
Axcel IV		5.1
Viking Venture AS		4.4
Helgeland Invest		4.0
Tun Media (Landbrukets Medieselskap AS)		3.7
Convexa Capital IV		3.2
BTV Investeringsfond AS		3.0
Norchip AS		2.5
Rogaland Kunnskapsinvest		2.5
Convexa Capital IV		2.4
Norinnova		2.1
Energy Ventures IV LP		1.8
Berger Eiendom		1.7
Midvest I A		1.6
Såkorninvest Sør		1.5
Energy Ventures IS	17.5 %	1.4
Norinnova Invest AS		1.3
HitecVision VI LP		1.1
Midvest II A		1.0
Teknoinvest VIII C IS	26.8 %	1.0
Other private equity investments		5.5
Total private equity investments		**1,272.7**
Hedgefunds		
Winton Futures Fund- Lead Series		191.4
The Winton Evolution Fund		113.6
Sector EuroPower Fund Class A EUR		78.4
Winton Evolution fund, Class H- Euro		67.6
Sector Speculare IV Fund Class A USD		19.8
Sector Maritime Investment Class A		15.5
Sector Speculare II Fund Class A USD		13.4
HORIZON TACTICAL TRAD USD-B		10.1
Sector Maritime Investment Class A1		7.2
Sector Exspec Fund Class A USD		3.9
Sector Consolidare Fund USD		2.4
Sector Spesit I Fund Class A USD		1.9
Total hedgefunds		**525.2**

12 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	Interest held beyond 10 %	31.12.2011
Real estate funds		
CEREP II		73.2
CEREP III		89.6
CEREP		15.6
La Salle		43.2
Total real estate funds		221.6
Combination funds		
FORTIS L FUND-BD CONV WRLD-I		674.7
Total combination funds		674.7
Other investments		
Gjensidige Pensjonskasse	94.7 %	111.0
Total other investments		111.0
Shares and similar interests owned by other branches		
Shares and similar interests owned by Gjensidige Forsikring ASA, Danish branch		2.1
Total shares and similar interests owned by other branches		2.1
TOTAL SHARES AND SIMILAR INTERESTS OWNED BY GJENSIDIGE FORSIKRING ASA		3,466.2
SHARES AND SIMILAR INTERESTS HELD BY OTHER GROUP COMPANIES		
Shares and similar interests owned by Gjensidige Pensjonsforsikring AS		10.0
Shares and similar interests owned by Gjensidige Bank ASA		501.8
Shares and similar interests owned by Nykredit Forsikring A/S		5.6
Shares and similar interests owned by Oslo Areal AS		18.4
Shares and similar interests owned by Glitne Invest AS		19.7
TOTAL SHARES AND SIMILAR INTERESTS OWNED BY OTHER GROUP COMPANIES		555.5
TOTAL SHARES AND SIMILAR INTERESTS OWNED BY THE GJENSIDIGE INSURANCE GROUP		4,021.7

13 – INSURANCE-RELATED LIABILITIES AND REINSURERS' SHARE

NOK million	2011	2010
Short-term insurance contracts, gross		
Provision for unearned premiums, gross	9,531.4	9,078.3
Claims reported and claims handling costs	13,457.4	13,765.0
Claims incurred, but not reported	16,504.1	14,574.4
Total claims provision, gross	29,961.6	28,339.3
Other insurance related provisions	126.9	119.0
Total insurance-related liabilities, gross	39,619.9	37,536.6
Short-term insurance contracts, reinsurers' share		
Reinsurers' share of unearned premiums, gross	15.2	27.6
Claims reported and claims handling costs	841.4	362.4
Claims incurred, but not reported	166.1	97.0
Total reinsurers' share of claims provision, gross	1,007.5	459.4
Total reinsurers' share of insurance-related liabilities, gross	1,022.8	487.0
Short-term insurance contracts, net of reinsurance		
Provision for unearned premiums	9,516.2	9,050.7
Claims reported and claims handling costs	12,616.0	13,402.6
Claims incurred, but not reported	16,338.0	14,477.3
Total claims provision, net of reinsurance	28,954.0	27,879.9
Total insurance related provisions	126.9	119.0
Total insurance-related liabilities, net of reinsurance	38,597.1	37,049.6

13 – INSURANCE-RELATED LIABILITIES AND REINSURERS' SHARE (CONT.)

Movements in insurance-related liabilities and reinsurers' share	2011 Gross	2011 Reinsurers' share	2011 Net of re-insurance [1]	2010 Gross	2010 Reinsurers' share	2010 Net of re-insurance [1]
Claims and claims handling costs						
Claims reported and claims handling costs	13,765.0	(362.4)	13,402.6	13,609.7	(218.6)	13,391.1
Claims incurred, but not reported	14,574.4	(97.0)	14,477.3	12,247.5	(8.1)	12,239.4
Total as at 1 January	**28,339.3**	**(459.4)**	**27,879.9**	**25,857.2**	**(226.7)**	**25,630.5**
Acquisitions through business combinations				1,133.2	(50.6)	1,082.6
Claims paid, prior year claims	(7,005.8)	445.6	(6,560.2)	(6,258.8)	118.7	(6,140.1)
Increase in liabilities						
Arising from current year claims	14,928.4	(1,681.6)	13,246.7	14,284.9	(455.2)	13,829.6
- of this paid	(6,204.1)	688.3	(5,515.8)	(6,033.0)	135.7	(5,897.3)
Arising from prior year claims (run-off)	(364.9)	(1.4)	(366.3)	(314.0)	12.8	(301.1)
Other changes, including effects from discounting	288.9		288.9	(20.4)		(20.4)
Exchange differences	(20.2)	1.0	(19.2)	(309.8)	5.8	(304.0)
Total as at 31 December	**29,961.6**	**(1,007.5)**	**28,954.0**	**28,339.3**	**(459.4)**	**27,879.9**
Claims reported and claims handling costs	13,457.4	(841.4)	12,616.0	13,765.0	(362.4)	13,402.6
Claims incurred, but not reported	16,504.1	(166.1)	16,338.0	14,574.4	(97.0)	14,477.3
Total as at 31 December	**29,961.6**	**(1,007.5)**	**28,954.0**	**28,339.3**	**(459.4)**	**27,879.9**
Provisions for unearned premiums, gross, short-term insurances						
As at 1 January	9,078.3	(27.6)	9,050.7	7,671.7	(12.6)	7,659.1
Additions through acquisitions				855.7	(0.3)	855.4
Increase in the period	18,602.9	(916.6)	17,686.3	(17,224.3)	427.0	(16,797.3)
Release in the period	(18,148.6)	928.2	(17,220.4)	17,841.4	(442.3)	17,399.1
Exchange differences	(1.2)	0.8	(0.4)	(66.3)	0.6	(65.7)
Total as at 31 December	**9,531.4**	**(15.2)**	**9,516.2**	**9,078.3**	**(27.6)**	**9,050.7**

[1] For own account.

NOK million	2011	2010
Discounted claims provision, gross - Gjensidiges Arbejdsskadeforsikring A/S	3,960.9	3,515.4
Undiscounted claims provision, gross - Gjensidiges Arbejdsskadeforsikring A/S	5,011.9	4,853.0

The claims provisions shall cover future claims payments. The claims provisions for Gjensidiges Arbejdsskadeforsikring A/S are converted to present value (discounted), whereas other provisions are undiscounted.

The reason why the claims provisions for Gjensidiges Arbejdsskadeforsikring A/S are discounted is that this portfolio consists exclusively of Danish workers' compensation business with very long payment 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.

The discount rate that is used has been determined by Finanstilsynet (the Financial Supervisory Authority) in Denmark pursuant to Danish accounting standards (Danish GAAP).

14 – PENSION

Gjensidige Forsikring is required to have an occupational pension plan pursuant to the Mandatory Occupational Pension Act. The company's pension plans meet the requirements of the Act.

The defined benefit plan is a closed arrangement. New employees become members of the defined contribution plan.

DEFINED CONTRIBUTION PLAN

Defined contribution plan is a private pension plan which is a supplement to the National Insurance. Contributions from the pension plan come in addition to retirement pension from the National Insurance. The retirement age is 67 years.

The plan also includes disability pension and spouse and child's pension subject to specific rules.

In Gjensidige Forsikring the employees are given contributions in accordance with the limits for tax-free contributions, at the time being five per cent of salary from 1 to 6 times the social security base amount and eight per cent from 6 to 12 times the social security base amount.

Some of Gjensidige Forsikring's branches and subsidiaries have similar defined contribution plans as Gjensidige Forsikring.

Contribution to the defined contribution plan is recognised as an expense in the financial year in which the contribution is paid.

Amount recognised as expense for the defined contribution plan is NOK 96.2 million (81.2). Amount recognised in 2011 includes premium to Fellesordningen for LO/NHO.

DEFINED BENEFIT PLAN

The retirement pension together with contributions from the National Insurance and taken into consideration paid-up policies, constitutes about 70 per cent of salary at retirement age, provided a completed contribution time of 30 years. The retirement age is 67 years, while as for the underwriters a retirement age of 65 years applies.

The plan also includes disability pension and spouse and child's pension subject to specific rules. In addition, Gjensidige Forsikring has pension liabilities beyond the ordinary collective plan for some employees. This applies to employees with a lower retirement age, employees with salaries above 12 times the social security base amount and supplementary pensions.

Pension liabilities are measured at the present value of future pension benefits that for accounting purposes are considered as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the time of retirement. Estimated liability at the reporting date is used when measuring accrued pension liability. Plan assets are measured at fair value. For the valuation of pension funds, estimated value at the reporting date is used. Net pension liability is the difference between the present value of the pension liability and the fair value of the plan assets. A provision is recognised for employers' national insurance contributions in periods of underfunding. Net pension liability is presented in the balance sheet under the line Pension liabilities.

Difference between estimated pension liability and estimated value of plan assets as at last financial year and estimated pension liability and fair value of plan assets as at the beginning of this year is recognised in other comprehensive income.

In the calculation for 2010 the reduced discount rate and salary adjustment yielded a negative effect on equity of more than NOK 100 million. In 2011, the negative effect on equity of more than NOK 300 million was mainly due to the reduced discount rate.

The group expects to contribute NOK 128.4 million to the defined benefit plan in 2011 (119.4).

Gjensidige Forsikring ASA with subsidiaries has changed the agreement with regard to the defined benefit plan with Gjensidige Pensjonskasse to a defined benefit plan with investment options. According to this plan the return, not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring ASA with subsidiaries.

NOK million	2011	2010
Present value of the defined benefit obligation		
As at 1 January	2,783.4	2,765.6
Current service cost	62.8	73.4
Interest cost	96.8	105.4
Actuarial gains and losses	253.7	115.8
Benefits paid	(144.5)	(139.2)
Past service costs	(1.0)	(96.6)
Business combinations	(122.8)	(38.1)
Foreign currency exchange rate changes	(0.2)	(2.9)
As at 31 December	**2,928.4**	**2,783.4**
Amount recognised in the balance sheet		
Present value of unfunded plans	445.0	432.7
Present value of funded plans	2,483.4	2,350.8
Present value of the defined benefit obligation	**2,928.4**	**2,783.4**
Fair value of plan assets	(2,089.4)	(2,160.2)
Net defined benefit obligation	**839.0**	**623.3**
Employers' national insurance contributions	112.6	82.0
Net pension liability in the balance sheet	**951.6**	**705.3**

14 – PENSION (CONT.)

NOK million	2011	2010
Fair value of plan assets		
As at 1 January	2,160.2	2,080.7
Expected return on plan assets	98.8	119.0
Actuarial gains and losses	(52.2)	16.5
Contributions by the employer	125.3	116.2
Benefits paid	(142.8)	(140.6)
Business combinations	(99.9)	(31.6)
As at 31 December	**2,089.4**	**2,160.2**
Expense recognised in profit or loss		
Current service cost	62.8	73.4
Interest cost	96.8	105.4
Expected return on plan assets	(98.8)	(119.0)
Past service cost	(1.0)	(96.6)
Employers' national insurance contributions	8.5	(5.2)
Total defined benefit pension cost	**68.3**	**(42.0)**
The expense is recognised in the following line items in the income statement		
Total operating expenses	68.3	(42.0)
Actuarial gains and losses recognised in other comprehensive income		
Cumulative amount as at 1 January	(2,124.0)	(2,005.9)
Recognised during the period	(339.8)	(118.0)
Disposed companies	(13.3)	
Exchange differences	1.0	
Cumulative amount as at 31 December	**(2,476.1)**	**(2,124.0)**
Plan assets comprise		
Equities		11.8 %
Corporate bonds	81.1 %	78.8 %
Money market funds	13.3 %	6.2 %
Other	5.7 %	3.3 %
Total plan assets	**100.0 %**	**100.0 %**
Expected rates of return on plan assets		
Certificates	2.7 %	2.7 %
Equities	8.0 %	8.0 %
Corporate bonds	5.5 %	5.5 %
Money market funds	2.7 %	2.7 %
Properties	6.0 %	6.0 %
Other	7.0 %	7.0 %

Expected rates of return on plan assets are based on current asset allocations. Expected return is determined in conjunction with external advisers and takes into account both current and future market expectations when these are available and historical returns. The actual return on plan assets amounted to 3.27 per cent in 2011 (6.57).

The discount rate is based on ten years government bonds in Norway, adjusted for the duration of the pension liabilities. The discount rate is the assumption that has the largest impact on the value of the pension liability. Salary increases, pension increases and change in social security base amount are based on historical observations and expected future inflation. Due to an average age of above 50 years on employees in the defined benefit plan the salary increase does not contain a career addition, and determined salary increase can therefore be lower than in the market in general. The decreasing salary trend applied for 2011 gives an average salary increase of 2.7 per cent (3.5).

	2011	2010
Actuarial assumptions		
Discount rate	2.80 %	3.70 %
Expected return on plan assets	4.50 %	5.80 %
Future salary increases	2.70 %	3.50 %
Change in social security base amount	3.50 %	3.25 %
Future pension increases	2.25 %	2.00 %
Employers national insurance contributions	14.10 %	14.10 %
Staff turnover before/after 40 years	Decreasing	Decreasing
Probability of AFP early retirement	N/A	N/A

14 – PENSION (CONT.)

Sensitivity	+1 % discount rate	-1 % discount rate	+1 % salary adjustment	-1 % salary adjustment
2011				
Change in pension benefits accrued during the year	(17.3 %)	22.6 %	18.8 %	(15.0 %)
Change in pension liability	(12.6 %)	15.8 %	5.7 %	(4.7 %)
2010				
Change in pension benefits accrued during the year	(16.2 %)	22.9 %	20.0 %	(15.0 %)
Change in pension liability	(11.8 %)	15.1 %	6.4 %	(5.1 %)

NOK million	2011	2010	2009	2008	2007
Historical information					
Present value of the defined benefit obligation	2,928.4	2,783.4	2,765.6	3,100.7	2,746.8
The fair value of the plan assets	(2,089.4)	(2,160.2)	(2,080.7)	(1,858.1)	(1,660.5)
Deficit in the plan	**839.0**	**623.3**	**684.9**	**1,242.6**	**1,086.3**

CONTRACTUAL PENSION (AFP)

The liability to pay own risk according to the former arrangement is accounted for as a business specific defined benefit plan. Own risk are still to be paid until the pension liability is fulfilled for the company's own early retirees choosing the former AFP plan. Pension liability for former employees that have chosen to retire before 1 January 2011 is fulfilled as originally planned until everybody has reached 67 years. Hence there will not be a settlement for this group of employees.

All employees who turned 62 years after 1 January 2011 were entitled to apply for pension according to new AFP arrangement as from 1 January 2011. This implies that the liability regarding earned rights is fully repealed.

New AFP constitutes a lifelong addition to retirement pension from the National Insurance and is estimated based on pensionable salary including the year in which he or she is 61 years. AFP can earliest be applied for from the age of 62 years. Yearly AFP will increase by a higher age of withdrawal.

AFP is a defined benefit pension plan and should intentionally be accounted for as a pension liability in the balance sheet. There is, however, not sufficient information to recognise a liability in the financial statements for 2010 and the arrangement is therefore recognised as a defined contribution plan.

The transition to new AFP arrangement is accounted for as a negative past service cost of NOK 96.6 million and is recognised as income in 2010.

No premium to Fellesordningen for LO/NHO was paid for 2010.

15 – PROVISIONS AND OTHER LIABILITIES

NOK million	2011	2010
Restructuring cost [1]	70.0	54.7
Other provisions	104.9	83.8
Total other provisions for liabilities	**174.9**	**138.5**
Deposits from and liabilities to customers without maturity date	9,391.6	8,902.8
Deposits from and liabilities to customers with maturity date	384.6	217.3
Deposits from and liabilities to customers, bank	**9,776.2**	**9,120.0**
Cash credit		52.5
Liabilities to credit institutions, bank	513.1	513.1
Certificates and other short-term loan instruments, bank		1,049.8
Liabilities to bond debt, bank	4,750.3	3,639.5
Total interest-bearing liabilities	**5,263.4**	**5,254.9**
Outstanding accounts Fire Mutuals	165.0	190.2
Accounts payable	125.3	100.4
Liabilities in relation with properties	54.0	26.5
Liabilities in relation with asset management	8.8	
Liabilities to public authorities	364.0	466.6
Other liabilities	455.4	450.7
Total other liabilities	**1,172.6**	**1,234.4**
Liabilities related to direct insurance	253.7	295.8
Liabilities related to reinsurance	223.4	96.7
Total liabilities related to insurance	**477.1**	**392.5**
Liabilities in life insurance with investment options	5,542.1	4,503.6
Total liabilities in life insurance with investment options	**5,542.1**	**4,503.6**
Liabilities to public authorities	22.5	22.6
Other accrued expenses and deferred income	239.8	188.1
Total accrued expenses and deferred income	**262.2**	**210.7**
Restructuring cost [1]		
Provisions as at 1 January	54.7	72.1
New provisions	50.0	25.0
Provisions used during the year	(34.7)	(42.4)
Provision as at 31 December	**70.0**	**54.7**

[1] In 2011 it has been decided to make a new provision of NOK 40.0 million in association with the restructurering and new distribution strategy for the Private marked. It has also been decided to make an new provision of NOK 10.0 million in association with the ongoing effeciency improvement measure of Commercial function started in 2010. These processes have been communicated to all business areas involved. During 2011 there have been used NOK 34.7 million of the provisions for 2010.

16 – TAX

NOK million	2011	2010
Spfication of tax expense		
Tax payable	(845.3)	(619.2)
Correction previous years	(35.4)	73.1
Change in deferred tax	(18.8)	242.5
Total tax expense	**(899.5)**	**(303.6)**

Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets are offset when there is a legally enforceable right to offset those assets/liabilities and when deferred tax liabilities/deferred tax assets relate to the same fiscal authority. The amounts offset are as follows

Taxable temporary differences	2011	2010
Shares, bonds and other securities	189.2	295.5
Properties	1,794.7	1,827.9
Security provisions etc.	3,048.5	2,973.7
Profit and loss account	378.5	365.4
Total taxable temporary differences	**5,410.9**	**5,462.6**

16 – TAX (CONT.)

NOK million	2011	2010
Deductible temporary differences		
Plant and equipment and intangible assets	(600.3)	(671.1)
Loans and receivables	(82.7)	(101.8)
Provisions for liabilities	(139.3)	(62.3)
Claims provision	(7.5)	(15.3)
Other deductible temporary differences	(34.2)	(6.3)
Pension liabilities	(963.6)	(699.9)
Total deductible temporary differences	**(1,827.6)**	**(1,556.9)**
Net temporary differences	**3,583.3**	**3,905.7**
Loss carried forward	(4.5)	(18.4)
Disparagement of deferred tax assets		3.1
Net taxable temporary differences	**3,578.8**	**3,890.4**
Deferred tax liabilities/(deferred tax assets)	**996.2**	**1,075.1**
Of this non-assessed deferred tax assets	**7.4**	**199.4**
Deferred tax liabilities	**1,003.6**	**1,274.6**
Reconciliation of tax expense		
Profit before tax expense	*3,647.4*	*3,254.0*
Estimated tax of profit before tax expense (28 %)	(1,021.3)	(911.1)
Tax effect of		
Tax rate different from 28 % and change in tax rate	5.5	28.1
Disparagement and reversal of loss carried forward in subsidiaries	3.1	
Dividend received	344.1	3.4
Tax exempted income and expenses	(319.3)	53.2
Associates	120.5	136.9
Impairment loss on goodwill and recognition of negative goodwill	(5.4)	(31.1)
Non deductible expenses	(7.8)	(17.3)
One-time effect of tax relief decision	16.5	333.0
Other permanent differences		28.3
Correction previous years	(35.4)	73.1
Total tax expense	**(899.5)**	**(303.6)**
Effective rate of income tax	24.7 %	9.3 %
Loss and dividend tax deduction carried forward		
2012		
2013		
2014		
2015		
2016		
Later or no due date	16.1	77.0
Total loss and dividend tax deduction carried forward	**16.1**	**77.0**
Change in deferred tax		
Deferred tax liabilities as at 1 January	1,075.1	1,205.5
Change in deferred tax recognised in profit or loss	18.8	(242.5)
Change in deferred tax recognised directly in the balance sheet		
Pensions	(95.2)	(33.1)
Hedge accounting	6.8	20.2
Companies sold and purchased	(1.9)	148.7
Other changes in deferred tax	(9.4)	(21.9)
Exchange differences	2.0	(1.9)
Deferred tax liabilities as at 31 December	**996.2**	**1,075.1**

16 – SKATT (FORTS.)

NOK million	2011	2010
Tax recognised in other comprehensive income		
Pensions	95.2	33.1
Deferred tax on hedge accounting	(6.8)	20.2
Tax payable on hedge accounting	1.4	41.6
Tax payable on dividend expenses		13.2
Exchange differences	**89.8**	**108.2**
Tax recognised directly in equity		
Tax payable on dividend expenses		13.2
Total tax recognised directly in equity		**13.2**

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 have been incorporated into the tax expense and tax liabilities from the fourth quarter of 2010. The tax relief decision involves greater complexity and discretionary assessments, 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.

17 – EXPENSES

OPERATING EXPENSES

NOK million	2011	2010
Depreciation and value adjustments (note 5 and note 7), excl. depreciation properties	417.7	468.8
Employee benefit expenses (note 18)	1,933.0	1,855.8
Fee for customer representatives	4.5	7.1
Software costs	365.0	375.2
Auditor's fee (incl. VAT)	13.2	16.7
Consultants' and lawyers' fees	132.6	114.0
Commissions	636.2	655.9
Other expenses	370.2	591.8
Total operating expenses	**3,872.5**	**4,085.3**

EXPENSES RELATED TO INVESTMENTS

NOK million	2011	2010
Depreciation and value adjustments (note 5 and note 7)	33.4	6.5
Employee benefit expenses (note 18)	13.5	14.4
Software costs	0.4	0.3
Auditor's fee (incl. VAT)	1.0	1.4
Consultants' and lawyers' fees	2.5	4.7
Other expenses	141.9	115.0
Total expenses related to investments	**192.6**	**142.4**

OTHER SPECIFICATIONS

NOK million	2011	2010
Auditor's fee (incl. VAT)		
Statutory audit	6.1	9.6
Other non-assurance services	7.4	8.3
Tax consultant services	0.7	0.1
Total auditor's fee (incl. VAT)	**14.2**	**18.1**
Employee benefit expenses		
Wages and salaries	1,482.1	1,536.3
Social security cost	299.0	287.3
Pension cost - defined contribution plan (note 14 incl. social security cost)	96.2	81.2
Pension cost - defined benefit plan (note 14 incl. social security cost)	68.3	(42.0)
Stock purchase offering for employees	0.9	7.5
Total employee benefit expenses	**1,946.5**	**1,870.3**

18 – SALARIES AND REMUNERATION

	2011	2010
Average number of employees	3,479	4,008

THE BOARD OF DIRECTORS' 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 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 pay, pension and payments in kind. Variable pay shall be performance-based without being a risk driver.

DECISION-MAKING PROCESS

The Board of Directors has established a remuneration committee consisting of three members: the Chairman of the Board of Directors and two board members.

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

- Drafting proposals for and following up compliance with the Group's guidelines and framework for remuneration
- Annually considering and proposing the remuneration of the CEO
- Annually considering and drafting proposals for the CEO's scorecard
- Acting as adviser to the CEO in connection with the annual assessment of the remuneration of the senior group management
- Considering the management's proposed 'Statement on the stipulation of pay and other remuneration for executive personnel' cf. the Public Limited Liability Companies Act section 6-16a
- Considering other important personnel matters relating to executive personnel.

GUIDELINES FOR THE UPCOMING FINANCIAL YEAR

REMUNERATION OF THE CEO

The CEO's salary and other benefits are stipulated by the Board of Directors 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 pay (bonus) is decided by the Board of Directors 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 pay is not included in the pension basis. The assessment takes into account the enterprise's overall performance targets for return on equity and combined ratio, and an evaluation of the CEO's personal contribution to the Group's development and results, compliance with the Group's vision, values, ethical guidelines, management principles and customer satisfaction.

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, one third of which are allocated 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. 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 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 of Directors. 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 pay (bonus) can be paid to executive personnel on the basis of concrete performance measurements in defined target areas and a discretionary assessment stipulated in scorecards and derived from the Group's strategies and goals. The assessment takes into account a combination of the enterprise's overall performance targets for return on equity and combined ratio, the business unit in question and an evaluation of the person in question's personal contribution, including an overall assessment relating to compliance with the Group's vision, values, ethical guidelines, management principles and customer satisfaction. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are allocated 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 pay 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 members of the senior group management is 62. Of the current members of the senior group management, five are members of the closed defined-benefit pension scheme. Given the full earnings period, they are entitled to a pension of 70 per cent of final salary. Six members are part of the Company's defined-contribution pension scheme. The Company will continue a previously agreed individual pension agreement for one member of the senior group management.

Members of the senior group management have a period of notice of six

18 – SALARIES AND REMUNERATION (CONT.)

months. There is no severance pay arrangement for executive personnel who leave their position in Gjensidige.

REMUNERATION OF EXECUTIVE PERSONNEL WITH SUPERVISORY TASKS

The remuneration of executive personnel with supervisory tasks shall be independent of the performance of the business area they are in charge of.

Variable pay (bonus) for executive personnel with supervisory functions is based on a discretionary assessment of the contribution of the unit in question measured by scorecards, in addition to their personal contribution. 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. An upper ceiling of 30 per cent of annual salary including holiday pay applies to the payment of bonuses. After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary in order to be able to offer competitive terms.

Variable pay is not included in the pension basis. 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.

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 pay earned in 2012 by the CEO and other employees covered by the Regulations relating to remuneration in financial institutions, 50 per cent of the gross earned variable pay will be given in the form of a promise of shares in Gjensidige Forsikring ASA. One third of the shares will be allocated in each of the following three years.

The CEO and executive personnel are entitled to take part in the Group's share savings programme for employees 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 75,000 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 1,500. For those who keep the shares and are still employed in the Group, one bonus share is awarded for each share they have owned for more than two years.

REPORT ON EXECUTIVE REMUNERATION IN THE PRECEDING FINANCIAL YEAR

With the exception of two employees in the finance department who were offered up to 50 per cent variable pay, the Board confirms that the guidelines on the remuneration of executive personnel for 2011 set out in last year's statement have been complied with.

KEY MANAGEMENT PERSONELL COMPENSATION 2011 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Share-based payment	Loans, advance payments, guarantees, outstanding amount	Interest rate [6]	Applicable conditions and installment plan	Number of options assigned/not redeemed [9]	Numb. of shares held	Retirement conditions
The senior group management											
Helge Leiro Baastad, CEO	4,277.8	1,465.4	259.1	1,881.1	20.2				292	18,878	2
Tor Magne Lønnum (1.1.11-31.5.11), Deputy CEO	2,483.4	1,884.5	152.7	257.0							3
Jørgen Inge Ringdal, Executive Vise President	2,232.4	471.8	202.2	822.1	20.2				292	8,743	2
Trond Delbekk (1.1.11-30.9.11), Executive Vise President	2,136.7	543.6	157.2	300.2							3
Martin Danielsen, Executive Vise President	2,096.8	295.7	39.1	555.8	20.2	4,480.8	3.65 %	31.1.2021	292	7,418	3
Bjørn Asp, Executive Vise President	2,085.2	438.3	203.2	504.4	2.6	5,913.9	3.82-3.89 %	20.7.2033	38	3,918	3
Kim Rud-Petersen, Executive Vise President	2,260.6	246.5	137.6	189.1						2,543	
Lise Westly (1.1.11-15.8.11), Executive Vise President	1,113.6		118.2	68.3							3
Hege Yli Melhus, Executive Vise President	1,874.5	10.0	19.4	181.0	8.0				116	2,067	3
Catharina Hellerud (16.5.11-31.12.11) [1], Executive Vise President	1,226.3	200.0	15.8	150.1	20.2				292	3,442	3
Cecilie Ditlev-Simonsen (1.5.11-31.12.11), Executive Vise President	1,057.8	219.5	16.5	157.7	20.2				292	1,169	3
Sigurd Austin (20.6.11-31.12.11) [1], Executive Vise President	915.8	131.2	21.1	297.6						1,727	3
Kaare Østgaard (20.6.11-31.12.11) [1], Executive Vise President	1,059.7	136.0	21.4	384.8						1,727	3
Mats C. Gottschalk (19.12.11-31.12.11), Executive Vise President				7.3							3
The Board of Directors [5]											
Inge K. Hansen, Chairman	375.8		1.5							11,982	
Randi B. Sætershagen, Deputy Chairman	230.0		1.5							8,982	
Trond V. Andersen	221.0		1.5			85.2	6.81 %	20.08.2014		1,630	
Hans-Erik Andersson	230.0		1.3							1,630	
Mari T. Skjærstad	166.0		1.5								
Gisele Marchand	180.0		1.5							1,358	
Gunnhild H. Andersen, staff representative [7]	200.0		14.9							695	
Kjetil Kristensen, staff representative [7]	195.0		18.0							466	
Gunnar Mjåtvedt, staff representative [7]	238.0		18.0							1,509	
Tor Øwre (1.1.11-31.5.11)	100.0										
Per Arne Bjørge (1.6.11-31.12.11)	110.0		1.5							10,271	

18 – SALARIES AND REMUNERATION (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION 2011 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Share-based payment	Loans, advance payments, guarantees, outstanding amount	Interest rate [6]	Applicable conditions and installment plan	Number of options assigned/ not redeemed [9]	Numb. of shares held	Retirement conditions
The Board of Directors, deputies [5]											
Per Andersen (1.1.11-31.5.11)	9.0										
Per Engebreth Askilsrud (1.1.11-31.5.11)	9.0										
Laila S. Dahlen (1.1.11-31.5.11)	9.0										
Knud Peder Daugaard (1.1.11-31.5.11)	14.0										
Ingun M. Leikvoll (1.1.11-31.5.11)	9.0										
Sissel Johanne Monsvold (1.1.11-31.5.11)	9.0										
Wenche Teigland (1.1.11-31.5.11)	21.8										
Per Gunnar Skorge (1.1.11-31.5.11)											
Marianne Bø Engebretsen (1.1.11-31.5.11), staff representative [7]	9.0		16.8								
Marianne Brinch van Meenen (1.1.11-31.11.11), staff representative [7]	9.0		15.3								
Tore Vågsmyr (1.6.11-31.12.11), staff representative [7]			18.9							580	
Control committee [5]											
Sven Iver Steen, Chairman	343.5		0.5							1,630	
Hallvard Strømme	172.5										
Lieslotte Aune Lee	176.3										
Vigdis Myhre Næsseth, Deputy	111.5										
Supervisory board [4]											
Bjørn Iversen , Chairman	195.0		1.5							816	
Kirsten Indgjerd Værdal, Deputy Chairman	55.5									464	

In addition
43 representatives from the company/Fire Mutuals/organisations/employees.

Paid fee for 2011 include fee for three of four quarters, as a change from payment in advance to payment in arrears was done at the end of the year.

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 Annual fee of NOK ten thousand. There have been three ordinary meetings during 2011.
5 The fee includes fee for subsidiaries.
6 The interest rate is 3.98 nominal in average, unless other is stated.
7 For staff representatives only remuneration for the current position is stated.
8 Everyone has pension plans, benefit or contribution based.
9 In this content, options refer to future bonus shares. See note 27 for terms and further description of the scheme.

KEY MANAGEMENT PERSONELL COMPENSATION 2010 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Loans, advance payments, guarantees, outstanding amount	Number of shares held	Interest rate [6]	Applicable conditions and installment plan	Retirement conditions
The senior group management									
Helge Leiro Baastad, CEO	4,129.3	1,277.6	254.1	1,586.3		6,213			2
Tor Magne Lønnum, Deputy chairman	2,913.7	1,397.0	218.1	663.9		4,213			3
Jørgen Inge Ringdal, Executive Vise President	2,145.5	435.8	194.5	705.5		3,835			2
Trond Delbekk, Executive Vise President	2,390.9	381.7	233.6	658.0		2,319			3
Bjørn Walle (1.1.10-31.8.10) [1], Executive Vise President	1,321.9	269.4	163.8	206.0					4
Petter Bøhler (1.1.10-22.3.10) [1], Executive Vise President	445.3	123.0	46.0	105.8	547.5		3.0 %	20.11.2012	3
Hege Toft Karlsen (1.9.10-31.12.10) [1], Exec. Vise President	591.2	27.7	53.5	76.2	1,965.3	2,348	3.0-3.3 %	16.04.2019	3
Martin Danielsen, Executive Vise President	1,911.2	324.0	162.1	555.8	4,479.6	4,213	3.0-3.3 %	28.04.2019	3
Bjørn Asp, Executive Vise President	2,026.1	418.9	199.2	595.5	5,663.9	3,353	3.0-3.1 %	20.07.2033	3
Kim Rud-Petersen (15.3-31.12.10) [1], Exec. Vise President	2,115.3	223.1	136.5			2,244			
Lise Westly (1.3-31.12.10) [1], Executive Vise President	1,325.8		164.5	309.7		1,502			

18 – SALARIES AND REMUNERATION (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION 2010 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Loans, advance payments, guarantees, outstanding amount	Number of shares held	Interest rate [6]	Applicable conditions and install-ment plan	Retire-ment condi-tions
The Board of directors [6]									
Inge K. Hansen, Chairman	439.0		1.5			5,711			
Randi B. Sætershagen, Deputy Chairman	375.0		3.6			2,711			
Trond V. Andersen	297.5		2.5		113.9	1,482	5.8 %	20.08.2014	
Hans-Erik Andersson	280.0		2.3			1,482			
Mari T. Skjærstad (28.6.10-31.12.10) [1]	100.0		1.5						
Tor Øwre	337.0		7.8			1,482			
Gisele Marchand (28.6.10-31.12.10) [1]	110.0		1.5			1,235			
Karen Marie Hjelmeseter (1.1.10-28.6.10) [1]	151.5		1.2						
Hans Ellef Wettre (1.1.10-28.6.10) 1	135.0								
Per Engebreth Askilsrud (1.1.10-28.6.10) [1, 11]	157.5		1.0						
Gunnhild H. Andersen, staff representative	235.0					605			
Kjetil Kristensen, staff representative	235.0					406			
Gunnar Mjåtvedt, staff representative	280.0					799			
Marianne Bø Engebretsen (1.1.10-28.6.10) [1, 11], staff representative	133.5					605			
The Board of Directors, deputies [6]									
Per Andersen (28.6.10-31.12.10) [1, 10]						2,711			
Per Engebreth Askilsrud (28.6.10-31.12.10) [1, 11]						347			
Laila S. Dahlen (28.6.10-31.12.10) [1]	3.5					1,482			
Knud Peder Daugaard (28.6.10-31.12.10) [1]	3.5					2,711			
Ingun M. Leikvoll (28.6.10-31.12.10) [1]	18.5								
Sissel Johanne Monsvold	27.8								
Wenche Teigland (28.6.10-31.12.10) [1]	10.0								
Valborg Lippestad (1.1.10-28.6.10) [1]	23.0								
John Ove Ottestad (1.1.10-28.6.10) [1]	13.0								
Harald Milli (1.1.10-24.3.10) [1]	3.0								
Per Gunnar Skorge (24.3.10-31.12.10) [1]	3.0								
Marianne Bø Engebretsen (28.6.10-31.12.10) [1, 11], staff representative									
Marianne Brinch van Meenen (28.6.10-31.12.10) [1, 10], staff representative						505			
Ingvild Sollie Andersen (1.1.10-28.6.10) [1], staff representative	11.0								
Knut Bertil Øygard (1.1.10-28.6.10) [1], staff representative	13.0								
Control committee [6]									
Marit Tønsberg (1.1.10-28.6.10) [1], Chairman	216.0		1.2						
Sven Iver Steen (28.6.10-31.12.10) [1, 10], Chairman						1,482			
Snorre Inge Roald 1.1.10-28.6.10) [1], Deputy Chairman	147.5								
Tove Melgård (1.1.10-28.6.10) [1]	136.0		3.0						
Joar Kavli (1.1.10-28.6.10) [1], Deputy	7.5				5,094.5		3.5 %	19.09.2018	
Hallvard Strømme (28.6.10-31.12.10) [1]	1.5								
Lieslotte Aune Lee (28.6.10-31.12.10) [1]	6.5								
Vigdis Myhre Næsseth (28.6.10-31.12.10) [1], Deputy	11.5								
Supervisory board [5]									
Kirsten Indgjerd Værdal (1.1.10-28.6.10) [1, 11], Chairman	126.0		0.4						
Bjørn Iversen (28.6.10-31.12.10) [1], Chairman	23.0								
Trond Bakke (1.1.10-28.6.10) [1], deputy Chairman	107.5								
Kirsten Indgjerd Værdal (28.6.10-31.12.10) [1, 11], Deputy Chairman									

In addition
43 representatives from the company/Fire Mutuals/organisations/employees. [5]

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 percent at age 67 according to time of earning.
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 Age 60, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
5 Annual fee of NOK three thousand five hundred, in addition to a per meeting fee of NOK three thousand five hundred. There have been three ordinary meetings during 2010.
6 The fee includes a fee for subsidiaries.
7 The interest rate is 3.0 nominal, unless other is stated.
8 For employees only remuneration for the current position is stated.
9 Everyone in the Senior Group Management has pension plans, benefit based or contribution based.
10 The person concerned has not received any fees during 2010.
11 Fee includes all posisions held during 2010.

19 – NET INCOME FROM INVESTMENTS

NOK million	2011	2010
Net income and gains/(losses) from investments in subsidiaries and associated companies		
Net income from associated companies	431.6	488.9
Net gain/(loss) from sale of associated companies		(0.1)
Net gain/(loss) from sale of subsidiaries	115.4	
Total net income and gains/(losses) from investments in subsidiaries and associated companies	**547.0**	**488.7**
Net income and gains/(losses) from buildings and other real estate		
Owner-occupied properties		
Rental income from owner-occupied properties	21.1	14.2
Net gain/(loss) from sale of owner-occupied properties	(1.7)	55.0
Administration expenses related to owner-occupied properties	(14.2)	(11.5)
Impairment owner-occupied properties	(28.8)	(2.2)
Total net income and gains/(losses) from owner-occupied properties	**(23.5)**	**55.5**
Investment properties		
Income from investment properties, excl. unrealised gain/(loss)	398.7	408.6
Net revaluation investment properties	83.5	(1.0)
Net gain/(loss) from sale of investment properties	11.7	7.0
Administration expenses related to investment properties	(90.7)	(80.0)
Total net income and gains/(losses) from investment properties	**403.2**	**334.6**
Total net income and gains/(losses) from buildings and other real estate	**379.7**	**390.1**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated		
Derivatives		
Net interest income/(expenses) from derivatives	51.2	(15.0)
Unrealised gain/(loss) from derivatives	71.4	140.7
Realised gain/(loss) from derivatives	419.0	(65.0)
Total net income from derivatives	**541.6**	**60.7**
Shares and similar interests		
Dividend income	24.7	89.2
Unrealised gain/(loss) from shares and similar interests	(72.1)	110.6
Realised gain/(loss) from shares and similar interests	(69.9)	175.1
Total net income from shares and similar interests	**(117.4)**	**374.9**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	425.7	432.0
Unrealised gain/(loss) from bonds and other fixed-income securities	257.5	78.6
Realised gain/(loss) from bonds and other fixed-income securities	79.3	271.1
Total net income from bonds and other fixed-income securities	**762.5**	**781.6**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated	**1,186.7**	**1,217.3**
Net gain/(loss) from bonds held to maturity		
Net interest income from bonds held to maturity	684.3	773.1
Unrealised gain/(loss) from bonds held to maturity	5.1	(11.8)
Realised gain/(loss) from bonds held to maturity	(23.0)	
Impairment bonds held to maturity	(40.0)	
Net gain/(loss) from changes in exchange rates on bonds held to maturity	0.1	
Total net gain/(loss) from bonds held to maturity	**626.4**	**761.4**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	370.6	236.9
Net gain/(loss) from loans and receivables	(0.4)	19.7
Net gain/(loss) from changes in exchange rates on loans and receivables	(61.4)	(94.4)
Total net income and gains/(losses) from loans and receivables	**308.8**	**162.2**
Net income and gains/(losses) from financial liabilities at amortised cost		
Net gain/(loss) from changes in exchange rates on financial liabilities at amortised cost		(0.2)
Total net income and gains/(losses) from financial liabilities at amortised cost		**(0.2)**
Net other financial income/(expenses) [1]	(105.3)	(119.2)
Discounting of claims provision classified as interest expense	(114.7)	(130.2)
Change in discount rate claims provision	(453.0)	(21.8)
Total net income from investments	**2,375.6**	**2,748.2**

19 – NET INCOME FROM INVESTMENTS (CONT.)

NOK million	2011	2010
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Interest income from financial assets not recognised at fair value through profit or loss	1,044.3	1,053.2
Interest expense from financial assets not recognised at fair value through profit or loss	(87.8)	(43.2)
Specification of other financially related income and expenses not recognised in net income from investments		
Commission arising from the investment of assets on behalf of individuals	31.3	22.4

[1] Net other financial income/(costs) include financial income and expenses not attributable to individual classes of financial assets or liabilities, and financial administration costs.

20 – CONTINGENT LIABILITIES

NOK million	2011	2010
Guarantees and committed capital		
Gross guarantees	0.1	0.6
Committed capital, not paid	746.0	705.8

As part of its ongoing financial management, the Company has undertaken to invest up to NOK 746.0 million (705.8) in various private equity and real estate investments, over and above amounts recognised in the balance sheet. Investments in private equity and real estate funds totalled NOK 1,514.9 million (1,303.6) at the end of the year.

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 above ten years (eight) and twelve years (ten) in average including option of extention.

There are contractual commitments regarding development of investment properties amounting to NOK 39.0 million (96.0), and also a commitment to invest NOK 15.0 million (45.0) in a residential development project. The latter commitment falls due during the period from 2012 to 2013, depending on the progress of the project.

Gjensidige Forsikring was until 1 January 2012 responsible externally for any insurance claim arising from the cooperating Fire Mutuals' operations.

21 – RELATED PARTY TRANSACTIONS

OVERVIEW OF RELATED PARTIES

Gjensidige Forsikring ASA is the Group's parent company. As at 31 December 2011 the following companies are regarded related parties.

	Registered office	Interest held
Ultimate parent company		
Gjensigestiftelsen holds 62.83 per cent of the shares in Gjensidige Forsikring ASA	Oslo, Norway	
Subsidiaries		
Fair Forsikring A/S (liquidated during 2011)	Copenhagen, Denmark	100.0 %
Gjensidiges Arbejdsskadeforsikring A/S	Copenhagen, Denmark	100.0 %
Gjensidige Baltic	Riga, Latvia	100.0 %
Gjensidige Bank Holding AS	Oslo, Norway	100.0 %
Gjensidige Norge AS	Oslo, Norway	100.0 %
Gjensidige Pensjon og Sparing Holding AS	Oslo, Norway	100.0 %
Glitne Invest AS	Oslo, Norway	100.0 %
Nykredit Forsikring A/S	Copenhagen, Denmark	100.0 %
Oslo Areal AS	Oslo, Norway	100.0 %
Samtrygd Eigedom AS	Førde, Norway	100.0 %
Storgata 90 AS	Oslo, Norway	100.0 %
Strandtorget Drift AS	Oslo, Norway	100.0 %
Strandtorget Eiendom AS	Oslo, Norway	100.0 %
Tennant Holding AB	Stockholm, Sweden	100.0 %
Associates		
Bilskadeinstituttet AS	Oslo, Norway	29.5 %
SpareBank1 SR-Bank 1	Stavanger, Norway	10.8 %
Storebrand ASA	Oslo, Norway	24.3 %
Vervet AS	Tromsø, Norway	25.0 %
Other related parties		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	94.7 %

[1] In addition Gjensidige owns bonds in SpareBank1 SR-Bank amounting to NOK 343.7 million.

Percentage of votes held is the same as percentage of interest held.

21 – RELATED PARTY TRANSACTIONS (CONT.)

TRANSACTIONS WITH RELATED PARTIES

INCOME STATEMENT

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

	2011		2010	
NOK million	Income	Expense	Income	Expense
Gross premiums written				
Gjensidiges Arbejdsskadeforsikring A/S	14.3		13.1	
Gjensidige Baltic	8.2		8.4	
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)	0.1		0.2	
Nykredit Forsikring A/S	808.3		782.2	
Tennant Försäkringsaktiebolag AB (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			8.3	
Gross paid claims				
Gjensidige Baltic		8.2		
Nykredit Forsikring A/S		606.4		374.5
Change in gross provision for claims				
Gjensdige Baltic		10.1		
Nykredit Forsikring A/S		62.8		294.6
Tennant Forsikring NUF (merged with Gjensidige Forsikring ASA, effective 1.1.2011)				1.6
Commissions				
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)			0.9	
Administration expenses				
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	27.6		21.7	
Gjensidige Investeringsrådgivning ASA (owned by Gjensidige Pensjon og Sparing Holding AS)	7.5		8.3	
Gjensidige Pensjon og Sparing Holding AS	10.0		10.6	
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)	35.1		39.5	
Glitne Invest AS	0.5		0.1	
Hjelp24 AS (formerly owned by Glitne Invest AS, sold during 2011)		5.2		4.8
Nykredit Forsikring A/S		109.4		107.5
Oslo Areal AS	0.2		0.2	4.2
Tennant Assuranse AS		21.4		
Tennant Forsikring NUF (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			5.0	
Tennant Holding AB		8.3		6.1
Interest expenses				
Fair Forsikring A/S (liquidated during 2011)		9.0		17.7
Tennant Holding AB		14.9		
Total	**911.7**	**855.6**	**898.5**	**811.0**

Gjensidigestiftelsen covered in 2010 all of the expenses related to the stock exchange listing of Gjensidige Forsikring ASA. Expenses related to the conversion of Gjensidige Forsikring BA to a public limited company were evenly divided between Gjensidigestiftelsen and Gjensidige Forsikring. Part of the expenses were charged Gjensidige Forsikring and invoiced Gjensidigestiftelsen. At year end 2011 the inter-company account was NOK 370,000 to Gjensidige Forsikrings advantage.

PURCHASE AND SALE OF ASSETS

Gjensidige Forsikring owns all of the shares of Tennant Holding AB, a company domiciled in Sweden. As at 17 March 2011 it was agreed that Gjensidige Forsikring was to acquire all of the shares of Tennant Försäkringsaktiebolag, an insurance company also domiciled in Sweden, from Tennant Holding AB. The remuneration is set to fair value and amounts to NOK 470.0 million. The remuneration was interest-bearing until settlement before year-end. The Norwegian Financial Supervisory Authority of Norway has approved the transactions. 14 October Tennant Försäkringsaktiebolag was merged into Gjensidige Forsikring ASA. The merger was conducted as a mother-daughter merger and is therefore accounted for as group continuity. In the Group accounts all consequenses of the merger are eliminated. There have not been significant transactions with related parties other than ordinary current agreements conducted at arm's length and the transaction/merger mentioned above.

LOANS TO RELATED PARTIES

As at 31 December 2011 employees have loans in Gjensidige Bank amounting to NOK 1,082.6 million. The loans are offered on normal commercial conditions.

21 – RELATED PARTY TRANSACTIONS (CONT.)

INCOME FROM INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The table below shows a summary of contributions/dividends from/to subsidiaries as well as liquidation losses.

	2011		2010	
NOK million	Received	Given	Received	Given
Group contributions				
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	74.1			
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)		111.5		26.8
Gjensidige Investeringsrådgivning ASA (owned by Gjensidige Pensjon og Sparing Holding AS)				14.6
Gjensidige Fondene AS (owned by Gjensidige Pensjon og Sparing Holding AS)		0.4		
Glitne Invest AS	36.2		22.3	
Oslo Areal AS	273.4		101.1	
Strandtorget Eiendom AS		37.0		
Tennant Assuranse AS	6.0			
Tennant Försäkringsaktiebolag AB			1.0	
Dividends				
Gjensidige Baltic	22.9		21.1	
Gjensidiges Arbejdsskadeforsikring A/S			104.9	
Gjensidige Norge AS			6.0	
Nykredit Forsikring A/S	55.5			
Storebrand	120.4			
SpareBank1 SR-Bank	57.0		36.2	
Tennant Holding AB	27.3			
Total group contributions and dividends	**672.7**	**149.0**	**292.7**	**41.4**
Liquidation losses				
Fair Forsikring A/S	(227.8)			
Total liquidation losses	**(227.8)**			
Total income from investments in subsidiaries and associates	**444.9**	**149.0**	**292.7**	**41.4**

INTERCOMPANY BALANCE

The table below shows a summary of receivables/liabilities from/to subsidiaries, associates and related parties.

	2011		2010	
NOK million	Receivables	Liabilities	Receivables	Liabilities
Intercompany non-interest bearing debts and receivables within the group				
Fair Forsikring A/S including subsidiaries				3.5
Gjensidige Arbejdsskadeforsikring A/S		1.0		13.0
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)		2.5	0.8	
Gjensidige Fondene AS (owned by Gjensidige Pensjon og Sparing Holding AS)	0.1			
Gjensidige Pensjon og Sparing Holding AS	0.6			1.2
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)		107.3		22.8
Gjensidige Investeringsrådgivning ASA (owned by Gjensidige Pensjon og Sparing Holding AS)	0.7			14.8
Gjensidigestiftelsen	0.4		34.4	
Glitne Invest AS	36.2		22.2	
Hjelp24 AS (formerly owned by Glitne Invest AS, sold during 2011)			1.4	
Nykredit Forsikring A/S	63.4	19.3	26.2	
Oslo Areal AS	273.3		80.0	
Tennant Holding AB			11.2	
Tennant Försäkringsaktiebolag AB (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			13.0	
Tennant Assuranse AS (owned by Glitne Invest AS)		2.8		
Tennant Assurance AB (owned by Tennant Försäkringsaktiebolag AB)	6.0			
Tennant Forsikring NUF (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			1.4	
Samtrygd Eigedom AS		1.7		1.7
Total intercompany non-interest bearing debts and receivables group	**380.6**	**134.6**	**190.7**	**57.0**
Claims provision within the Group				
Gjensidige Baltic		10.1		
Total claims provision within the Group		**10.1**		
Total intercompany balances within the Group	**380.6**	**144.7**	**190.7**	**57.0**
Co-operating companies [1] and other related parties				
Fire Mutuals		165.0		190.2
Total intercompany balance	**380.6**	**309.7**	**190.7**	**247.3**

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

GUARANTEES

Gjensidige Forsikring was until 1 January 2012 responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 20.

22 – EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2012, a binding agreement was entered into for the sale of four shopping centres in the property portfolio in the amount corresponding to their carrying amount. The transaction is expected to be completed with accounting effect in the first quarter 2012.

23 – CAPITAL RATIO

NOK million	2011	2010
Equity	23,228.6	23,137.8
Administration provision [1]		1,114.1
Security provision	(2,445.9)	(2,398.2)
Dividend	(2,274.7)	(2,350.0)
Tax effects	842.5	821.4
Equity NGAAP	**19,350.4**	**20,325.0**
Hybrid capital in associates, proportion	432.8	426.3
Effect of guarantee scheme provision and Natural perils fund [1]	(3,040.4)	(4,307.0)
Goodwill	(2,374.8)	(2,580.7)
Deferred tax assets	(7.4)	(199.4)
Other intangible assets	(1,201.7)	(1,349.5)
Investment properties, unrealised gains, proportion	(158.4)	(268.1)
Reinsurance provision, minimum requirement	(4.5)	(6.4)
Core capital	**12,996.2**	**12,040.2**
Index bonds in associates, proportion		8.3
Subordinated loans in associates, proportion	1,502.1	1,670.7
45 % of investment properties, unrealised gains, proportion	71.3	120.7
Additional capital	**1,573.3**	**1,799.7**
Primary capital	**14,569.5**	**13,839.8**
Primary capital in other financial institutions	(108.5)	(108.6)
Net primary capital (A)	**14,461.0**	**13,731.2**
Assets with 0 % risk weight	6,097.6	6,459.5
Assets with 10 % risk weight	1,859.8	551.4
Assets with 20 % risk weight	34,159.9	32,445.8
Assets with 35 % risk weight	11,714.5	11,011.7
Assets with 50 % risk weight	1,148.9	2,097.9
Assets with 100 % risk weight	28,942.5	26,131.2
Assets with 150 % risk weight	437.5	743.1
Other non-weighted assets		
Goodwill	2,374.8	2,580.7
Deferred tax assets	7.4	199.4
Other intangible assets	1,201.7	1,349.5
Derivatives	547.4	536.6
Total assets	**88,491.9**	**84,106.8**
Assets with 0 % risk weight	0.0	0.0
Assets with 10 % risk weight	186.0	55.1
Assets with 20 % risk weight	6,832.0	6,489.2
Assets with 35 % risk weight	4,100.1	3,854.1
Assets with 50 % risk weight	574.4	1,049.0
Assets with 100 % risk weight	28,942.5	26,131.2
Assets with 150 % risk weight	656.3	1,114.6
Net basis of calculation for institutions reporting in accordance with Basel II and which are not distributed according to risk weight	48,085.4	46,872.5
Total risk weighted assets	**89,376.6**	**85,565.6**
Weighted reinvestment cost derivatives	24.5	123.8
Primary capital in other financial institutions	(108.5)	(108.6)
Loss provisions	(187.6)	(116.5)
Risk weighted calculation base (B)	**89,105.0**	**85,464.3**
Capital ratio (A/B)	16.2 %	16.1 %
FSAN minimum requirement	*8.0 %*	*8.0 %*

[1] The administration provision was abolished as from 2011 by legislative changes dated 17 December 2010. The figures for year 2010 have not been restated.

24 – SOLVENCY MARGIN

NOK million	2011	2010
Net primary capital	14,461.0	13,731.2
Proportion of security provision	1,100.6	1,079.3
Proportion of Natural perils fund (up to 25 % of the Natural perils fund is included)	615.7	660.7
Solvency margin capital	**16,177.3**	**15,471.1**
Solvency margin minimum requirement	*6,084.4*	*6,097.6*
In excess of requirement	**10,092.9**	**9,373.5**
Solvency margin capital in per cent of requirement	265.9 %	253.7 %

25 – RESTRICTED FUNDS

NOK million	2011	2010
Restricted bank deposits		
Source-deductible tax accounts	69.7	65.2
Securities placed as security for insurance operations	13.8	13.9
Deposits placed as security for insurance operations	8.3	8.3
Total restricted bank deposits	**91.8**	**87.5**

26 – SHAREHOLDERS

The 20 largest shareholders as of 31 December 2011.

Investor		Number of shares	Owner share in %
Gjensidigestiftelsen		314,144,817	62.83 %
Folketrygdfondet		17,042,588	3.41 %
Morgan Stanley & Co Internat. Plc	Nominee	10,238,142	2.05 %
State Street Bank And Trust Co.	Nominee	9,390,704	1.88 %
State Street Bank And Trust Co.	Nominee	9,222,881	1.84 %
Skagen Global		8,317,774	1.66 %
Clearstream Banking S.A.	Nominee	5,480,737	1.10 %
Goldman Sachs & Co - Equity	Nominee	4,249,635	0.85 %
Skagen Kon-Tiki		4,051,238	0.81 %
Odin Norge		3,129,484	0.63 %
Skagen Global Ii		2,831,800	0.57 %
Citigroup Global Markets Inc	Nominee	2,800,730	0.56 %
State Street Bank And Trust Co	Nominee	2,661,644	0.53 %
Skagen Vekst		2,321,368	0.46 %
State Street Bank And Trust Co.	Nominee	2,321,310	0.46 %
Odin Norden		2,025,000	0.41 %
State Street Bank And Trust Co.	Nominee	1,964,661	0.39 %
Bnym As Emea Asia 25 Omnibus	Nominee	1,636,307	0.33 %
Invesco Perp European Eq Fund		1,426,653	0.29 %
Klp Aksje Norge Indeks Vpf		1,282,884	0.26 %
Number of shares 20 largest shareholders		**406,540,357**	**81.31 %**
Total number of shares		**500,000,000**	**100.00 %**

The shareholder list is based on the VPS shareholder registry as of 31 December 2011. A shareholder list showing the owners behind nominee accounts can be found on page 46.

27 – SHARE-BASED PAYMENT

DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

As at 31 December 2011, Gjensidige has the following share-based payment arrangements:

EQUITY-SETTLED SHARE-BASED PAYMENT

With effect from 2011, Gjensidige established equity-settled share-based payment for executive personnel.

As described in the Board of Directors' statement on the stipulation of pay and other remuneration in Note 18, 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.

The fair value at the grant date is based on the market price. The amount is recognised as payroll expenses. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a re-assessment based on major qualitative events and/or developments. The expected allocation is set at 100 per cent.

No bonuses in the form of shares have been awarded to executive personnel in 2011.

EQUITY-SETTLED SHARE SAVINGS PROGRAMME FOR EMPLOYEES

In 2011, the Board of Directors of Gjensidige Forsikring ASA decided to introduce a share savings programme for employees of the Group with the exception of employees of Gjensidige Baltic. All employees of the Group were given an opportunity to buy shares for up to NOK 75,000. In 2012, the scheme will be turned into a share savings programme, whereby all permanent employees of the Group will be given an opportunity to save an annual amount of up to NOK 75,000. Saving will take the form of fixed deductions from salary that will be converted into shares four times a year. The employees will be offered a discount of 20 per cent, limited upwards to NOK 1,500 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.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years.

PURCHASE OF SHARES AT A DISCOUNT IN CONNECTION WITH THE LISTING OF THE COMPANY

In connection with the listing on the stock exchange of Gjensidige Forsikring ASA on 10 December 2010, all employees of the Gjensidige Group, with the exception of employees of Gjensidige Baltic, were given an opportunity to buy shares in the Company.

Permanent employees as of 13 December 2010 were entitled to buy shares. No requirements were applied as regards percentage of a full-time position, whether the employees had been at work, absent because of illness, on leave of absence etc. The offer was also made to employees who were recipients of work clarification benefit. There were no other conditions relating to the offer to buy shares.

For every ten shares owned continuously until 12 December 2011, the employees will receive 1.5 bonus shares. If the shares are owned continuously up to and including 10 December 2012, an additional 1.5 bonus shares will be awarded for every ten shares.

As at 31 December 2010, the participants had invested NOK 55.2 million in the share purchase scheme.

The value at grant date is recognised in the income statement as payroll expenses and as other paid-up equity in the statement of changes in equity.

FAIR VALUE MEASUREMENT

The fair value of the bonus shares allocated through the share savings programme 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 following assumptions were used in the calculation of fair value at the time of allocation

NOK million	2011	2010
Weighted average share price (NOK)	64.13	N/A
Expected turnover	10 %	N/A
Expected sale	5 %	N/A
The options effective life (years)	2	N/A
Expected dividend (NOK per share)	4.63	N/A

The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 80 per cent of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

PAYROLL EXPENSES

NOK million	Note	2011	2010
Stock saving programme for employees in 2011	17	0.9	
Stock purchase offering for employees allocated in 2010	17		7.5

27 – SHARE-BASED PAYMENT (CONT.)

RECONCILIATION OF OUTSTANDING BONUS SHARES

The number of and weighted average exercise price for bonus shares in the share savings programme for each of the following groups are

NOK million	Number of bonus shares 2011	Weighted average exercise prices of bonus shares in 2011	Number of bonus shares 2010	Weighted average exercise prices of bonus shares in 2010
Outstanding 1 January			N/A	N/A
Granted during the period	51,184		N/A	N/A
Forfeited during the period			N/A	N/A
Cancelled during the period	(437)		N/A	N/A
Exercised during the period			N/A	N/A
Expired during the period			N/A	N/A
Outstanding 31 December	**50,747**		**N/A**	**N/A**
Exercisable 31 December			N/A	N/A

Bonus share options exercised in the 2011 financial year have a weighted average fair value of NOK 0. No bonus share options were exercised in 2011.

Outstanding bonus shares as of 31 December 2011 have an average remaining life of 1.88 years.

Options granted in the 2011 financial year had a weighted average fair value of NOK 52.27 at the time of allocation. The fair value is equivalent to the market value of the share at the time of allocation.

28 – EARNINGS PER SHARE

NOK million	2011	2010
Profit/(loss) for the year	2,747.9	2,950.4
Weighted average number of shares [1]	499,966,392	499,996,261
Weighted average number of diluted shares share-based payment programme	1,531	
Weighted average number of shares, diluted [1]	499,967,923	499,996,261
Earnings per share (NOK)	5.50	5.90
Earnings per share (NOK), diluted	5.50	5.90

[1] Holdings of own shares are not included in calculations of the number of shares.

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INCOME STATEMENT
GJENSIDIGE FORSIKRING ASA

NOK million	Notes	1.1.-31.12.2011	Restated [1] 1.1.-31.12.2010
Premiums			
Gross premiums written	4	17,239.7	16,313.1
Ceded reinsurance premiums		(512.4)	(438.7)
Premiums written, net of reinsurance		**16,727.3**	**15,874.5**
Change in gross provision for unearned premiums		0.8	(218.7)
Change in provision for unearned premiums, reinsurerers' share		(10.3)	18.9
Total earned premiums, net of reinsurance		**16,717.7**	**15,674.7**
Allocated return on investments transferred from the non-technical accounts		720.6	759.7
General insurance claims			
Gross paid claims	4	(12,536.4)	(11,188.0)
Paid claims, reinsurers' share		483.3	246.3
Change in gross provision for claims	4	(1,232.6)	(1,877.7)
Change in provision for claims, reinsurers' share		535.6	201.1
Total claims incurred, net of reinsurance		**(12,750.1)**	**(12,618.3)**
Premium discounts and other profit agreements		(150.8)	(18.6)
Insurance-related operating expenses			
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses	4, 17	(2,647.1)	(2,506.6)
Received commissions for ceded reinsurance and profit share		6.2	8.2
Total insurance-related operating expenses		**(2,640.9)**	**(2,498.3)**
Profit/(loss) of technical account before security provisions		**1,896.5**	**1,299.0**
Change in security provisions etc.			
Change in provision for insufficient premium level			(0.1)
Change in security provision		(47.5)	69.3
Total change in security provisions etc.		**(47.5)**	**69.2**
Profit/(loss) of technical account general insurance		**1,849.0**	**1,368.2**

NOK million	Notes	1.1.-31.12.2011	Restated [1] 1.1.-31.12.2010
Net income from investments			
Income from investments in subsidiaries and associates		444.9	292.7
Impairment losses investments in subsidiaries and associates			(152.3)
Interest income and dividend etc. from financial assets		1,300.3	1,339.2
Net operating income from property		64.7	67.5
Changes in fair value on investments		(88.0)	362.7
Realised gain and loss on investments		245.5	421.5
Administration expenses related to investments, including interest expenses		(126.3)	(169.1)
Total net income from investments	19	1,841.1	2,162.2
Allocated return on investments transferred to the technical account		(720.6)	(759.7)
Other income		7.1	11.7
Other expenses	17	(11.1)	(32.6)
Profit/(loss) of non-technical account		1,116.5	1,381.7
Profit/(loss) before tax expense		2,965.5	2,749.9
Tax expense	16	(871.2)	(234.8)
PROFIT/(LOSS) BEFORE COMPONENTS OF OTHER COMPREHENSIVE INCOME		2,094.4	2,515.1
Components of other comprehensive income			
Actuarial gains and losses on defined benefit plans - employee benefits		(337.1)	(122.9)
Exchange differences from foreign operations		0.4	4.5
Tax on components of other comprehensive income		93.6	34.6
TOTAL COMPREHENSIVE INCOME		1,851.3	2,431.3

[1] Restated as a consequence of abolished administration reserve as well as implementation of the increase in claims handling costs in the claims provision and reclassification of indirect claims handling costs.

STATEMENT OF FINANCIAL POSITION
GJENSIDIGE FORSIKRING ASA

NOK million	Notes	31.12.2011	Restated [1] 31.12.2010
ASSETS			
Goodwill		1,162.0	1,035.6
Other intangible assets		689.1	659.1
Total intangible assets	5	1,851.1	1,694.7
Investments			
Buildings and other real estate			
Investment properties	8	896.6	1,102.5
Owner-occupied property	7	94.5	112.0
Subsidiaries and associates			
Shares in subsidiaries	6	10,374.4	14,471.5
Shares in associates	6	3,436.7	3,435.2
Financial assets measured at amortised cost			
Bonds held to maturity	9	10,807.0	13,600.6
Loans	9, 10	7,451.8	4,168.4
Financial assets measured at fair value			
Shares and similar interests	9, 12	3,466.2	3,912.2
Bonds and other fixed-income securities	9	13,292.2	8,463.7
Financial derivatives	9	115.7	434.5
Reinsurance deposits		406.0	344.6
Total investments		50,341.2	50,045.1
Reinsurers' share of insurance-related liabilities in general insurance, gross			
Reinsurers' share of provision for unearned premiums, gross	13	13.1	22.2
Reinsurers' share of claims provision, gross	13	960.4	412.8
Total reinsurers' share of gross insurance-related liabilities in general insurance, gross		973.5	435.0
Receivables			
Receivables related to direct operations	9	3,467.6	3,336.3
Receivables related to reinsurance	9	164.4	43.5
Receivables within the group	21	380.6	190.7
Other receivables	10	137.5	123.8
Total receivables		4,150.1	3,694.4
Other assets			
Plant and equipment	7	229.6	289.8
Cash and cash equivalents	9, 11, 25	1,453.7	775.5
Deferred tax assets	16	75.6	18.4
Total other assets		1,758.9	1,083.7
Prepaid expenses and earned, not received income			
Other prepaid expenses and earned, not received income		47.1	11.5
Total prepaid expenses and earned, not received income		47.1	11.5
TOTAL ASSETS		59,121.8	56,964.4

NOK million	Notes	31.12.2011	Restated [1] 31.12.2010
EQUITY AND LIABILITIES			
Paid in equity			
Share capital		1,000.0	1,000.0
Own shares		(0.1)	(0.1)
Premium reserve		1,430.0	1,430.0
Other paid in equity		7.6	6.7
Total paid in equity		**2,437.5**	**2,436.6**
Retained equity			
Funds etc.			
Fund for unrealised gains		158.4	150.7
Natural perils fund provision		2,462.8	2,615.7
Guarantee scheme provision		577.5	535.6
Other retained earnings		12,993.9	13,316.3
Total retained equity		**16,192.6**	**16,618.4**
Total equity	1	**18,630.1**	**19,055.0**
Insurance-related liabilities in general insurance, gross			
Provision for unearned premiums, gross	4, 13	6,497.8	6,406.7
Claims provision, gross	4, 13, 21	25,481.1	24,057.5
Provision for premium discounts and other profit agreements		81.6	82.0
Security provision	4	2,445.9	2,398.4
Total insurance-related liabilities in general insurance, gross		**34,506.4**	**32,944.6**
Provision for liabilities			
Pension liabilities	14	916.0	662.3
Current tax	16	922.5	380.0
Deferred tax liabilites	15	97.4	62.3
Other provisions for liabilities		**1,935.9**	**1,104.6**
Liabilities			
Liabilities related to direct insurance	9	215.8	212.0
Liabilities related to reinsurance	9	220.8	98.1
Financial derivatives	9	67.9	105.0
Accrued dividend		2,274.7	2,350.0
Other liabilities	9, 15	957.2	907.4
Liabilities to subsidiaries and associates	9, 21	134.6	57.0
Total liabilities		**3,871.0**	**3,729.6**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	9, 15	178.5	130.6
Total accrued expenses and deferred income		**178.5**	**130.6**
TOTAL EQUITY AND LIABILITIES		**59,121.8**	**56,964.4**

[1] Restated as a consequence of abolished administration reserve as well as implementation of the increase in claims handling costs in the claims provision.

STATEMENT OF CHANGES IN EQUITY
GJENSIDIGE FORSIKRING ASA

NOK million	Share capital	Own shares	Premium reserve	Other paid-in equity	Exchange differ-ences	Actuarial gains/losses on pension	Total class II capital	Total equity
Equity as at 31.12.2009	1,000.0		1,430.0		0.4	(1,986.1)	19,515.0	19,959.3
Reclassification of administration provision to new accounting policy on provision for claims handling costs							(1,054.1)	(1,054.1)
Re-allocation of excess administration provision in connection with new requirements on provision for claims handling costs							49.5	49.5
Deferred tax on reduced claims handling reserve							(13.9)	(13.9)
Equity as at 31.12.2009 restated	1,000.0		1,430.0		0.4	(1,986.1)	18,496.5	18,940.8
1.1.2010-31.12.2010 restated								
Profit/(loss) before components of other comprehensive income							2,515.1	2,515.1
Components of other comprehensive income								
Exchange differences					4.5			4.5
Actuarial gains and losses on pension						(122.9)		(122.9)
Tax on other comprehensive income							34.6	34.6
Total components of other comprehensive income					4.5	(122.9)	34.6	(83.8)
Total comprehensive income					4.5	(122.9)	2,549.7	2,431.3
Own shares		(0.1)					(3.1)	(3.1)
Accrued dividend							(2,350.0)	(2,350.0)
Increase in natural perils fund through purchase of portfolio							16.0	16.0
Equity-settled share-based payment transactions				6.7				6.7
Tax on items recognised directly in equity							13.2	13.2
Equity as at 31.12.2010 restated	1,000.0	(0.1)	1,430.0	6.7	4.9	(2,108.9)	18,722.4	19,055.0
1.1.2011-31.12.2011								
Profit/(loss) before components of other comprehensive income							2,094.4	2,094.4
Components of other comprehensive income								
Exchange differences					0.1	0.3		0.4
Actuarial gains and losses on pension						(337.1)		(337.1)
Tax on other comprehensive income							93.6	93.6
Total components of other comprehensive income					0.1	(336.8)	93.6	(243.1)
Total comprehensive income					0.1	(336.8)	2,188.0	1,851.3
Own shares		(0.1)					(3.9)	(4.0)
Accrued dividend							(2,274.6)	(2,274.6)
Equity-settled share-based payment transactions				0.9				0.9
Effect of merger						(2.8)	4.2	1.4
Equity as at 31.12.2011	1,000.0	(0.1)	1,430.0	7.6	5.0	(2,448.5)	18,636.1	18,630.1

CASH FLOW STATEMENT
GJENSIDIGE FORSIKRING ASA

NOK million	1.1.-31.12.2011	1.1.-31.12.2010
Cash flow from operating activities		
Premiums paid, net of reinsurance	16,795.6	15,825.4
Claims paid, net of reinsurance	(11,909.0)	(11,333.7)
Net payment of loans to customers	41.8	54.7
Net receipts/payments from financial assets	(1,065.8)	2,765.8
Net receipts/payments from properties	310.2	105.7
Operating expenses paid, including commissions	(2,563.3)	(2,655.4)
Taxes paid	(296.9)	(716.9)
Net other receipts/payments	19.7	158.5
Net cash flow from operating activities	1,332.2	4,204.1
Cash flow from investing activities		
Net receipts/payments from sale/aquisition of subsidiaries and associated companies	235.1	(2,373.5)
Net receipts/payments on sale/aquisition of owner-occupied property, plant and equipment	21.0	(26.9)
Dividends from subsidiaries	810.1	
Dividends from associated companies	177.4	36.2
Group contributions received	181.1	244.5
Group contributions paid	(41.4)	(194.2)
Net cash flow from investing activities	1,383.3	(2,313.9)
Cash flow from financing activities		
Payment of dividend	(2,349.9)	(1,677.6)
Net receipts/payments on other short-term liabilities	0.8	
Payments regarding intra-group equity transactions	311.4	(587.7)
Net cash flow from financing activities	(2,037.7)	(2,265.3)
Effect of currency exchange rate changes on cash and cash equivalents	0.4	6.6
Net cash flow for the period	678.1	(368.4)
Cash and cash equivalents at the start of the period	775.5	1,143.9
Cash and cash equivalents at the end of the period	1,453.7	775.5
Net movements in cash and cash equivalents	678.1	(368.4)

ACCOUNTING POLICIES

REPORTING ENTITY

Gjensidige Forsikring ASA is a publicly listed company domiciled in Norway. The company's head office is located at Drammensveien 288, Oslo, Norway. The activities of the company consist of general insurance. The company does business in Norway, Sweden and Denmark.

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

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian Financial Reporting Regulations for Insurance Companies (FOR 1998-12-16 nr 1241). The Norwegian Financial Reporting Regulations for Insurance Companies is to a great extent based on IFRSs endorsed by EU, and interpretations.

CHANGES IN ACCOUNTING POLICIES

In connection with changes in the Insurance Activities Act on technical insurance obligations, effective 1 January 2011, it was determined that the administrations reserve is no longer included in these regulations. The administrations reserve will hereby instead include indirect claims settlement costs in connection with insurance events which on a given point in time are incurred, but not settled (IBNS-claims), cf. the Insurance Activities Act section 12-12, second paragraph.

In accordance with guidelines given by the Financial Supervisory Authority of Norway, the transition to new regulations is considered a change in accounting policies and the date of transition is 1 January 2011. The effect of the change in accounting policies as at 1 January 2010 is recognised directly in equity. Current corresponding figures 2010 are equally revised.

The following International Financial Reporting Standards (IFRS) and interpretation statements have been published up until 8 February 2012, without them having entered into force or having been implemented early.

Standards that can influence accounting principles

- Amendments to IAS 12 *Income Taxes*, which enter into force on 1 January 2012, but have not yet been approved by the EU, will not have any significant effect.
- IFRS 9 *Financial Instruments*, issued in November 2009 and October 2010, is expected to enter into force on 1 January 2015. This is the first phase of the International Accounting Standards Board's (IASB) three-phase project aimed at replacing IAS 39. It concerns the classification and measurement of financial assets and liabilities. Financial assets will be classified either at fair value or at amortised cost, depending on how they are managed and on what contractual cash flow characteristics they have. Phases two and three concern impairment losses and hedge accounting, respectively. The standard is still being prepared and is not yet completed. Our preliminary assessment is that the standard can result in the reclassification of financial instruments in the financial statements.
- Based on our preliminary assessments and on the basis of Gjensidige's current operations, neither IFRS 10 *Consolidated Financial Statements* nor IFRS 11 *Joint Arrangements*, which enter into force on 1 January 2013, but which it is uncertain whether the EU will have approved by that date, will have a significant effect on our accounting items.
- Based on our preliminary assessments and on the basis of Gjensidige's current operations, IFRS 13 *Fair Value Measurements*, which enters into force on 1 January 2013, will not have any significant effect.
- Amendments to IAS 19 *Employee Benefits*, which enter into force on 1 January 2013, will, using the same interest rate to calculate the expected return on the pension assets as for discounting the pension commitments, entail higher recognised pension costs, but it is not expected that this change will be significant for the overall profit/loss. The other amendments will not have any significant effect for Gjensidige.

Standards that will affect disclosure requirements

- Several amendments have been made to IFRS 7 *Disclosure – Financial Instruments* with different commencement dates, and to IFRS 12 *Disclosure of Interests in Other Entities*, which enters into force on 1 January 2013, but which it is uncertain when the EU will approve. All these will entail additional disclosure requirements for us.

Based on our preliminary assessments and on the basis of Gjensidige's current operations, other amendments to standards and interpretation statements will not have any 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
- financial assets available for sale are measured at fair value
- investment properties are measured at fair value

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in NOK. Gjensidige Forsikring has three functional currencies: Norwegian, Swedish and Danish kroner. 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

According to IFRS 8, the operating segments are determined based on the Group's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Insurance 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 within the meaning of IFRS 8. Gjensidige reports on two operating segments, General insurance Private Norway and General insurance Commercial Norway, 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 AND ASSOCIATED COMPANIES

Subsidiaries and associated companies 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.

RECOGNITION OF REVENUE AND EXPENSES

PREMIUMS

Insurance premiums are recognised over the term of the policy. Gross premiums written include all amounts the company 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 in Change in gross provision for unearned premiums in the income statement.

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.

ALLOCATED RETURN ON INVESTMENTS

The allocated return on investments is calculated based on the average of the technical provisions throughout the year. The average yield on government bonds with three years remaining until maturity is used for the calculation. The Financial Supervisory Authority of Norway has calculated the average technical yield for 2011 and 2010 to be 2.3 per cent and 2.5 per cent, respectively. The allocated return on investments is transferred from the non-technical account to the technical account.

CLAIMS INCURRED IN GENERAL INSURANCE

Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in gross provision for claims, 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 consist of interest income on financial investments, dividend received, realised gains related to financial assets, change in fair value of financial assets at fair value through profit or loss, and gains on financial derivatives. Interest income is recognised in profit or loss using the effective interest method.

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

FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

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

At the reporting date monetary items are retranslated to the functional currency at exchange rates at that date. Non-monetary items denominated in foreign currencies that are measured at historical cost, are retranslated using the exchange rates at the date of the transaction. Non-monetary items denominated in foreign currencies that are measured at fair value, are retranslated to the functional currency at the exchange rates at the date when the fair value was determined.

Exchange differences arising on retranslations are recognised in profit or loss.

FOREIGN BRANCH

Foreign branches that have other functional currencies are translated to NOK by translating the income statement at average exchange rates for the period of activity, and by translating the balance sheet at exchange rates at the reporting date. Exchange differences are recognised as a separate component of equity. On disposal of the foreign operation, the cumulative amount of the exchange difference recognised in other comprehensive income relating to that foreign branch is recognised in profit of loss, when the gain or loss on disposal is recognised.

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 of the foreign operation.

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. If the properties are used both for the company's own use and as investment properties, classification of the properties is based on the actual use of the properties.

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 the Group, 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.

Gjensidige may engage in refurbishment, major upgrades or new property projects. The costs for these are recognised using the same principles as for an acquired asset.

Depreciation
Each component of owner-occupied property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows

- owner-occupied property 10-50 years
- plant and equipment 3-5 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.

INVESTMENT PROPERTIES
Investment properties are properties held either to earn rental income or for capital appreciation, or for both. These properties are not used in production, deliveries of goods and services, or for administrative purposes.

Investment properties are measured initially at cost, i.e. the purchase price including directly attributable expenses associated with the purchase. Investment properties are not depreciated.

Subsequent to initial recognition investment properties are measured at fair value, and any changes in fair value are recognised in profit or loss.

Fair value is based on market prices, after consideration of any differences in type, location or condition of the individual property. Where market prices are not available, the properties are individually assessed by discounting the expected future net cash flow by the required rate of return for each investment. The net cash flow takes into account existing rental contracts and expectations of future rental income based on the current market situation. The required rate of return is determined based on the expected future risk-free interest rate and an individually assessed risk premium, dependent on the rental situation and the location and standard of the building. An observation of yields reported from market transactions is also performed. The valuation is carried out both by external and internal expertise having substantial experience in valuing similar types of properties in geographical areas where the Group's investment properties are located.

In cases of change of use and reclassification to owner-occupied property, fair value at the date of the reclassification is used as cost for subsequent reporting.

INTANGIBLE ASSETS
GOODWILL
Goodwill acquired in acquisition of portfolios represents cost price of the acquisition in excess of the company'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.

Goodwill acquired in acquisition of portfolios is not amortised, but is tested for impairment annually or more frequently, when indications of impairment losses exist.

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 the Group 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 10 years
- trademarks 10 years
- internally developed software 5–8 years
- other intangible assets 5–10 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 the Group 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 the Group'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 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.

In the case of group life insurance for the commercial market, the provision for unearned premiums, gross also includes provisions for fully paid whole-life cover (after the payment of disability capital).

CLAIMS PROVISION, GROSS

The claims provision comprise 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 to the company (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.

ADEQUACY TEST

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to the company's liabilities. Current estimates for future claims payments for the company'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
- available for sale
- investments held to maturity
- loans and receivables
- financial derivatives
- financial liabilities at amortised cost

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 the Group transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if
- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

Gjensidige holds an investment portfolio that is designated at fair value at initial recognition, and that is managed and evaluated regularly at fair value. This is according to the Board of Directors' approved risk management and investment strategy, and information based on fair value is provided regularly to the Senior Group Management and the Board of Directors.

Transaction expenses are recognised in profit or loss when they incur. Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

The category at fair value through profit or loss comprises the classes shares and similar interests and bonds and other fixed income assets.

AVAILABLE FOR SALE

Financial assets available for sale are non-derivative financial assets that have been recognised initially in this category, or are not recognised initially in any other category. Subsequent to initial recognition financial assets in this category are measured at fair value, and gain or loss is recognised in other comprehensive income except for impairment losses, which are recognised in profit or loss.

The company has no financial assets in this category.

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, prepaid expenses and earned, not received income, cash and cash equivalents, bonds and other fixed income securities classified as loans and receivables and receivables within the Group.

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.

The Group 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 comprises the classes financial derivatives at fair value through profit or loss.

FINANCIAL LIABILITIES AT AMORTISED COST
Financial liabilites are measured at amortised cost using the effective interest method. When the time horizon of the financial liability's due time is quite near in time the nominal interest rate is used when measuring amortised cost.

The category financial liabilities at amortised cost comprises the classes other liabilities, liabilities related to direct insurance and reinsurance, accrued expenses and deferred income and liabilities within the Group.

DEFINITION OF FAIR VALUE
Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in a transaction carried out at arm's length distance.

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.

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. 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. 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.

For further description of fair value, see note 9.

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 are calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

AVAILABLE FOR SALE
For financial assets available for sale, an assessment to whether the assets are impaired is carried out quarterly.

If a decline in fair value of an available-for-sale financial asset, compared to cost, is significant or has lasted longer than nine months, the cumulative loss – measured as the difference between the historical cost and current fair value, less impairment loss on that financial asset that previously has been recognised in profit or loss - is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

Impairment losses recognised in profit or loss are not reversed through profit or loss, but in other comprehensive income.

DIVIDEND
Dividend from investments is recognised when the company has an unconditional right to receive the dividend. Propsed 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 nr. 57). This implies that dividend reduces equity in the fiscal year the dividend provision relates to.

PROVISIONS
Provisions are recognised when the company has a legal or constructive

obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

RESTRUCTURING

Provision for restructuring are recognised when the company 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.

PENSIONS

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.

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. Obligatory contributions are recognised as employee benefit expenses in profit or loss when they are due.

The defined benefit plan is a post-employment benefit plan that entitles employees to contractual future pension benefits. Pension liabilities are determined on the basis of linear earning and using assumptions of length of service, discount rate, future return on plan assets, future growth in wages, pensions and social security benefits from the National Insurance, and estimates for mortality and staff turnover, etc.

Plan assets are measured at fair value, and are deducted from pension liabilities in the net pension liabilities in the balance sheet. Any surplus is recognised if it is likely that the surplus can be used.

Any actuarial gains and losses related to defined benefit plan is recognised in other comprehensive income.

SHARE-BASED PAYMENT

The fair value of share-based payment arrangements allocated to employees is at the time of allocation recognised as personnel costs, with a corresponding increase in equity. Share-based payment arrangements which are recovered immediately are recognised as expenses at the time of allocation. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised shall be based on the number of equity instruments that eventually vest. Non-vesting conditions are reflected in the measurement of fair value, and no adjustment of the amount recognised as expenses is done upon failing to meet such conditions.

Share-based payment transactions in which the company receives goods or services as payment for the company's own equity instruments is recognised as share-based payment transactions with settlement in equity, regardless of how the company has acquired the equity instruments. 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 27 for a further description of the Group's share-based payment arrangements.

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 the Group 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.

CURRENT AND DEFERRED TAX

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 Contribution Arrangement as described in OECD Guidelines chapter 8 and on the basis of paragraph 13-1 in the Norwegian Tax Act.

Identified functions that are categorized as core activities will be charged out with a reasonable mark up or alternatively at market price if identifiable, comparable prices exist.

TRANSACTIONS WITH AFFILIATED COMPANIES

The Fire Mutuals operates as agents on behalf of Gjensidige Forsikring. For these services commission is paid. For handling the cooperation and to reinsure the Fire Mutuals' fire insurance Gjensidige receives cost refunds. Due to the fire policy reinsurance plan, Gjensidige Forsikring also manages assets on behalf of the Fire Mutuals. The Fire Mutuals are credited interest for these assets.

NOTES

1 – 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 equity certificates/shares	2011	2010
Issued 1 January	500,000	100,000
Share split		400,000
Issued 31 December	500,000	500,000

In connection with conversion from limited liability mutual (BA) to public limited liability company (ASA) on 28 June 2010 the equity certificate capital is converted to share capital.

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.

At the end of the year the number of own shares was 60,755 (26,983).

A total of 257,175 shares at an average share price NOK 64.13 have in 2011 been acquired to be used in Gjensidige's share savings scheme. Of this 205,434 shares have been transferred to employees. In addition 17,969 bonus shares have been allocated to employees in Sweden and Denmark from Gjensidige's own shares. Thus, the increase in own shares throughout the year amounts to 33,722.

PREMIUM RESERVE
Premium reserve consists of paid in capital and can be used to cover losses.

OTHER PAID IN EQUITY
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.

EXCHANGE DIFFERENCES
Exchange differences consist of exchange differences that occur when converting foreign subsidiaries, and when converting liabilities that hedge the company's net investment in foreign subsidiaries.

ACTUARIAL GAINS/LOSSES PENSION
Actuarial gains/losses pension consists of 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 restricted funds (Natural perils fund, guarantee scheme).

NATURAL PERILS FUND
Operating profit/loss from the compulsory natural perils insurance shall be adjusted against a Natural perils fund. The provision can only be used for claims related to natural perils. Natural peril is defined as claim in direct relation to natural hazard, such as landslide, storm, flood, storm surge, earthquake or eruption.

GUARANTEE SCHEME
The provision for guarantee scheme shall provide security to the insured for the right fulfillment of claims covered by the agreement even after the agreement is terminated in Norway.

DIVIDEND
Proposed and approved dividend

NOK million	2011	2010
As at 31 December		
NOK 4.55 per ordinary share (4.70)	2,275.0	2,350.0

Dividend on own shares is deducted in the statement of changes in equity.

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.

The accounting policies that are used by Gjensidige in which the assessments, estimates and prerequisites may deviate significantly from the actual results are discussed below.

INVESTMENT PROPERTIES

Fair value is based on market prices and generally accepted valuation models where there are no market prices. A key parameter of the valuation is the long-term required rate of return for the individual property. A further description of the real estate price risk and a sensitivity analysis of investment properties are given in note 8.

PLANT AND EQUIPMENT, OWNER-OCCUPIED PROPERTY AND INTANGIBLE ASSETS

Plant and equipment, owner-occupied property and intangible assets are assessed annually to ensure that the depreciation method and the depreciation period used are in accordance with useful life. The same applies to residual value. Impairment losses will be recognised if impairment exists. An ongoing assessment of these assets is made in the same manner as investment properties.

Goodwill is tested for impairment annually or more often if there are indications that the amounts may be subject to impairment. The testing for impairment entails determining recoverable amount for the cash-generating unit. Normally recoverable amount will be determined by means of discounted cash flows based on business plans. The business plans are based on prior experience and the expected market development. See note 5 and 7.

FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities that are not traded in an active market (such as unlisted shares) is determined by means of generally accepted valuation methods. These valuation methods are based primarily on the market conditions at the reporting date. See note 9.

LOANS AND RECEIVABLES

For financial assets that are not measured at fair value, it is assessed whether there is objective evidence that there has been a reduction in the value of a financial asset or a group of financial assets on each reporting date. See note 10.

INSURANCE-RELATED LIABILITIES

Use of estimates in calculation of insurance-related liabilities is primary 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 13.

PENSION

The present value of pension liabilities is calculated on the basis of actuarial and financial assumptions. Any change in the assumptions affects the estimated liability. Change in the discount rate is the assumption most significant to the value of the pension liability. The discount rate and other assumptions are normally reviewed once a year when the actuarial calculations are performed unless there have been significant changes during the year. See note 14.

3 – MANAGEMENT OF INSURANCE AND FINANCIAL RISK

For information about insurance and financial risk please refer to note 3 in the notes to the consolidated financial statements, that covers both Gjensidige Forsikring ASA and the Gjensidige Insurance 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 Insurance Companies.

PRIVATE INSURANCES

NOK million	Compre-hensive (incl. fire)	Motor	Of which third party liability	Of which other classes	Small craft and pleasure craft	Accident	Travel	Oter private	Total privat
Underwriting result									
Gross premiums written	*2,395.7*	*4,395.2*	*1,821.3*	*2,573.5*	*214.8*	*698.3*	*445.3*	*174.5*	*8,323.4*
Gross premiums earned	2,344.7	4,440.1	1,859.5	2,580.6	220.1	686.6	436.5	166.4	8,294.4
Gross claims incurred	(1,802.5)	(3,016.0)	(1,288.6)	(1,727.4)	(131.3)	(516.8)	(300.8)	(117.1)	(5,884.5)
Operating expenses gross	(361.3)	(714.7)	(301.3)	(413.4)	(46.8)	(120.3)	(88.5)	(36.9)	(1,368.5)
Underwriting result	**180.9**	**709.4**	**269.6**	**439.8**	**42.0**	**49.5**	**47.2**	**12.4**	**1,041.3**
Gross claims incurred									
Incurred during the year	(1,826.0)	(3,091.2)	(1,322.3)	(1,768.9)	(133.2)	(533.9)	(318.6)	(123.3)	(6,026.2)
Incurred previous years	23.6	75.2	33.8	41.5	1.9	17.0	17.8	6.1	141.7
Gross claims incurred	**(1,802.5)**	**(3,016.0)**	**(1,288.6)**	**(1,727.4)**	**(131.3)**	**(516.8)**	**(300.8)**	**(117.1)**	**(5,884.5)**
Technical provisions									
Provision for unearned premiums, gross	1,118.7	2,137.3	879.8	1,257.5	90.5	254.4	206.8	80.0	3,887.7
Claims provision, gross	1,206.6	5,431.0	4,731.5	699.5	74.4	2,325.2	132.7	23.3	9,193.2
Gross loss liability	*1,079.9*	*3,518.8*	*3,065.5*	*453.2*	*72.3*	*1,740.3*	*131.8*	*22.4*	*6,565.4*
Security provision									1,218.7
FSAN [1] minimum requirement									*1,218.7*

[1] The Financial Supervisory Authority of Norway.

NOK million	PROVISION FOR UNEARNED PREMIUMS Gross	Net of reinsurance	CLAIMS PROVISION Gross	Net of reinsurance
Pool arrangements				
Norwegian Natural perils fund	106.7	106.7	336.9	300.4
Norwegian Occupational Injury Insurers' Bureau			43.2	43.2
Norwegian Motor Insurers' Bureau			32.9	32.9
Norwegian Pharmapool			4.0	4.0
Total pool arrangements	**106.7**	**106.7**	**417.0**	**380.5**

COMMERCIAL INSURANCES

NOK million	Compre-hensive - industrial risks	Compre-hensive - other comm. risks	Motor	Of which third party liability	Of which other classes	General liability	Workers' compen-sation	Collective accident and health	Live-stock	Aqua-culture	Cargo	Other comm. - non-marine	One-year risk life insurance	Total comm. - non-marine
Underwriting result														
Gross premiums written	*1,102.4*	*2,129.8*	*1,151.1*	*343.5*	*807.6*	*428.2*	*749.2*	*343.4*	*81.8*	*35.3*	*51.1*	*43.2*	*1,461.7*	*7,577.2*
Gross premiums earned	1,073.9	2,145.4	1,156.1	344.2	811.9	416.1	766.4	352.2	80.1	33.8	51.1	47.9	1,465.1	7,588.1
Gross claims incurred	(962.1)	(2,341.9)	(880.3)	(307.5)	(572.8)	(373.5)	(629.3)	(287.0)	(108.1)	(24.9)	(11.2)	(34.4)	(900.1)	(6,552.9)
Operating expenses gross	(107.0)	(329.9)	(222.0)	(64.5)	(157.5)	(64.0)	(82.0)	(37.7)	(10.0)	(6.2)	(9.4)	(12.4)	(241.4)	(1,121.8)
Underwriting result	**4.8**	**(526.4)**	**53.8**	**(27.8)**	**81.6**	**(21.4)**	**55.1**	**27.5**	**(38.0)**	**2.7**	**30.5**	**1.1**	**323.6**	**(86.5)**
Gross claims incurred														
Incurred during the year	(971.9)	(2,379.8)	(899.0)	(318.8)	(580.2)	(366.1)	(626.5)	(312.9)	(90.8)	(28.3)	(20.1)	(23.9)	(970.0)	(6,689.2)
Incurred previous years	9.8	37.9	18.7	11.3	7.4	(7.5)	(2.8)	25.9	(17.3)	3.4	8.9	(10.5)	69.9	136.4
Gross claims incurred	**(962.1)**	**(2,341.9)**	**(880.3)**	**(307.5)**	**(572.8)**	**(373.5)**	**(629.3)**	**(287.0)**	**(108.1)**	**(24.9)**	**(11.2)**	**(34.4)**	**(900.1)**	**(6,552.8)**
Technical provisions														
Provision for unearned premiums, gross	422.6	707.8	375.5	105.7	269.8	147.6	201.5	48.9	37.7	10.0	15.8	7.3	511.8	2,486.4
Claims provision, gross	1,545.4	1,295.4	1,146.5	988.9	157.6	883.9	5,603.1	2,092.2	73.0	23.3	18.5	43.1	2,241.3	14,966.0
Gross loss liability	*1,124.6*	*942.7*	*664.7*	*573.3*	*91.4*	*684.8*	*4,331.8*	*1,371.1*	*72.0*	*12.1*	*11.2*	*43.1*	*2,241.3*	*11,499.6*
Security provision														1,121.4
FSAN [1] minimum requirement														*1,121.4*

NOK million	MARINE AND ENERGY INSURANCES				INWARD REINSURANCE			OTHER	
	Blue water hull	Coastal hull	Energy	Total marine and energy insurances	Proportional	Non-proportional	Total inward reinsurance	Pool arrange-ments	Total Gjensidige Forsikring
Underwriting result									
Gross premiums written		*213.8*		*213.8*	*812.5*	*56.7*	*869.2*	*256.1*	*17,239.7*
Gross premiums earned		221.6		221.6	812.5	56.7	869.2	266.8	17,240.1
Gross claims incurred	1.7	(219.5)	9.1	(208.7)	(675.8)	(37.6)	(713.4)	(409.5)	(13,769.0)
Operating expenses gross		(40.8)		(40.8)	(112.6)	(3.4)	(116.0)		(2,647.1)
Underwriting result	1.7	**(38.7)**	9.1	**(27.9)**	**24.1**	**15.7**	**39.8**	**(142.7)**	**824.0**
Gross claims incurred									
Incurred during the year		(207.2)		(207.2)	(669.2)	(35.7)	(704.9)	(410.5)	(14,038.0)
Incurred previous years	1.7	(12.3)	9.1	(1.5)	(6.6)	(1.9)	(8.5)	1.0	269.1
Gross claims incurred	**1.7**	**(219.5)**	**9.1**	**(208.7)**	**(675.8)**	**(37.6)**	**(713.4)**	**(409.5)**	**(13,768.9)**
Technical provisions									
Provision for unearned premiums, gross		16.9		16.9				106.7	6,497.8
Claims provision, gross	17.0	303.2	35.4	355.6	428.4	57.7	486.1	480.2	25,481.1
Gross loss liability	*17.0*	*213.2*	*35.4*	*265.6*	*375.9*		*375.9*	*157.7*	*18,864.1*
Security provision				37.4			68.4		2,445.9
FSAN [1] minimum requirement				*37.4*			*68.4*		*2,445.9*

5 – INTANGIBLE ASSETS

NOK million	Goodwill	Customer relationship	Trademarks	Internally developed software	Other intangible assets	Total
Cost						
As at 1 January 2010	152.0	15.8		272.4	881.2	1,321.4
Additions	899.2	335.2	53.4	105.2	54.8	1,447.8
Additions from internal development				29.8		29.8
Exchange differences	(15.6)	(8.7)	(1.5)	(0.7)	(1.6)	(28.1)
As at 31 December 2010	**1,035.6**	**342.4**	**51.8**	**406.7**	**934.4**	**2,770.9**
Uncompleted projects				75.7		75.7
As at 31 December 2010, including uncompleted projects	**1,035.6**	**342.4**	**51.8**	**482.4**	**934.4**	**2,846.5**
Amortisation and impairment losses						
As at 1 January 2010		(1.8)		(133.3)	(881.3)	(1,016.3)
Amortisation recognised during the period		(34.4)	(7.6)	(87.1)	(8.1)	(137.1)
Exchange differences		0.5	0.2	0.5	0.2	1.6
As at 31 December 2010		**(35.6)**	**(7.4)**	**(219.8)**	**(889.1)**	**(1,151.9)**
Carrying amount						
As at 1 January 2010	152.0	14.1		221.1		387.1
As at 31 December 2010	**1,035.6**	**306.8**	**44.4**	**262.6**	**45.3**	**1,694.7**
Cost						
As at 1 January 2011	1,035.6	342.4	51.8	406.7	934.4	2,770.9
Additions through merger	228.7	85.3	10.0	1.2		325.1
Additions from internal development				137.4		137.4
Disposals				(126.0)	(881.2)	(1,007.2)
Exchange differences	(2.2)	(1.1)	(0.2)	(0.2)	(0.2)	(4.0)
As at 31 December 2011	**1,262.0**	**426.5**	**61.6**	**419.1**	**53.0**	**2,222.2**
Uncompleted projects				92.9		92.9
As at 31 December 2011, including uncompleted projects	**1,262.0**	**426.5**	**61.6**	**511.9**	**53.0**	**2,315.1**
Amortisation and impairment losses						
As at 1 January 2011		(35.6)	(7.4)	(219.8)	(889.1)	(1,151.9)
Additions through merger	(100.0)	(29.1)	(3.4)	(0.2)		(132.7)
Amortisation recognised during the period		(37.2)	(8.4)	(105.8)	(6.1)	(157.5)
Disposals				96.7	881.3	978.0
Exchange differences		0.1		0.1		0.3
As at 31 December 2011	**(100.0)**	**(101.8)**	**(19.1)**	**(229.0)**	**(13.9)**	**(463.9)**
Carrying amount						
As at 1 January 2011	1,035.6	306.8	44.4	262.6	45.3	1,694.7
As at 31 December 2011	**1,162.0**	**324.7**	**42.4**	**282.9**	**39.1**	**1,851.1**
Amortisation method	N/A	Straight-line	Straight-line	Straight-line	Straight-line	
Useful life (year)	N/A	10	10	5-8	5-10	

The company's intangible assets are either acquired or internally developed. Goodwill and customer relationships are acquired through acquisition of portfolios, and are a result of a purchase price allocation of initial cost of the acquisition. Internally developed 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 capitalised as intangible assets. Amortisation is included in Insurance-related administration expenses including commissions for received reinsurance and sales expenses.

Disposals of other intangible assets concerns amortized insurance portfolios. None of the intangible assets have undetermined useful lives.

IMPAIRMENT TESTING OF GOODWILL

The carrying amount of goodwill in the company as at 31 December 2011 is NOK 1,162.0 million. Of this NOK 163.5 million is related to Gjensidige Forsikring ASA, Swedish branch's acquisition of the insurance portfolio from the subsidiary Tennant Försäkringsaktiebolag AB at 1 October 2009 and NOK 869.8 million relates to Gjensidige Forsikring ASA, Danish branch's acquisition of insurance portfolio from Fair Forsikring A/S and KommuneForsikring A/S 1 January 2010 and from Nykredit Forsikring A/S from 1 October 2010. NOK 128.7 million is connected to the merger between Gjensidige Forsikring ASA and Tennant Försäkringsaktiebolag, which merged from 1 January 2011. The branches are independent cash-generating units.

5 – INTANGIBLE ASSETS (CONT.)

An annual assessment of impairment was carried out in the third quarter 2011. 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 budgets for the next four years reviewed by the management and approved by the Board of Directors. In the period after 2015 an annual growth of three per cent has been projected in until 2020. The terminal value is calculated in 2020. The growth in is grounded in the fact that the companies are small and with a solid parent company, which gives them good chances of increasing market shares. The cash flows are estimated to a normal level before a terminal value is calculated. Gjensidige normally has a ten-year horizon on its models, as the company is in a growth phase and a shorter period will not give a correct view of expected cash flows.

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 Boards of Directors of the respective subsidiaries, as well as by the management in Gjensidige Forsikring.

LEVEL OF COMBINED RATIO (CR)

The expected level CR level is both in the growth period and when estimating the terminal value considered to be from 91.9 to 97.7.

Growth rate

The growth rate is considered to be 3.0 per cent. This is based on the following assumptions

Long-term real BNP growth	2-3 %
Long-term expected inflation	2-3 %
Total nominal growth expectation	4-6 %

Based on an overall assessment the management has nevertheless chosen to use a 3.0 per cent growth expectation, as this is considered to be more in line with market expectations.

DISCOUNT RATE

The discount rate is before tax, and is composed of a risk-free interest rate, a risk premium and a market beta. The risk-free rate is equivalent to a ten year interest rate on government bonds in the respective countries the branches operate in. In addition a risk premium of 5.5 percentage points has been added for Denmark and Sweden.

SENSITIVITY ANALYSIS KEY ASSUMPTIONS

The excess values associated with the acquisition 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	Discount rate increases by 1 %	Growth reduced 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 40 million	No need for impairment	No need for impairment	Need for impairment, app. NOK 120 million
Gjensidiges Arbejdsskadeforsikring	Need for impairment, app. NOK 135 million	Need for impairment, app. NOK 10 million	Need for impairment, app. NOK 35 million	Need for impairment, app. NOK 135 million
Nykredit Forsikring	Need for impairment, app. NOK 305 million	Need for impairment, app. NOK 40 million	Need for impairment, app. NOK 45 million	Need for impairment, app. NOK 375 million
Gjensidige Forsikring, Swedish branch	No need for impairment	No need for impairment	No need for impairment	No need for impairment
Gjensidige Baltic	No need for impairment	No need for impairment	No need for impairment	No need for impairment

In Gjensidige Forsikring ASA investments in subsidiaries are accounted for at cost. Exchange differences can thus cause changes in value that causes impairment at company level. The table below shows the effect on the company's financial statements.

SENSITIVITY TABLE	Exchange rate reduced by 10 %
Gjensidiges Arbejdsskadeforsikring	Possible need for impairment, app. NOK 65 million
Nykredit Forsikring	Possible need for impairment, app. NOK 90 million
Gjensidige Baltic	No need for impairment

6 – SHARES IN SUBSIDIARIES AND ASSOCIATES

SUBSIDIARIES NOK million	Registered office	Interest held	Cost 31.12.2011	Carrying amount 31.12.2011	Cost 31.12.2010	Carrying amount 31.12.2010
Fair Forsikring A/S (liquidated in 2011)	Copenhagen	100 %			2,668.7	2,668.7
Gjensidige Bank Holding AS	Oslo	100 %	1,590.4	1,491.7	1,590.4	1,491.7
Gjensidige Norge AS	Oslo	100 %	195.7	1.1	195.7	1.1
Gjensidige Pensjon og Sparing Holding AS	Oslo	100 %	842.4	842.4	761.8	761.8
Glitne Invest AS	Oslo	100 %	340.1	340.1	340.1	340.1
Oslo Areal AS	Oslo	100 %	4,938.1	4,938.1	4,938.1	4,938.1
Gjensidige Baltic	Riga	100 %	351.5	347.8	351.5	347.8
Samtrygd Eigedom AS	Førde	100 %	6.9	6.9	6.9	6.9
Strandtorget Drift AS	Oslo	100 %	0.4	0.4	0.4	0.4
Strandtorget Eiendom AS	Oslo	100 %	0.2	0.2	0.1	0.1
Tennant Holding AB	Stockholm	100 %	103.9	10.2	568.3	474.6
Gjensidiges Arbejdsskadeforsikring A/S	Copenhagen	100 %	770.2	770.2	770.2	770.2
Nykredit Forsikring A/S	Copenhagen	100 %	1,625.1	1,625.1	2,669.6	2,669.6
Total subsidiaries			10,765.0	10,374.4	14,862.1	14,471.5

ASSOCIATES NOK million	Registered office	Interest held	Cost 31.12.2011	Carrying amount 31.12.2011	Cost 31.12.2010	Carrying amount 31.12.2010
Storebrand ASA	Oslo	24.3 %	4,604.4	2,567.4	4,604.4	2,567.4
SpareBank 1 SR-Bank	Stavanger	10.3 %	866.4	866.4	866.4	866.4
Bilskadeinstituttet AS	Oslo	29.5 %	0.4	0.4	0.4	0.4
Vervet AS including subordinated loan [1]	Tromsø	25 %	32.3	2.5	30.8	1.0
Total shares in associates			5,503.5	3,436.7	5,502.0	3,435.2

[1] Subordinated loan of NOK 24.0 million is included in cost.

SUBSIDIARIES – ADDITIONAL INFORMATION NOK million	Assets	Equity	Liabilities	Revenues [2]	Profit/(loss)	Share of stock value
For the whole company 2011						
Gjensidige Bank Holding (group)	16,514.9	1,292.9	15,222.0	376.3	48.7	N/A
Gjensidige Norge AS	1.1	1.1				N/A
Gjensidige Pensjon og Sparing Holding (group)	8,876.0	587.3	8,288.7	532.7	44.5	N/A
Glitne Invest (group)	572.4	518.1	54.3	323.7	133.5	N/A
Oslo Areal AS	5,629.6	4,858.4	771.3		265.0	N/A
Gjensidige Baltic	736.7	311.4	425.3	395.8	19.1	N/A
Samtrygd Eigedom AS	1.4	1.4				N/A
Strandtorget Drift AS	6.2	6.2				N/A
Strandtorget Eiendom AS	2.5	0.5				N/A
Tennant Holding AB	10.1	8.5	1.6	199.1	220.5	N/A
Gjensidiges Arbejdsskadeforsikring A/S	4,663.9	553.1	4,110.7	277.8	43.2	N/A
Nykredit Forsikring A/S	1,481.2	437.3	1,043.9	155.6	93.6	N/A
Total subsidiaries	38,496.0	8,576.3	29,917.8	2,261.1	868.2	

[2] Operating income. For companies where financial income is operating income, financial income is included. For other companies financial income is not included.

6 – SHARES IN SUBSIDIARIES AND ASSOCIATES (CONT.)

SUBSIDIARIES – ADDITIONAL INFORMATION NOK million	Assets	Equity	Liabilities	Revenues [2]	Profit/(loss)	Share of stock value
For the whole company 2010						
Fair Forsikring A/S (group)	2,457.6	2,456.1	1.4	296.1	129.4	N/A
Gjensidige Bank Holding (group)	15,789.6	1,314.9	14,474.6	335.7	24.6	N/A
Gjensidige Norge AS	1.2	1.1		0.1		N/A
Gjensidige Pensjon og Sparing Holding (group)	7,257.2	462.6	6,794.6	335.8	(20.1)	N/A
Glitne Invest (group)	647.3	417.1	230.2	544.7	31.6	N/A
Oslo Areal AS	5,420.4	4,823.7	596.6		107.0	N/A
Gjensidige Baltic	717.5	313.1	404.4	459.3	43.9	N/A
Samtrygd Eigedom AS	6.4	6.4		0.1	0.3	N/A
Strandtorget Drift AS	1.8	0.5	1.2			N/A
Strandtorget Eiendom AS	0.1	0.1				N/A
Tennant Holding AB (group)	727.0	344.7	382.3	453.0	41.9	N/A
Gjensidiges Arbejdsskadeforsikring A/S	4,221.5	512.0	3,709.5	360.2	54.1	N/A
Nykredit Forsikring A/S	2,461.8	1,443.9	1,018.0	116.2	537.9	N/A
Total subsidiaries	39,709.2	12,096.3	27,612.9	2,901.1	950.6	

[2] Operating income. For companies where financial income is operating income, financial income is included. For other companies financial income is not included.

ASSOCIATES – ADDITIONAL INFORMATION NOK million	Assets	Equity	Liabilities	Revenues [2]	Profit/(loss)	Share of stock value
For the whole company 2011						
Storebrand ASA	401,442.0	18,777.0	382,665.0	38,225.0	681.0	3,404.2
SpareBank 1 SR-Bank	131,142.0	9,757.0	121,385.0	3,267.0	1,081.0	843.0
Bilskadeinstituttet AS	5.0	4.7	0.3	1.3	0.1	N/A
Vervet AS	115.6	18.0	96.1	0.1		N/A
Total associates	532,704.6	28,556.7	504,146.4	41,493.4	1,762.1	

ASSOCIATES – ADDITIONAL INFORMATION NOK million	Assets	Equity	Liabilities	Revenues [2]	Profit/(loss)	Share of stock value
For the whole company 2010						
Storebrand ASA	390,414.0	18,417.0	371,997.0	48,241.0	1,480.0	4,777.9
SpareBank 1 SR-Bank	134,778.0	9,402.0	125,376.0	3,414.0	1,317.0	1,180.6
Bilskadeinstituttet AS	5.3	4.8	0.5	1.6	0.2	N/A
Vervet AS	109.2	13.1	96.1	0.5	(0.4)	N/A
Total associates	525,306.5	27,836.9	497,469.6	51,657.1	2,796.8	

The investment in SpareBank1 SR-Bank is classified as investments in an associate and is carried at cost. Gjensidige Forsikring ASA owns 16.3 per cent of the primary certificate capital and 10.3 per cent of the equity in the bank, and has not, based solely on the interest held alone, significant influence. However, the company is represented in both the board in SpareBank1 SR-Bank and the nomination committee. This gives Gjensidige Forsikring ASA significant influence and thus the opportunity to participate in the financial and operational decissions of the bank.

Gjensidige also owns bonds issued by SpareBank1 SR-Bank. The carrying amount of these bonds is NOK 343.7 million.

Percentage of votes held is the same as percentage of interest held for all investments.

7 – OWNER-OCCUPIED PROPERTY, PLANT AND EQUIPMENT

NOK million	Owner-occupied property	Plant and equipment [1]	Total
Cost			
As at 1 January 2010	243.9	594.6	838.5
Additions		107.5	107.5
Disposals	(99.1)	(22.2)	(121.3)
Exchange differences		(1.1)	(1.1)
As at 31 December 2010	**144.8**	**678.8**	**823.5**
Uncompleted projects		53.5	53.5
As at 31 December 2010, including uncompleted projects	**144.8**	**732.3**	**877.1**
Depreciation and impairment losses			
As at 1 January 2010	(61.0)	(370.0)	(431.1)
Depreciation for the year	(6.0)	(78.9)	(84.9)
Disposals	36.5	6.2	42.7
Exchange differences		0.3	0.3
Impairment losses [2]	(2.2)		(2.2)
As at 31 December 2010	**(32.8)**	**(442.5)**	**(475.3)**
Carrying amount			
As at 1 January 2010	182.9	243.9	426.7
As at 31 December 2010	**112.0**	**289.8**	**401.8**
Cost			
As at 1 January 2011	144.8	678.8	823.5
Additions through merger		5.4	5.4
Additions		55.8	55.8
Disposals	(28.5)	(28.0)	(56.5)
Exchange differences		(0.1)	(0.1)
As at 31 December 2011	**116.3**	**711.8**	**828.0**
Uncompleted projects		32.6	32.6
As at 31 December 2011, including uncompleted projects	**116.3**	**744.4**	**860.7**
Depreciation and impairment losses			
As at 1 January 2011	(32.8)	(442.5)	(475.3)
Additions through merger		(3.4)	(3.4)
Depreciation for the year	(4.5)	(74.6)	(79.1)
Disposals	15.6	5.7	21.3
As at 31 December 2011	**(21.7)**	**(514.8)**	**(536.5)**
Carrying amount			
As at 1 January 2011	112.0	289.8	401.8
As at 31 December 2011	**94.5**	**229.6**	**324.2**
Depreciation method	Straight-line	Straight-line	
Useful life (years)	10-50	3-5	

[1] Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.
[2] In 2010, an impairment loss of NOK 2.2 million on an owner-occupied property was recognised. The new value of the property was determined by using the Group's internal valuation model, cf. Note 8 on investment properties. The valuation was not based on observeable market prices or recent transactions. The carrying amount of the property before the impairment was NOK 16.8 million.

Each component of owner-occupied property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land is not depreciated. Estimated useful life for the period and comparable periods are between ten and 50 years for property, with technical installations having the highest depreciation rate, and between three and five years for plant and equipment.

There are no restrictions on owner-occupied property, plant and equipment. Owner-occupied property, plant and equipment are not pledged as security for liabilities.

The market value of owner-occupied property exceeds the carrying amount as shown below. For plant and equipment there is no material difference between the carrying amount and the market value. Some equipment, such as furniture, is fully depreciated, but still in use.

NOK million	2011	2010
Market value of land and owner-occupied property	106.4	122.9
Carrying amount of land and owner-occupied property	94.5	112.0
Excess value beyond carrying amount	**11.9**	**10.9**

8 – INVESTMENT PROPERTIES

NOK million	2011	2010
Statement of financial position		
As at 1 January	1,102.5	1,163.5
Additions from subsequent expenditure	4.0	82.6
Disposals	(266.9)	(128.1)
Net gains/(losses) from fair value adjustments	57.0	(15.5)
As at 31 December	**896.6**	**1,102.5**

Financial income and expenses from investment properties is shown in note 19.

Gjensidige Forsikring carries investment properties at fair value. Investment properties consist of commercial properties that are rented to tenants outside the Group, or are aquired in accordance with the company's capital management strategy. Properties used by Group companies are classified as owner-occupied property, see note 7. In properties that are both rented to tenants outside the Group and that are used by the Group's own business, the parts held for rent that can be sectioned are classified as investment property.

Gjensidige Forsikring owns no investment properties outside of Norway. The average rental period is 4.8 years, and the portfolio of investment properties includes offices and shopping centres.

Gjensidige Forsikring's own valuation model has been used both in the quarterly financial statements and at year end. In addition, two independent external advisors were brought in to value selected parts of the portfolio at year end. From 2011 onwards, Gjensidige Forsikring will use a new valuation model. This new model had no effect on financial statements in 2011.

The Group's valuation model values each property separately. Valuation model relies on a semi-annually in arrears cash flow method. The most important inputs are yield, market rent, contractual rent, potentially vacant premises, the properties' long-term normalised operating costs and any investment requirements. The method maps all incomes and all expenses in a given investment horizon (usually ten years) so that net the cash flow is given yearly for each property. Thereafter, the present value is calculated using this cash flow based on real yield adjusted for expected inflation. Present value of the cash flow and present value of the remaining value compose the cash flow value of the property, and this is considered as the market value.

Yield is determined based on a normal required rate of return adjusted for the location of the property,type, technical standard and the contracts. The normal required rate of return is determined from the required rate of return that can be derived from transactions in the market, and expectations of interest level and risk adjustment. The market rent is determined from existing contracts on the property and comparable properties, observations from contractual negotiations, requests for offers and information from realtors and Eiendomsverdi's database.

For 2011 the following parameters have been used in the valuation of investment property, which yield the following average value per square meter.

NOK	Yield	Average market rent	Average contractual rent	Average value per sqm
Combined portfolio	6.26 %	1,387.0	1,369.0	20,833.0

The adoption of the above parameters implies a significant level of judgement. Emphasis is put on this judgement being consistent with that observed in the market and that the judgement is applied consistently from period to period.

The table below shows how the sensitivity of the yield and the market rent affects the value of the property portfolio, as it stands as at 31 December 2011.

NOK million	Market rent reduced by 10 %	Market rent as at 31.12.11	Market rent increased by 10 %
Yield increases by 0.25 percentage point	776.3	858.1	940.5
Yield 6.26 per cent	811.4	896.6	982.4
Yield decreases by 0.25 percentage point	850.3	939.0	1,028.6

There are no restrictions with regard to the sale of the investment properties or how income and cash flows generated by the investment properties can be used.

As at December 2011 there are contractual obligations to tenants for renovation of NOK 1.0 million (2.0).

Gjensidige Forsikring has no investment properties for leasing or classified as available for sale.

There are no loans with collateral in investment properties in 2010 or 2011.

9 – FINANCIAL ASSETS AND LIABILITIES

NOK million	Notes	Carrying amount as at 31.12.2011	Fair value as at 31.12.2011	Carrying amount as at 31.12.2010	Fair value as at 31.12.2010
Financial assets					
Financial derivatives					
Financial derivatives at fair value through profit or loss		104.8	104.8	434.5	434.5
Financial derivatives subject to hedge accounting		10.9	10.9		
Financial assets at fair value through profit or loss, initial recognition					
Shares and similar interests	12	3,466.2	3,466.2	3,912.2	3,912.2
Bonds and other fixed income securities		13,292.2	13,292.2	8,463.7	8,463.7
Financial assets held to maturity					
Bonds held to maturity		10,807.0	11,139.5	13,600.6	14,022.5
Loans and receivables					
Bonds and other fixed income securities classified as loans and receivables	10	7,227.8	7,117.3	3,903.8	3,926.0
Loans	10	224.0	224.0	264.6	264.6
Receivables related to direct operations and reinsurance		3,632.0	3,632.0	3,379.8	3,379.8
Receivables from Group companies	21	380.6	380.6	190.7	190.7
Other receivables	10	137.5	137.5	123.8	123.8
Prepaid expenses and earned, not received income	10	47.1	47.1	11.5	11.5
Cash and cash equivalents	11, 25	1,453.7	1,453.7	775.5	775.5
Total financial assets		40,783.8	41,005.8	35,060.8	35,505.0
Financial liabilities					
Financial derivatives					
Financial derivatives at fair value through profit or loss		67.9	67.9	105.0	105.0
Financial liabilities at amortised cost					
Other liabilities	15	957.2	957.2	907.4	907.4
Liabilities related to direct insurance and reinsurance		436.6	436.6	310.2	310.2
Accrued expenses and deferred income	15	178.5	178.5	130.6	130.6
Liabilities to subsidiaries and associates	21	134.6	134.6	57.0	57.0
Total financial liabilities		1,774.8	1,774.8	1,510.2	1,510.2
Gain/(loss) not recognised in profit or loss			222.0		444.2

FAIR VALUE

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled to in a transaction carried out at arm's length distance. All financial assets and liabilities are recognised initially at fair value. In the normal course of business, fair value of a financial instrument on initial recognition is the transaction price.

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.

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

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 transaction transactions at arm's length distance. Financial assets/liabilities valued based on quoted prices in active markets are classified as level one in the valuation hierarchy.

The following financial assets/liabilities 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.).

9 – FINANCIAL ASSETS AND LIABILITIES (CONT.)

- 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.

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 values (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture capital Valuation) set out by the Equity Venture Capital Association. The NAV values are estimated by the fund administrators by using the valuation techniques best suited to estimate fair value, given the actual circumstances of each underlying investment. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value. These values are then adjusted for known events since the last reporting date. The typical known event is the increase/decrease in value on listed shares owned by a fund.
- Real estate funds. The real estate funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.
- Gjensidige's investment in Gjensidige Pensjonskasse. The investment is valued equal to the paid-in equity.

SENSITIVITY FINANCIAL ASSETS LEVEL THREE

The sensitivity analysis for financial assets valued based on non-observable market data show the gain/loss of realistic and plausible market scenarios. A decrease in value of ten per cent is considered a realistic and plausible market scenario for both shares and similar interests and for bonds and other fixed income securities that are included in level three in the valuation hierarchy.

VALUATION HIERARCHY 2011

The table shows a valuation hierarchy where financial assets/liabilities measured at fair value through profit or loss are divided into three levels based on the method of valuation.

NOK million	LEVEL 1 Quoted prices in active markets	LEVEL 2 Valuation technique based on observable market data	LEVEL 3 Valuation technique based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		104.8		104.8
Financial derivatives subject to hedge accounting		10.9		10.9
Financial assets at fair value through profit or loss, initial recognition				
Shares and similar interests	201.0	1,350.8	1,914.5	3,466.2
Bonds and other fixed income securities	3,316.9	9,968.8	6.5	13,292.2
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		67.9		67.9

9 – FINANCIAL ASSETS AND LIABILITIES (CONT.)

RECONCILIATION FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2011

NOK million	As at 1.1.2011	Net realised/ unrealised gains recognised in profit or loss	Purchases	Sales	Settle-ments	Transfers into/out of level 3	As at 31.12.2011	Amount of net unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2011
Shares and similar interests	1,690.9	208.5	260.4	(13.5)	(231.8)		1,914.5	186.3
Bonds and other fixed income securities	8.5	(2.2)	0.2				6.5	(2.2)
Total	**1,699.4**	**206.3**	**260.6**	**(13.5)**	**(231.8)**		**1,921.0**	**184.1**

SENSITIVITY FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2011

NOK million		Sensitivity
Shares and similar interests	Decrease in value 10 %	191.4
Bonds and other fixed income securities	Decrease in value 10 %	0.6
Total		**192.1**

VALUATION HIERARCHY 2010

The table shows a valuation hierarchy where financial assets/liabilities measured at fair value through profit or loss are divided into three levels based on the method of valuation.

NOK million	LEVEL 1 Quoted prices in active markets	LEVEL 2 Valuation technique based on observable market data	LEVEL 3 Valuation technique based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		434.5		434.5
Financial assets at fair value through profit or loss, initial recognition				
Shares and similar interests	210.7	2,010.6	1,690.9	3,912.2
Bonds and other fixed income securities	3,003.4	5,451.8	8.5	8,463.7
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		105.0		105.0

RECONCILIATION FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2010

NOK million	As at 1.1.2010	Net realised/ unrealised gains recognised in profit or loss	Purchases	Sales	Settle-ments	Transfers into/out of level 3	As at 31.12.2010	Amount of net unrealised gains recognised in profit or loss that are attributable to instruments held as at 31.12.2010
Shares and similar interests	1,137.8	92.5	713.5	(149.1)	(103.7)		1,690.9	81.4
Bonds and other fixed income securities	9.0	(0.5)					8.5	(0.5)
Total	**1,146.8**	**92.0**	**713.5**	**(149.1)**	**(103.7)**		**1,699.4**	**80.9**

SENSITIVITY FINANCIAL ASSETS VALUED BASED ON NON-OBSERVABLE MARKET DATA (LEVEL 3) 2010

NOK million		Sensitivity
Shares and similar interests	Decrease in value 10 %	169.1
Bonds and other fixed income securities	Decrease in value 10 %	0.9
Total		**169.9**

9 – FINANCIAL ASSETS AND LIABILITIES (CONT.)

HEDGE ACCOUNTING

Gjensidige Forsikring utilizes hedge accounting of currency of the net investment in the foreign operation.

The hedging efficiency is measured per hedging object. The hedging instruments are rolled over continously so that the principal value is approximately similar to that of the hedged object.

Gjensidige Forsikring ASA, Danish branch NOK million	Principal	Market value 31.12.2011 Asset	Market value 31.12.2011 Liability	Ineffiency recognised in profit or loss
Currency-related contracts - hedging instrument	888.7	10.9		(1.1)
Hedging object	897.4			

Per cent	1q	2q	3q	4q
Hedging efficiency - prospective	N/A	100.0 %	100.0 %	100.0 %
Hedging efficiency - retrospective	N/A	100.0 %	109.0 %	98.1 %

Gjensidige Forsikring ASA initiated hedge accounting of the currency exposure of the net investment in the Danish branch. The net investment in the Danish branch is hedged through currency-related contracts that are renewed every quarter at a principal equal to the value of the investment in the Danish branch. The credit risk associated with the hedging instruments is within the limits of Gjensidige's credit policy.

The effect of the hedge accounting is a gain on the hedging instruments of NOK 1.8 million, which is reclassified from net income from investments to exchange differences on the net investment.

10 – LOANS AND RECEIVABLES

LOANS

NOK million	2011	2010
Mortgage loans	1.9	2.4
Bonds classified as loans and receivables	7,227.8	3,903.8
Other loans	243.5	299.0
Impairment to fair value	(16.3)	(31.2)
Subordinated loans	0.8	0.6
Provision for impairment losses	(5.9)	(6.2)
Total loans	**7,451.8**	**4,168.4**

Bonds are securities classified as loans and receivables in accordance with IAS 39.

Other loans are primarily interest-free loans to agricultural customers. The loans are in their entirety intended for installment of fire detectionsystems with these customers. There is no mortgage attached to the loans, and the terms varies from three years to over 20 years. Gjensidige Forsikring has not offered this type of loan to its customers since 2008. The default rate is 1.69 per cent at year end, compared to 1.5 per cent in 2010. Discounting has been conducted in order to take into account the fact that the loans are non-interest-bearing. The discount rate used is 4.66 per cent.

	Nominal value		Cost		Market value	
NOK million	2011	2010	2011	2010	2011	2010
Subordinated loans						
Norinnova Invest	0.8	0.6	0.6	0.6	0.8	0.6
Vervet AS [1]	24.0	24.0	24.0	24.0		
Total subordinated loans	**24.7**	**24.6**	**24.6**	**24.6**	**0.8**	**0.6**

[1] Vervet AS is 25 per cent owned by Gjensidige Forsikring and is is classified as receivables from associates. The subordinated loans was recognised as impairment loss of associates in 2008. Interest does not accrue on the subordinated loans.

NOK million	2011	2010
Provision for impairment losses		
Provision for impairment losses as at 1 January	6.2	7.5
Change in provision for impairment losses for the period	(0.3)	(1.3)
Provision for impairment losses as at 31 December	**5.9**	**6.2**

The recognition of impairment losses is done on each loan individually on the basis of objective evidence. Impairment assessments are not done on groups of loans.

Beyond the liabilities that arise from insurance contracts, Gjensidige Forsikring has not issued guarantees for which provisions have been made.

OTHER RECEIVABLES

NOK million	2011	2010
Receivables in relation with asset management	61.4	20.6
Intercompany SOS International	24.6	24.8
Other receivables	51.5	78.3
Total other receivables	**137.5**	**123.8**

11 – CASH AND CASH EQUIVALENTS

NOK million	2011	2010
Deposits with financial institutions	324.0	
Cash and bank deposits	1,129.7	775.5
Total cash and cash equivalents	**1,453.7**	**775.5**

Cash and bank deposits are cash and bank deposits available for day to day business. Deposits with financial institutions consist of short-term currency deposits and other short-term credit deposits.

Weighted average rate for interest earned on cash and bank deposits is approximately 2.4 per cent (3.1).

12 – SHARES AND SIMILAR INTERESTS

NOK million	Interest held beyond 10 %	31.12.2011
Norwegian financial shares		
Ringerikes Sparebank		24.0
DnB NOR ASA		11.1
Indre Sogn Sparebank		0.2
Total Norwegian financial shares		35.3
Other Norwegian shares		
Statoil ASA		36.5
Norsk Hydro ASA		22.8
Orkla ASA		18.2
Yara International ASA		13.0
Petroleum Geo-Services ASA		12.0
Telenor ASA		11.6
Aker Solutions ASA		10.1
Schibsted ASA		9.6
Odfjell SE		7.1
Solstad Offshore ASA		6.9
Norwegian Air Shuttle ASA		5.6
Austevoll Seafood ASA		5.3
Other Norwegian shares		4.8
Total other Norwegian shares		163.5
Other foreign shares		
CSETF ON S&P 500		96.0
Pacific Drilling LTD		11.1
Subsea 7 S A		9.2
Royal Caribbean Cruises		8.5
Other foreign shares		13.1
Total other foreign shares		137.9
Equity funds		
Capital Intl Emerging Mkt-I		166.4
Valueinvest Lux GLB-IC		80.0
NUVEEN Trade Global All-Cap ESG Fund		75.7
DnB NOR Globalspar II		0.2
Total equity funds		322.2
Private equity investments		
HitecVision Private Equity V LP		173.2
FSN Capital II LP		132.5
HitecVision Private Equity IV LP		116.7
Altor Fund II LP		78.5
Northzone V KS		68.8
Northzone IV KS	10.8 %	56.4
Partners Group European Buyout 2005 (A) LP		51.5
Argentum Secondary II		48.9
Energy Ventures III LP		44.9
Norvestor V LP		40.8
Viking Venture III DIS		32.0
Verdane Capital VI KS	10.0 %	31.3
Energy Ventures II B IS	17.4 %	31.0
Partners Group Direct Investments 2006 LP		30.3
Energy Ventures II KS		28.0
HitecVision Asset Solution KS		27.6
LGT Crown European Private Equity PLC		26.6
Viking Venture II AS		23.0
CapMan BO IX LP		22.4
NeoMed Innovation IV LP		20.9
BaltCap PEF LP		20.7

12 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	Interest held beyond 10 %	31.12.2011
Norvestor IV LP		17.7
Nordic PEP 1 IS (Altor fund III)	12.3 %	15.1
Teknoinvest VIII KS (inkl. Teknoinv. VIII (GP) KS)	13.9 %	13.1
Convexa Capital VIII AS - klasse B		11.1
Verdane Capital V B KS		10.6
Teknoinvest VIII B DIS	15.7 %	9.9
Verdane Capital VII KS		9.4
Fjord Invest AS		8.9
Northzone VI L.P.		8.1
Viking Venture II B IS	16.9 %	6.1
Kapnord Fond AS		5.5
Axcel IV		5.1
Viking Venture AS		4.4
Helgeland Invest		4.0
Tun Media (Landbrukets Medieselskap AS)		3.7
Convexa Capital IV		3.2
BTV Investeringsfond AS		3.0
Norchip AS		2.5
Rogaland Kunnskapsinvest		2.5
Convexa Capital IV		2.4
Norinnova		2.1
Energy Ventures IV LP		1.8
Berger Eiendom		1.7
Midvest I A		1.6
Såkorninvest Sør		1.5
Energy Ventures IS	17.5 %	1.4
Norinnova Invest AS		1.3
HitecVision VI LP		1.1
Midvest II A		1.0
Teknoinvest VIII C IS	26.8 %	1.0
Other private equity investments		5.5
Total private equity investments		**1,272.7**
Hedgefunds		
Winton Futures Fund- Lead Series		191.4
The Winton Evolution Fund		113.6
Sector EuroPower Fund Class A EUR		78.4
Winton Evolution fund, Class H- Euro		67.6
Sector Speculare IV Fund Class A USD		19.8
Sector Maritime Investment Class A		15.5
Sector Speculare II Fund Class A USD		13.4
HORIZON TACTICAL TRAD USD-B		10.1
Sector Maritime Investment Class A1		7.2
Sector Exspec Fund Class A USD		3.9
Sector Consolidare Fund USD		2.4
Sector Spesit I Fund Class A USD		1.9
Total hedgefunds		**525.2**
Real estate funds		
CEREP II		73.2
CEREP III		89.6
CEREP		15.6
La Salle		43.2
Total real estate funds		**221.6**
Combination funds		
FORTIS L FUND-BD CONV WRLD-I		674.7
Total combination funds		**674.7**

12 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	Interest held beyond 10 %	31.12.2011
Other investments		
Gjensidige Pensjonskasse	94.7 %	111.0
Total other investments		**111.0**
Shares and similar interests owned by other branches		
Aksjer og andeler eid av Gjensidige Forsikring ASA, Danish branch		2.1
Total shares and similar interests owned by other branches		**2.1**
TOTAL SHARES AND SIMILAR INTERESTS OWNED BY GJENSIDIGE FORSIKRING ASA		**3,466.2**

13 – INSURANCE-RELATED LIABILITIES AND REINSURERS' SHARE

NOK million	2011	2010
Short-term insurance contracts, gross		
Provision for unearned premiums, gross	6,497.8	6,406.7
Claims reported and claims handling costs	12,104.8	12,254.5
Claims incurred, but not reported	13,376.3	11,803.0
Total claims provision, gross	**25,481.1**	**24,057.5**
Other insurance-related provisions	2,527.5	2,480.4
Total insurance-related liabilities, gross	**34,506.4**	**32,944.6**
Short-term insurance contracts, reinsurers' share		
Reinsurers' share of provision for unearned premiums, gross	13.1	22.2
Claims reported and claims handling costs	817.1	386.1
Claims incurred, but not reported	143.3	26.7
Total reinsurers' share of claims provision, gross	**960.4**	**412.8**
Total reinsurers' share of insurance-related liabilities, gross	**973.5**	**435.0**
Short-term insurance contracts, net of reinsurance		
Provision for unearned premiums	6,484.7	6,384.5
Claims reported and claims handling costs	11,287.7	11,868.3
Claims incurred, but not reported	13,233.0	11,776.3
Total claims provision, net of reinsurance	**24,520.7**	**23,644.7**
Other insurance-related provisions	2,527.5	2,480.4
Total insurance-related liabilities, net of reinsurance	**33,532.9**	**32,509.6**

13 – INSURANCE-RELATED LIABILITIES AND REINSURERS' SHARE (CONT.)

Movements in insurance-related liabilities and reinsurers' share	2011 Gross	2011 Reinsurers' share	2011 Net of reinsurance [1]	2010 Gross	2010 Reinsurers' share	2010 Net of reinsurance [1]
Claims and claims handling costs						
Claims reported and claims handling costs	12,254.5	(386.1)	11,868.3	9,981.3	(146.3)	9,835.0
Claims incurred, but not reported	11,803.0	(26.7)	11,776.3	10,184.5	(8.1)	10,176.4
Total as at 1 January	**24,057.5**	**(412.8)**	**23,644.7**	**20,165.8**	**(154.4)**	**20,011.4**
Acquisitions through business combinations and merger	197.4	(10.7)	186.7	2,042.7	(0.4)	2,042.3
Claims paid, prior year claims	(6,355.7)	272.2	(6,083.5)	(5,590.2)	135.9	(5,454.3)
Increase in liabilities						
Arising from current year claims	13,882.8	(1,046.0)	12,836.8	13,231.9	(365.0)	12,866.9
- of this paid	(6,035.3)	245.7	(5,789.7)	(5,533.2)		(5,533.2)
Arising from prior year claims (run-off)	(260.1)	(9.8)	(270.0)	(230.9)	1.5	(229.3)
Exchange differences	(5.4)	1.0	(4.4)	(28.7)	(30.4)	(59.1)
Total as at 31 December	**25,481.1**	**(960.4)**	**24,520.7**	**24,057.5**	**(412.8)**	**23,644.7**
Claims reported and claims handling costs	12,104.8	(817.1)	11,287.7	12,254.5	(386.1)	11,868.3
Claims incurred, but not reported	13,376.3	(143.3)	13,233.0	11,803.0	(26.7)	11,776.3
Total as at 31 December	**25,481.1**	**(960.4)**	**24,520.7**	**24,057.5**	**(412.8)**	**23,644.7**
Provisions for unearned premiums, gross, short-term insurances						
As at 1 January	6,406.7	(22.2)	6,384.5	5,620.2	(0.5)	5,619.7
Increase due to merger	92.1		92.1			
Increase in the period	16,906.9	(512.4)	16,394.4	(15,310.6)	398.1	(14,912.5)
Release in the period	(16,907.1)	521.6	(16,385.5)	16,094.4	(419.8)	15,674.7
Exchange differences	(0.8)		(0.8)	2.6		2.6
Total as at 31 December	**6,497.8**	**(13.1)**	**6,484.7**	**6,406.7**	**(22.2)**	**6,384.5**

[1] For own account.

2010 is restated according to new accounting regulations and in accordance with restated financial statement.

14 – PENSION

Gjensidige Forsikring is required to have an occupational pension plan pursuant to the Mandatory Occupational Pension Act. The company's pension plans meet the requirements of the Act.

The defined benefit plan is a closed arrangement. New employees become members of the defined contribution plan.

DEFINED CONTRIBUTION PLAN

Defined contribution plan is a private pension plan which is a supplement to the National Insurance. Contributions from the pension plan come in addition to retirement pension from the National Insurance. The retirement age is 67 years.

The plan also includes disability pension and spouse and child's pension subject to specific rules.

In Gjensidige Forsikring the employees are given contributions in accordance with the limits for tax-free contributions, at the time being five per cent of salary from 1 to 6 times the social security base amount and eight per cent from 6 to 12 times the social security base amount.

Some of Gjensidige Forsikring's branches and subsidiaries have similar defined contribution plans as Gjensidige Forsikring.

Contribution to the defined contribution plan is recognised as an expense in the financial year in which the contribution is paid.

Amount recognised as expense for the defined contribution plan is NOK 85.0 million (62.4). Amount recognised in 2011 includes premium to Fellesordningen for LO/NHO.

DEFINED BENEFIT PLAN

The retirement pension together with contributions from the National Insurance and taken into consideration paid-up policies, constitutes about 70 per cent of salary at retirement age, provided a completed contribution time of 30 years. The retirement age is 67 years, while as for the underwriters a retirement age of 65 years applies.

The plan also includes disability pension and spouse and child's pension subject to specific rules. In addition, Gjensidige Forsikring has pension liabilities beyond the ordinary collective plan for some employees. This applies to employees with a lower retirement age, employees with salaries above 12 times the social security base amount and supplementary pensions.

Pension liabilities are measured at the present value of future pension benefits that for accounting purposes are considered as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the time of retirement. Estimated liability at the reporting date is used when measuring accrued pension liability. Plan assets are measured at fair value. For the valuation of pension funds, estimated value at the reporting date is used. Net pension liability is the difference between the present value of the pension liability and the fair value of the plan assets. A provision is recognised for employers' national insurance contributions in periods of underfunding. Net pension liability is presented in the balance sheet under the line Pension liabilities.

Difference between estimated pension liability and estimated value of plan assets as at last financial year and estimated pension liability and fair value of plan assets as at the beginning of this year is recognised in other comprehensive income.

In the calculation for 2010 the reduced discount rate and salary adjustment yielded a negative effect on equity of more than NOK 100 million. In 2011, the negative effect on equity of more than NOK 300 million was mainly due to the reduced discount rate.

The company expects to contribute NOK 127.8 million to the defined benefit plan in 2011 (114.2).

Gjensidige Forsikring ASA with subsidiaries has changed the agreement with regard to the defined benefit plan with Gjensidige Pensjonskasse to a defined benefit plan with investment options. According to this plan the return, not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring ASA with subsidiaries.

NOK million	2011	2010
Present value of the defined benefit obligation		
As at 1 January	2,626.4	2,528.4
Acquired pension liability in connection with purchase of insurance portfolio		50.5
Current service cost	55.3	62.3
Interest cost	93.4	99.6
Actuarial gains and losses	239.8	112.4
Benefits paid	(142.8)	(136.3)
Past service costs		(87.7)
Business combinations	11.8	
Foreign currency exchange rate changes	(0.2)	(2.9)
As at 31 December	**2,883.7**	**2,626.4**
Amount recognised in the balance sheet		
Present value of unfunded plans	418.3	412.3
Present value of funded plans	2,465.4	2,214.1
Present value of the defined benefit obligation	**2,883.7**	**2,626.4**
Fair value of plan assets	(2,075.9)	(2,040.8)
Net defined benefit obligation	**807.8**	**585.6**
Employers' national insurance contributions	108.2	76.7
Net pension liability in the balance sheet	**916.0**	**662.3**

14 – PENSION (CONT.)

NOK million	2011	2010
Fair value of plan assets		
As at 1 January	2,040.8	1,953.3
Expected return on plan assets	95.8	113.4
Actuarial gains and losses	(52.7)	0.7
Contributions by the employer	124.7	111.2
Benefits paid	(142.8)	(137.7)
Business combinations	10.1	
As at 31 December	**2,075.9**	**2,040.8**
Expense recognised in profit or loss		
Current service cost	55.3	62.3
Interest cost	93.4	99.6
Expected return on plan assets	(95.8)	(113.4)
Past service cost		(87.7)
Employers' national insurance contributions	7.5	(5.5)
Total defined benefit pension cost	**60.3**	**(44.7)**
The expense is recognised in the following line items in the income statement		
Insurance-related adm. expenses including provisions for received reinsurance and sales expenses	60.3	(44.7)
Actuarial gains and losses recognised in other comprehensive income		
Cumulative amount as at 1 January	(2,108.9)	(1,729.0)
Adjustment of opening balance		(257.0)
Business combinations	(2.8)	
Recognised during the period	(337.1)	(122.9)
Exchange rate differences	0.3	
Cumulative amount as at 31 December	**(2,448.5)**	**(2,108.9)**
Plan assets comprise		
Equities		11.8 %
Corporate bonds	81.1 %	78.8 %
Money market funds	13.3 %	6.2 %
Other	5.7 %	3.3 %
Total plan assets	**100.0 %**	**100.0 %**
Expected rates of return on plan assets		
Certificates	2.7 %	2.7 %
Equities	8.0 %	8.0 %
Corporate bonds	5.5 %	5.5 %
Money market funds	2.7 %	2.7 %
Properties	6.0 %	6.0 %
Other	7.0 %	7.0 %

14 – PENSION (CONT.)

Expected rates of return on plan assets are based on current asset allocations. Expected return is determined in conjunction with external advisers and takes into account both current and future market expectations when these are available and historical returns. The actual return on plan assets amounted to 3.27 per cent in 2011 (6.57).

The discount rate is based on ten years government bonds in Norway, adjusted for the duration of the pension liabilities. The discount rate is the assumption that has the largest impact on the value of the pension liability. Salary increases, pension increases and change in social security base amount are based on historical observations and expected future inflation. Due to an average age of above 50 years on employees in the defined benefit plan the salary increase does not contain a career addition, and determined salary increase can therefore be lower than in the market in general. The decreasing salary trend applied for 2011 gives an average salary increase of 2.7 per cent (3.5).

	2011	2010
Actuarial assumptions		
Discount rate	2.80 %	3.70 %
Expected return on plan assets	4.50 %	5.80 %
Future salary increases	2.70 %	3.50 %
Change in social security base amount	3.50 %	3.25 %
Future pension increases	2.25 %	2.00 %
Employers national insurance contributions	14.10 %	14.10 %
Staff turnover before/after 40 years	Decreasing	Decreasing
Probability of AFP early retirement	N/A	N/A

Sensitivity	+1 % discount rate	-1 % discount rate	+1 % salary adjustment	-1 % salary adjustment
2011				
Change in pension benefits accrued during the year	(17.3 %)	22.7 %	19.0 %	(15.2 %)
Change in pension benefits	(12.6 %)	15.8 %	5.7 %	(4.6 %)
2010				
Change in pension benefits accrued during the year	(16.2 %)	23.0 %	20.4 %	(15.1 %)
Change in pension benefits	(11.8 %)	15.0 %	6.3 %	(5.0 %)

NOK million	2011	2010	2009	2008	2007
Historical information					
Present value of the defined benefit obligation	2,883.7	2,626.4	2,528.4	2,894.7	2,553.1
The fair value of the plan assets	2,075.9	2,040.8	1,953.3	1,754.2	1,568.5
Deficit in the plan	**807.8**	**585.6**	**575.2**	**1,140.5**	**984.6**

CONTRACTUAL PENSION (AFP)

The liability to pay own risk according to the former arrangement is accounted for as a business specific defined benefit plan. Own risk are still to be paid until the pension liability is fulfilled for the company's own early retirees choosing the former AFP plan. Pension liability for former employees that have chosen to retire before 1 January 2011 is fulfilled as originally planned until everybody has reached 67 years. Hence there will not be a settlement for this group of employees.

All employees who turned 62 years after 1 January 2011 were entitled to apply for pension according to new AFP arrangement as from 1 January 2011. This implies that the liability regarding earned rights is fully repealed.

New AFP constitutes a lifelong addition to retirement pension from the National Insurance and is estimated based on pensionable salary including the year in which he or she is 61 years. AFP can earliest be applied for from the age of 62 years. Yearly AFP will increase by a higher age of withdrawal.

AFP is a defined benefit pension plan and should intentionally be accounted for as a pension liability in the balance sheet. There is, however, not sufficient information to recognise a liability in the financial statements for 2010 and the arrangement is therefore recognised as a defined contribution plan.

The transition to new AFP arrangement is accounted for as a negative past service cost of NOK 87.7 million and is recognised as income in 2010.

No premium to Fellesordningen for LO/NHO was paid for 2010.

15 – PROVISIONS AND OTHER LIABILITIES

NOK million	2011	2010
Restructuring costs [1]	70.0	54.7
Other provisions	27.4	7.6
Total other provisions for liabilities	**97.4**	**62.3**
Outstanding accounts Fire Mutuals	165.0	190.2
Accounts payable	115.5	78.0
Liabilities in relation with properties	4.9	11.1
Liabilities in relation with asset management	8.9	
Liabilities to public authorities	333.3	431.6
Other liabilities	329.5	196.4
Total other liabilities	**957.2**	**907.4**
Accrued personell costs	15.7	130.6
Other accrued expenses and deferred income	162.9	
Total other accrued expenses and deferred income	**178.5**	**130.6**
Restructuring costs 1 [1]		
Provision as at 1 January	54.7	64.4
New provisions	50.0	25.0
Provisions used during the year	(34.7)	(34.7)
Provision as at 31 December	**70.0**	**54.7**

[1] In 2011 it has been decided to make a new provision of NOK 40.0 million in association with the restructurering and new distribution strategy for the Private marked. It has also been decided to make an new provision of NOK 10.0 million in association with the ongoing effeciency improvement measure of Commercial function started in 2010. These processes have been communicated to all business areas involved. During 2011 there have been used NOK 34.7 million of the provisions for 2010.

16 – TAX

NOK million	2011	2010
Specification of tax expense		
Tax payable	(828.4)	(286.7)
Correction previous years	(20.8)	65.9
Change in deferred tax	(22.0)	(14.1)
Total tax expense	**(871.2)**	**(234.8)**

Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets are offset when there is a legally enforceable right to offset those assets/liabilities and when deferred tax liabilities/deferred tax assets relate to the same fiscal authority. The amounts offset are as follows

	2011	2010
Taxable temporary differences		
Properties	239.0	209.3
Plant, equipment and intangible assets	54.1	
Shares, bonds and other securities	173.8	269.9
Profit and loss account	374.6	362.8
Change in accounting principles regarding adminitration provision and loss reserve		28.5
Total taxable temporary differences	**841.4**	**870.5**
Deductible temporary differences		
Loans and receivables	(80.6)	(82.2)
Plant, equipment and intangible assets		(129.4)
Provisions for liabilities	(97.4)	(62.3)
Pension liabilities	(933.4)	(662.3)
Total deductible temporary differences	**(1,111.4)**	**(936.2)**
Net temporary differences	**(269.9)**	**(65.7)**
Deferred tax liabilities/(deferred tax assets)	**(75.6)**	**(18.4)**

16 – TAX (CONT.)

NOK million	2011	2010
Reconciliation of tax expense		
Profit before tax expense	*2,965.5*	*2,749.9*
Estimated tax of profit before tax expense (28 %)	(830.3)	(770.0)
Tax effect of		
Dividend received	407.8	54.0
Tax exempted income and expenses	(441.3)	87.1
Non tax-deductible expenses	(3.1)	(4.8)
Consequence of tax relief decision	16.5	333.0
Correction previous years	(20.8)	65.9
Total tax expense	**(871.2)**	**(234.8)**
Effective rate of income tax	29.4 %	8.5 %
Change in deferred tax		
Deferred tax liabilities as at 1 January		(16.4)
Change in accounting principles		13.9
Deferred tax liabilities as at 1 January restated	(18.4)	(2.5)
Merged company	13.2	
Change in deferred tax recognised in profit or loss	22.0	14.1
Change in deferred tax recognised directly in the balance sheet		
Pensions	(94.4)	(34.6)
Hedge accounting	2.0	
Portfolios acquired		3.7
Exchange differences	(2.0)	1.0
Other changes	1.9	
Deffered tax liabilities/(deferred tax assets) as at 31 December	**(75.6)**	**(18.4)**
Tax recognised in other comprehensive income		
Deferred tax on pensions	94.4	34.6
Deferred tax on hedge accounting	(2.0)	
Tax payable on hedge accounting	1.3	
Total tax recognised in other comprehensive income	**93.6**	**34.6**
Tax on items recognised directly in equity		
Tax payable on dividend costs		13.2
Total tax on items recognised directly in equity		**13.2**

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 have been incorporated into the tax expense and tax liabilities from the fourth quarter of 2010. The tax relief decision involves greater complexity and discretionary assessments, 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.

17 – EXPENSES

INSURANCE-RELATED ADMINISTRATION EXPENSES INCL. COMMISSIONS FOR RECEIVED REINSURANCE AND SALES EXPENSES

NOK million	2011	2010
Depreciation and value adjustments (note 5 and 7), excl. depreciation properties	232.0	215.6
Employee benefit expenses	1,572.5	1,310.3
Fee for customer representatives	3.8	6.3
Software costs	316.7	301.2
Auditor's fee (incl. VAT)	6.7	9.0
Consultants' and lawyers' fees	101.3	67.2
Commissions	448.5	401.2
Other expenses	372.0	586.9
Allocation of indirect claims handling cost from insurance-related administration expenses to claims	(406.3)	(391.1)
Total insurance-related operating expenses incl. commissions for received reinsurance and sales expenses	**2,647.1**	**2,506.6**
Of which sales expenses		
Employee benefit expenses	674.6	688.9
Commission	324.7	269.4
Other sales expenses	451.7	415.2
Total sales expenses	**1,451.0**	**1,373.5**

OTHER EXPENSES

NOK million	2011	2010
Commodity costs and other expenses	11.1	32.6
Total other expenses	**11.1**	**32.6**

OTHER SPECIFICATIONS

NOK million	2011	2010
Administration expenses related to financial assets, excl. interest expenses, incl. administration expenses properties		
Depreciation and value adjustments (note 5 and note 7)	4.6	6.5
Other expenses	93.8	78.1
Total administration expenses related to financial assets, excl. interest expenses, incl. administration expenses properties	**98.4**	**84.6**
Employee benefit expenses		
Wages and salaries	1,178.5	1,071.2
Social security cost	247.9	214.7
Pension cost - defined benefit plan (note 14 incl. employers national insurance contribution)	85.0	62.4
Pension cost - defined contribution plan (note 14 incl. employers national insurance contributions)	60.3	(44.7)
Stock purchase offering for employees	0.9	6.7
Total employee benefit expenses	**1,572.5**	**1,310.3**
Auditor's fee (incl. VAT)		
Statutory audit	2.0	2.3
Other non-assurance services	4.3	6.6
Tax consultant services	0.5	0.1
Total auditor's fee (incl. VAT)	**6.7**	**9.0**

18 – SALARIES AND REMUNERATION

	2011	2010
Average number of employees	2,510	2,621

THE BOARD OF DIRECTORS' 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 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 pay, pension and payments in kind. Variable pay shall be performance-based without being a risk driver.

DECISION-MAKING PROCESS

The Board of Directors has established a remuneration committee consisting of three members: the Chairman of the Board of Directors and two board members.

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

- Drafting proposals for and following up compliance with the Group's guidelines and framework for remuneration
- Annually considering and proposing the remuneration of the CEO
- Annually considering and drafting proposals for the CEO's scorecard
- Acting as adviser to the CEO in connection with the annual assessment of the remuneration of the senior group management
- Considering the management's proposed 'Statement on the stipulation of pay and other remuneration for executive personnel' cf. the Public Limited Liability Companies Act section 6-16a
- Considering other important personnel matters relating to executive personnel.

GUIDELINES FOR THE UPCOMING FINANCIAL YEAR

REMUNERATION OF THE CEO

The CEO's salary and other benefits are stipulated by the Board of Directors 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 pay (bonus) is decided by the Board of Directors 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 pay is not included in the pension basis. The assessment takes into account the enterprise's overall performance targets for return on equity and combined ratio, and an evaluation of the CEO's personal contribution to the Group's development and results, compliance with the Group's vision, values, ethical guidelines, management principles and customer satisfaction.

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, one third of which are allocated 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. 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 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 of Directors. 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 pay (bonus) can be paid to executive personnel on the basis of concrete performance measurements in defined target areas and a discretionary assessment stipulated in scorecards and derived from the Group's strategies and goals. The assessment takes into account a combination of the enterprise's overall performance targets for return on equity and combined ratio, the business unit in question and an evaluation of the person in question's personal contribution, including an overall assessment relating to compliance with the Group's vision, values, ethical guidelines, management principles and customer satisfaction. Half of the variable remuneration is in the form of a promise of shares in Gjensidige Forsikring ASA, one third of which are allocated 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 pay 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 members of the senior group management is 62. Of the current members of the senior group management, five are members of the closed

18 – SALARIES AND REMUNERATION (CONT.)

defined-benefit pension scheme. Given the full earnings period, they are entitled to a pension of 70 per cent of final salary. Six members are part of the Company's defined-contribution pension scheme. The Company will continue a previously agreed individual pension agreement for one member of the senior group management.

Members of the senior group management have a period of notice of six months. There is no severance pay arrangement for executive personnel who leave their position in Gjensidige.

REMUNERATION OF EXECUTIVE PERSONNEL WITH SUPERVISORY TASKS

The remuneration of executive personnel with supervisory tasks shall be independent of the performance of the business area they are in charge of.

Variable pay (bonus) for executive personnel with supervisory functions is based on a discretionary assessment of the contribution of the unit in question measured by scorecards, in addition to their personal contribution. 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. An upper ceiling of 30 per cent of annual salary including holiday pay applies to the payment of bonuses. After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary in order to be able to offer competitive terms.

Variable pay is not included in the pension basis. 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.

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 pay earned in 2012 by the CEO and other employees covered by the Regulations relating to remuneration in financial institutions, 50 per cent of the gross earned variable pay will be given in the form of a promise of shares in Gjensidige Forsikring ASA. One third of the shares will be allocated in each of the following three years.

The CEO and executive personnel are entitled to take part in the Group's share savings programme for employees 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 75,000 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 1,500. For those who keep the shares and are still employed in the Group, one bonus share is awarded for each share they have owned for more than two years.

REPORT ON EXECUTIVE REMUNERATION IN THE PRECEDING FINANCIAL YEAR

With the exception of two employees in the finance department who were offered up to 50 per cent variable pay, the Board confirms that the guidelines on the remuneration of executive personnel for 2011 set out in last year's statement have been complied with.

KEY MANAGEMENT PERSONELL COMPENSATION 2011 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Share-based payment	Loans, advance payments, guarantees, outstanding amount	Interest rate [6]	Applicable conditions and installment plan	Number of options assigned/not redeemed [9]	Numb. of shares held	Retirement conditions
The senior group management											
Helge Leiro Baastad, CEO	4,277.8	1,465.4	259.1	1,881.1	20.2				292	18,878	2
Tor Magne Lønnum (1.1.11-31.5.11), Deputy CEO	2,483.4	1,884.5	152.7	257.0							3
Jørgen Inge Ringdal, Executive Vise President	2,232.4	471.8	202.2	822.1	20.2				292	8,743	2
Trond Delbekk (1.1.11-30.9.11), Executive Vise President	2,136.7	543.6	157.2	300.2							3
Martin Danielsen, Executive Vise President	2,096.8	295.7	39.1	555.8	20.2	4,480.8	3.65 %	31.01.21	292	7,418	3
Bjørn Asp, Executive Vise President	2,085.2	438.3	203.2	504.4	2.6	5,913.9	3.82-3.89 %	20.07.33	38	3,918	3
Kim Rud-Petersen, Executive Vise President	2,260.6	246.5	137.6	189.1						2,543	
Lise Westly (1.1.11-15.8.11), konserndirektør	1,113.6		118.2	68.3							3
Hege Yli Melhus, Executive Vise President	1,874.5	10.0	19.4	181.0	8.0				116	2,067	3
Catharina Hellerud (16.5.11-31.12.11) [1], Executive Vise President	1,226.3	200.0	15.8	150.1	20.2				292	3,442	3
Cecilie Ditlev-Simonsen (1.5.11-31.12.11), Executive Vise President	1,057.8	219.5	16.5	157.7	20.2				292	1,169	3
Sigurd Austin (20.6.11-31.12.11) [1], Executive Vise President	915.8	131.2	21.1	297.6						1,727	3
Kaare Østgaard (20.6.11-31.12.11) [1], Executive Vise President	1,059.7	136.0	21.4	384.8						1,727	3
Mats C. Gottschalk (19.12.11-31.12.11), Executive Vise President				7.3							3

18 – SALARIES AND REMUNERATION (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION 2011 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Share-based payment	Loans, advance payments, guarantees, outstanding amount	Interest rate [6]	Applicable conditions and installment plan	Number of options assigned/ not redeemed [9]	Numb. of shares held	Retirement conditions
The Board of Directors [5]											
Inge K. Hansen, Chairman	375.8		1.5							11,982	
Randi B. Sætershagen, Deputy Chairman	230.0		1.5							8,982	
Trond V. Andersen	221.0		1.5			85.2	6.81 %	20.08.2014		1,630	
Hans-Erik Andersson	230.0		1.3							1,630	
Mari T. Skjærstad	166.0		1.5								
Gisele Marchand	180.0		1.5							1,358	
Gunnhild H. Andersen, staff representative [7]	200.0		14.9							695	
Kjetil Kristensen, staff representative [7]	195.0		18.0							466	
Gunnar Mjåtvedt, staff representative [7]	238.0		18.0							1,509	
Tor Øwre (1.1.11-31.5.11)	100.0										
Per Arne Bjørge (1.6.11-31.12.11)	110.0		1.5							10,271	
The Board of Directors, deputies [5]											
Per Andersen (1.1.11-31.5.11)	9.0										
Per Engebreth Askilsrud (1.1.11-31.5.11)	9.0										
Laila S. Dahlen (1.1.11-31.5.11)	9.0										
Knud Peder Daugaard (1.1.11-31.5.11)	14.0										
Ingun M. Leikvoll (1.1.11-31.5.11)	9.0										
Sissel Johanne Monsvold (1.1.11-31.5.11)	9.0										
Wenche Teigland (1.1.11-31.5.11)	21.8										
Per Gunnar Skorge (1.1.11-31.5.11)											
Marianne Bø Engebretsen (1.1.11-31.5.11), staff representative [7]	9.0		16.8								
Marianne Brinch van Meenen (1.1.11-31.11.11), staff representative [7]	9.0		15.3								
Tore Vågsmyr (1.6.11-31.12.11), staff representative [7]			18.9							580	
Control committee [5]											
Sven Iver Steen, Chairman	343.5		0.5							1,630	
Hallvard Strømme	172.5										
Lieslotte Aune Lee	176.3										
Vigdis Myhre Næsseth, Deputy	111.5										
Supervisory board [4]											
Bjørn Iversen , Chairman	195.0		1.5							816	
Kirsten Indgjerd Værdal, Deputy Chairman	55.5									464	

In addition
43 representatives from the company/Fire Mutuals/organisations/employees.

Paid fee for 2011 include fee for three of four quarters, as a change from payment in advance to payment in arrears was done at the end of the year.

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 Annual fee of NOK ten thousand. There have been three ordinary meetings during 2011.
5 The fee includes fee for subsidiaries.
6 The interest rate is 3.98 nominal in average, unless other is stated.
7 For staff representatives only remuneration for the current position is stated.
8 Everyone has pension plans, benefit or contribution based.
9 In this content, options refer to future bonus shares. See note 27 for terms and further description of the scheme.

18 – SALARIES AND REMUNERATION (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION 2010 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [9]	Loans, advance payments, guarantees, outstanding amount	Number of shares held	Interest rate [7]	Applicable conditions and install-ment plan	Retire-ment condi-tions
The senior group management									
Helge Leiro Baastad, CEO	4,129.3	1,277.6	254.1	1,586.3		6,213			2
Tor Magne Lønnum, Deputy CEO	2,913.7	1,397.0	218.1	663.9		4,213			3
Jørgen Inge Ringdal, Executive Vise President	2,145.5	435.8	194.5	705.5		3,835			2
Trond Delbekk, Executive Vise President	2,390.9	381.7	233.6	658.0		2,319			3
Bjørn Walle (1.1.10-31.8.10) [1], Executive Vise President	1,321.9	269.4	163.8	206.0					4
Petter Bøhler (1.1.10-22.3.10) [1], Executive Vise President	445.3	123.0	46.0	105.8	547.5		3.0 %	20.11.2012	3
Hege Toft Karlsen (1.9.10-31.12.10) [1], Executive Vise President	591.2	27.7	53.5	76.2	1,965.3	2,348	3.0-3.3 %	16.04.2019	3
Martin Danielsen, Executive Vise President	1,911.2	324.0	162.1	555.8	4,479.6	4,213	3.0-3.3 %	28.04.2019	3
Bjørn Asp, Executive Vise President	2,026.1	418.9	199.2	595.5	5,663.9	3,353	3.0-3.1 %	20.07.2033	3
Kim Rud-Petersen (15.3-31.12.10) [1], Executive Vise President	2,115.3	223.1	136.5			2,244			
Lise Westly (1.3-31.12.10) [1], Executive Vise President	1,325.8		164.5	309.7		1,502			
The Board of Directors [6]									
Inge K. Hansen, Chairman	439.0		1.5			5,711			
Randi B. Sætershagen, Deputy Chairman	375.0		3.6			2,711			
Trond V. Andersen	297.5		2.5		113.9	1,482	5.8 %	20.08.2014	
Hans-Erik Andersson	280.0		2.3			1,482			
Mari T. Skjærstad (28.6.10-31.12.10) [1]	100.0		1.5						
Tor Øwre	337.0		7.8			1,482			
Gisele Marchand (28.6.10-31.12.10) [1]	110.0		1.5			1,235			
Karen Marie Hjelmeseter (1.1.10-28.6.10) [1]	151.5		1.2						
Hans Ellef Wettre (1.1.10-28.6.10) [1]	135.0								
Per Engebreth Askilsrud (1.1.10-28.6.10) [1, 11]	157.5		1.0						
Gunnhild H. Andersen, staff representative	235.0					605			
Kjetil Kristensen, staff representative	235.0					406			
Gunnar Mjåtvedt, staff representative	280.0					799			
Marianne Bø Engebretsen (1.1.10-28.6.10) [1, 11], staff representative	133.5					605			
The Board of Directors, deputies [6]									
Per Andersen (28.6.10-31.12.10) [1, 10]						2,711			
Per Engebreth Askilsrud (28.6.10-31.12.10) [1, 11]						347			
Laila S. Dahlen (28.6.10-31.12.10) [1]	3.5					1,482			
Knud Peder Daugaard (28.6.10-31.12.10) [1]	3.5					2,711			
Ingun M. Leikvoll (28.6.10-31.12.10) [1]	18.5								
Sissel Johanne Monsvold	27.8								
Wenche Teigland (28.6.10-31.12.10) [1]	10.0								
Valborg Lippestad (1.1.10-28.6.10) [1]	23.0								
John Ove Ottestad (1.1.10-28.6.10) [1]	13.0								
Harald Milli (1.1.10-24.3.10) [1]	3.0								
Per Gunnar Skorge (24.3.10-31.12.10) [1]	3.0								
Marianne Bø Engebretsen (28.6.10-31.12.10) [1, 11], staff representative									
Marianne Brinch van Meenen (28.6.10-31.12.10) [1, 10], staff representative						505			
Ingvild Sollie Andersen (1.1.10-28.6.10) [1], staff representative	11.0								
Knut Bertil Øygard (1.1.10-28.6.10) [1], staff representative	13.0								
Control committee [6]									
Marit Tønsberg (1.1.10-28.6.10) [1], Chairman	216.0		1.2						
Sven Iver Steen (28.6.10-31.12.10) [1, 10], Chairman						1,482			
Snorre Inge Roald 1.1.10-28.6.10) [1], Deputy Chairman	147.5								
Tove Melgård (1.1.10-28.6.10) [1]	136.0		3.0						
Joar Kavli (1.1.10-28.6.10) [1], Deputy	7.5				5,094.5		3.5 %	19.09.2018	
Hallvard Strømme (28.6.10-31.12.10) [1]	1.5								
Lieslotte Aune Lee (28.6.10-31.12.10) [1]	6.5								
Vigdis Myhre Næsseth (28.6.10-31.12.10) [1], Deputy	11.5								

18 – SALARIES AND REMUNERATION (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION 2010 NOK thousand	Paid fixed salary/fee	Paid variable salary	Calculated value of total benefits other than cash	Rights earned in the fin. year according to defined benefit pension plan [8]	Loans, advance payments, guarantees, outstanding amount	Number of shares held	Interest rate [6]	Applicable conditions and install-ment plan	Retire-ment condi-tions
Supervisory board [5]									
Kirsten Indgjerd Værdal (1.1.10-28.6.10) [1, 11], Chairman	126.0		0.4						
Bjørn Iversen (28.6.10-31.12.10) [1], Chairman	23.0								
Trond Bakke (1.1.10-28.6.10) [1], Deputy Chairman	107.5								
Kirsten Indgjerd Værdal (28.6.10-31.12.10) [1, 11], Deputy Chairman									

In addition

43 representatives from the company/Fire Mutuals/organisations/employees. [5]

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 percent at age 67 according to time of earning.
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 Age 60, 70 per cent salary until age 67 according to time of earning, then Gjensidige Forsikring's ordinary pension terms will take effect.
5 Annual fee of NOK three thousand five hundred, in addition to a per meeting fee of NOK three thousand five hundred. There have been three ordinary meetings during 2010.
6 The fee includes a fee for subsidiaries.
7 The interest rate is 3.0 nominal, unless other is stated.
8 For employees only remuneration for the current position is stated.
9 Everyone in the Senior Group Management has pension plans, benefit based or contribution based.
10 The person concerned has not received any fees during 2010.
11 Fee includes all posisions held during 2010.

19 – NET INCOME FROM INVESTMENTS

NOK million	2011	2010
Net income and gains/(losses) from buildings and other real estate		
Investment properties		
Income from investment properties, excl. unrealised gain/(loss)	76.6	80.0
Net revaluation investment properties	57.0	(15.5)
Net gain/(loss) from sale of investment properties	1.3	9.2
Administration expenses related to investment properties	(12.7)	(13.1)
Total net income and gains/(losses) from investment properties	**122.3**	**60.5**
Owner-occupied properties		
Rental income from owner-occupied properties	7.9	10.8
Net gain/(loss) from sale of owner-occupied properties	(1.7)	55.0
Administration expenses related to owner-occupied properties	(7.1)	(10.1)
Impairment owner-occupied properties		(2.2)
Total net income and gains/(losses) from owner-occupied properties	**(0.9)**	**53.4**
Total net income and gains/(losses) from buildings and other real estate	**121.4**	**113.9**
Net income and gains/(losses) from investments in subsidiaries and associated companies		
Net income from investments in subsidiaries and associated companies	672.7	292.7
Impairment investments in subsidiaries and associated companies		(152.2)
Net gain/(loss) from sale of investments in subsidiaries and associated companies	(227.8)	(0.1)
Total net income and gains/(losses) from investments in subsidiaries and associated companies	**444.9**	**140.4**
Net gain/(loss) from bonds held to maturity		
Net interest income from bonds held to maturity	664.0	756.4
Unrealised gain/(loss) from bonds held to maturity	5.1	(11.8)
Realised gain/(loss) from bonds held to maturity	(23.0)	
Impairment bonds held to maturity	(40.0)	
Net gain/(loss) from changes in exchange rates on bonds held to maturity	0.1	
Total net gain/(loss) from bonds held to maturity	**606.1**	**744.6**
Net income and gains/(losses) from loans and receivables		
Net interest income/(expenses) from loans and receivables	308.0	134.5
Net gain/(loss) from loans and receivables	(0.5)	19.7
Net gain/(loss) from changes in exchange rates on loans and receivables	(60.7)	(88.1)
Total net income and gains/(losses) from loans and receivables	**246.9**	**66.1**
Net income and gains/(losses) from financial assets at fair value through profit or loss, designated		
Shares and similar interests		
Dividend income	8.0	78.6
Unrealised gain/(loss) from shares and similar interests	(75.9)	108.4
Realised gain/(loss) from shares and similar interests	(75.8)	174.6
Total net income from shares and similar interests	**(143.6)**	**361.6**
Bonds and other fixed-income securities		
Net interest income/(expenses) from bonds and other fixed-income-securities	284.5	284.1
Unrealised gain/(loss) from bonds and other fixed-income securities	209.3	73.4
Realised gain/(loss) from bonds and other fixed-income securities	87.7	287.5
Total net income from bonds and other fixed-income securities	**581.4**	**645.0**
Derivatives		
Net interest income/(expenses) from derivatives	(10.8)	1.2
Unrealised gain/(loss) from derivatives	(307.9)	185.9
Realised gain/(loss) from derivatives	406.8	21.0
Total net income from derivatives	**88.2**	**208.1**
Total net income and gains/(losses) from financial assets at fair value through profit or loss, designated	**526.0**	**1,214.7**
Net other financial income/(expenses) [1]	(104.1)	(117.5)
Total net income from investments	**1,841.1**	**2,162.2**
Specifications		
Interest income and expenses from financial assets and liabilities not recognised at fair value through profit or loss		
Interest income from financial assets not recognised at fair value through profit or loss	972.0	931.0
Interest expense from financial assets not recognised at fair value through profit or loss		(40.1)

[1] Net other financial income/(costs) include financial income and expenses not attributable to individual classes of financial assets or liabilities, and financial administration costs.

20 – CONTINGENT LIABILITIES

NOK million	2011	2010
Guarantees and committed capital		
Gross guarantees	0.1	0.6
Committed capital, not paid	746.0	705.8

As part of its ongoing financial management, the Company has undertaken to invest up to NOK 746.0 million (705.8) in various private equity and real estate investments, over and above amounts recognised in the balance sheet. Investments in private equity and real estate funds totalled NOK 1,496.6 million (1,303.6) at the end of the year.

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 above ten (eight) years and twelve (ten) years in average including option of extention.

As at 31 December 2011 there are contractual obligations to tenants for renovation of NOK 1.0 million (2.0).

Gjensidige Forsikring was until 1 January 2012 responsible externally for any insurance claim arising from the co-operating Fire Mutuals' operations.

21 – RELATED PARTY TRANSACTIONS

OVERVIEW OF RELATED PARTIES

Gjensidige Forsikring ASA is the Group's parent company. As at 31 December 2011 the following companies are regarded related parties.

	Registered office	Interest held
Ultimate parent company		
Gjensigestiftelsen holds 62.83 per cent of the shares in Gjensidige Forsikring ASA	Oslo, Norway	
Subsidiaries		
Fair Forsikring A/S (liquidated during 2011)	Copenhagen, Denmark	100.0 %
Gjensidiges Arbejdsskadeforsikring A/S	Copenhagen, Denmark	100.0 %
Gjensidige Baltic	Riga, Latvia	100.0 %
Gjensidige Bank Holding AS	Oslo, Norway	100.0 %
Gjensidige Norge AS	Oslo, Norway	100.0 %
Gjensidige Pensjon og Sparing Holding AS	Oslo, Norway	100.0 %
Glitne Invest AS	Oslo, Norway	100.0 %
Nykredit Forsikring A/S	Copenhagen, Denmark	100.0 %
Oslo Areal AS	Oslo, Norway	100.0 %
Samtrygd Eigedom AS	Førde, Norway	100.0 %
Storgata 90 AS	Oslo, Norway	100.0 %
Strandtorget Drift AS	Oslo, Norway	100.0 %
Strandtorget Eiendom AS	Oslo, Norway	100.0 %
Tennant Holding AB	Stockholm, Sweden	100.0 %
Associates		
Bilskadeinstituttet AS	Oslo, Norway	29.5 %
SpareBank1 SR-Bank 1	Stavanger, Norway	10.8 %
Storebrand ASA	Oslo, Norway	24.3 %
Vervet AS	Tromsø, Norway	25.0 %
Other related parties		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	94.7 %

[1] In addition Gjensidige owns bonds in SpareBank1 SR-Bank amounting to NOK 343.7 million.

Percentage of votes held is the same as percentage of interest held.

21 – RELATED PARTY TRANSACTIONS (CONT.)

TRANSACTIONS WITH RELATED PARTIES

INCOME STATEMENT

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

	2011		2010	
NOK million	Income	Expense	Income	Expense
Gross premiums written				
Gjensidiges Arbejdsskadeforsikring A/S	14.3		13.1	
Gjensidige Baltic	8.2		8.4	
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)	0.1		0.2	
Nykredit Forsikring A/S	808.3		782.2	
Tennant Försäkringsaktiebolag AB (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			8.3	
Gross paid claims				
Gjensidige Baltic		8.2		
Nykredit Forsikring A/S		606.4		374.5
Change in gross provision for claims				
Gjensdige Baltic		10.1		
Nykredit Forsikring A/S		62.8		294.6
Tennant Forsikring NUF (merged with Gjensidige Forsikring ASA, effective 1.1.2011)				1.6
Commissions				
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)			0.9	
Administration expenses				
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	27.6		21.7	
Gjensidige Investeringsrådgivning ASA (owned by Gjensidige Pensjon og Sparing Holding AS)	7.5		8.3	
Gjensidige Pensjon og Sparing Holding AS	10.0		10.6	
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)	35.1		39.5	
Glitne Invest AS	0.5		0.1	
Hjelp24 AS (formerly owned by Glitne Invest AS, sold during 2011)		5.2		4.8
Nykredit Forsikring A/S		109.4		107.5
Oslo Areal AS	0.2		0.2	4.2
Tennant Assuranse AS		21.4		
Tennant Forsikring NUF (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			5.0	
Tennant Holding AB		8.3		6.1
Interest expenses				
Fair Forsikring A/S (liquidated during 2011)		9.0		17.7
Tennant Holding AB		14.9		
Total	**911.7**	**855.6**	**898.5**	**811.0**

Gjensidigestiftelsen covered in 2010 all of the expenses related to the stock exchange listing of Gjensidige Forsikring ASA. Expenses related to the conversion of Gjensidige Forsikring BA to a public limited company were evenly divided between Gjensidigestiftelsen and Gjensidige Forsikring. Part of the expenses were charged Gjensidige Forsikring and invoiced Gjensidigestiftelsen. At year end 2011 the intercompany account was NOK 370,000 to Gjensidige Forsikrings advantage.

PURCHASE AND SALE OF ASSETS

Gjensidige Forsikring owns all of the shares of Tennant Holding AB, a company domiciled in Sweden. As at 17 March 2011 it was agreed that Gjensidige Forsikring was to acquire all of the shares of Tennant Försäkringsaktiebolag, an insurance company also domiciled in Sweden, from Tennant Holding AB. The remuneration is set to fair value and amounts to NOK 470.0 million. The remuneration was interest-bearing until settlement before year-end. The Norwegian Financial Supervisory Authority of Norway has approved the transactions. 14 October Tennant Försäkringsaktiebolag was merged into Gjensidige Forsikring ASA. The merger was conducted as a mother-daughter merger and is therefore accounted for as group continuity. In the Group accounts all consequenses of the merger are eliminated. There have not been significant transactions with related parties other than ordinary current agreements conducted at arm›s length and the transaction/merger mentioned above.

LOANS TO RELATED PARTIES

As at 31 December 2011 employees have loans in Gjensidige Bank amounting to NOK 973.9 million. The loans are offered on normal commercial conditions.

21 – RELATED PARTY TRANSACTIONS (CONT.)

INCOME FROM INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The table below shows a summary of contributions/dividends from/to subsidiaries as well as liquidation losses.

	2011		2010	
NOK million	Received	Given	Received	Given
Group contributions				
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	74.1			
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)		111.5		26.8
Gjensidige Investeringsrådgivning ASA (owned by Gjensidige Pensjon og Sparing Holding AS)				14.6
Gjensidige Fondene AS (owned by Gjensidige Pensjon og Sparing Holding AS)		0.4		
Glitne Invest AS	36.2		22.3	
Oslo Areal AS	273.4		101.1	
Strandtorget Eiendom AS		37.0		
Tennant Assuranse AS	6.0			
Tennant Försäkringsaktiebolag AB			1.0	
Dividends				
Gjensidige Baltic	22.9		21.1	
Gjensidiges Arbejdsskadeforsikring A/S			104.9	
Gjensidige Norge AS			6.0	
Nykredit Forsikring A/S	55.5			
Storebrand	120.4			
SpareBank1 SR-Bank	57.0		36.2	
Tennant Holding AB	27.3			
Total group contributions and dividends	**672.7**	**149.0**	**292.7**	**41.4**
Liquidation losses				
Fair Forsikring A/S	(227.8)			
Total liquidation losses	**(227.8)**			
Total income from investments in subsidiaries and associates	**444.9**	**149.0**	**292.7**	**41.4**

INTERCOMPANY BALANCE

The table below shows a summary of receivables/liabilities from/to subsidiaries, associates and related parties.

	2011		2010	
NOK million	Receivables	Liabilities	Receivables	Liabilities
Intercompany non-interest bearing debts and receivables within the group				
Fair Forsikring A/S including subsidiaries				3.5
Gjensidige Arbejdsskadeforsikring A/S		1.0		13.0
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)		2.5	0.8	
Gjensidige Fondene AS (owned by Gjensidige Pensjon og Sparing Holding AS)	0.1			
Gjensidige Pensjon og Sparing Holding AS	0.6			1.2
Gjensidige Pensjonsforsikring AS (owned by Gjensidige Pensjon og Sparing Holding AS)		107.3		22.8
Gjensidige Investeringsrådgivning ASA (owned by Gjensidige Pensjon og Sparing Holding AS)	0.7			14.8
Gjensidigestiftelsen	0.4		34.4	
Glitne Invest AS	36.2		22.2	
Hjelp24 AS (formerly owned by Glitne Invest AS, sold during 2011)			1.4	
Nykredit Forsikring A/S	63.4	19.3	26.2	
Oslo Areal AS	273.3		80.0	
Tennant Holding AB			11.2	
Tennant Försäkringsaktiebolag AB (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			13.0	
Tennant Assuranse AS (owned by Glitne Invest AS)		2.8		
Tennant Assurance AB (owned by Tennant Försäkringsaktiebolag AB)	6.0			
Tennant Forsikring NUF (merged with Gjensidige Forsikring ASA, effective 1.1.2011)			1.4	
Samtrygd Eigedom AS		1.7		1.7
Total intercompany non-interest bearing debts and receivables group	**380.6**	**134.6**	**190.7**	**57.0**
Claims provision within the Group				
Gjensidige Baltic		10.1		
Total claims provision within the Group		**10.1**		
Total intercompany balances within the Group	**380.6**	**144.7**	**190.7**	**57.0**
Co-operating companies [1] and other related parties				
Fire Mutuals		165.0		190.2
Total intercompany balance	**380.6**	**309.7**	**190.7**	**247.3**

[1] Cooperating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

GUARANTEES

Gjensidige Forsikring was until 1 January 2012 responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 20.

22 – EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2012, a binding agreement was entered into for the sale of one shopping centre in the property portfolio in the amount corresponding to their carrying amount. The transaction is expected to be completed with accounting effect in the first quarter 2012.

23 – CAPITAL RATIO

NOK million	2011	2010
Equity	18,630.1	19,055.0 [1]
Effect of guarantee scheme provision and Natural perils fund	(3,040.3)	(3,151.3) [1]
Goodwill	(1,162.0)	(1,035.6)
Deferred tax assets	(75.6)	(26.4)
Other intangible assets	(689.1)	(659.1)
Investment properties, unrealised gains, proportion	(158.4)	(209.3)
Reinsurance provision, minimum requirement	(4.5)	(6.4)
Core capital	**13,500.2**	**13,967.0**
45 % of investment properties, unrealised gains, proportion	71.3	94.2
Additional capital	**71.3**	**94.2**
Primary capital	**13,571.4**	**14,061.2**
Primary capital in other financial institutions	(108.5)	(108.6)
Net primary capital (A)	**13,462.9**	**13,952.5**
Assets with 0 % risk weight	3,513.2	3,391.0
Assets with 10 % risk weight	1,287.2	292.6
Assets with 20 % risk weight	20,597.7	18,267.7
Assets with 35 % risk weight	0.5	1.3
Assets with 50 % risk weight	1,070.6	1,524.4
Assets with 100 % risk weight	30,492.1	31,213.2
Assets with 150 % risk weight	118.3	126.7
Other non-weighted assets		
Goodwill	1,162.0	1,035.6
Deferred tax assets	75.6	26.4
Other intangible assets	689.1	659.1
Derivatives	115.7	434.5
Total assets	**59,121.8**	**56,972.4**
Assets with 0 % risk weight	0.0	0.0
Assets with 10 % risk weight	128.7	29.3
Assets with 20 % risk weight	4,119.5	3,653.5
Assets with 35 % risk weight	0.2	0.4
Assets with 50 % risk weight	535.3	762.2
Assets with 100 % risk weight	30,492.1	31,213.2
Assets with 150 % risk weight	177.5	190.0
Total risk weighted assets	**35,453.3**	**35,848.7**
Weighted reinvestment cost derivatives	24.5	119.5
Primary capital in other financial institutions	(108.5)	(108.6)
Risk weighted calculation base (B)	**35,369.3**	**35,859.5**
Capital ratio (A/B)	38.1 %	38.9 %
FSAN minimum requirement	*8.0 %*	*8.0 %*

[1] The figures for 2010 have been restated due to reclassification of the administration provision.

24 – SOLVENCY MARGIN

NOK million	2011	2010
Net primary capital	13,462.9	13,952.5 [1]
Proportion of security provision	1,100.6	1,105.6
Proportion of Natural perils fund (up to 25 % of the Natural perils fund is included)	615.7	653.9
Solvency margin capital	**15,179.3**	**15,712.1**
Solvency margin minimum requirement	*2,836.3*	*2,700.0*
In excess of requirement	**12,343.0**	**13,012.2**
Solvency margin capital in per cent of requirement	535.2 %	581.9 % [1]

[1] The figures for 2010 have been restated due to reclassification of the administration provision.

25 – RESTRICTED FUNDS

NOK million	2011	2010
Restricted bank deposits		
Source-deductible tax accounts	59.1	59.0
Securities placed as security for insurance operations	13.8	13.9
Deposits placed as security for insurance operations	8.3	8.3
Total restricted bank deposits	**81.3**	**81.2**

26 – SHAREHOLDERS

The 20 largest shareholders as at 31 December 2011.

Investor		Number of shares	Owner share in %
Gjensidigestiftelsen		314,144,817	62.83 %
Folketrygdfondet		17,042,588	3.41 %
Morgan Stanley & Co Internat. Plc	Nominee	10,238,142	2.05 %
State Street Bank And Trust Co.	Nominee	9,390,704	1.88 %
State Street Bank And Trust Co.	Nominee	9,222,881	1.84 %
Skagen Global		8,317,774	1.66 %
Clearstream Banking S.A.	Nominee	5,480,737	1.10 %
Goldman Sachs & Co - Equity	Nominee	4,249,635	0.85 %
Skagen Kon-Tiki		4,051,238	0.81 %
Odin Norge		3,129,484	0.63 %
Skagen Global Ii		2,831,800	0.57 %
Citigroup Global Markets Inc	Nominee	2,800,730	0.56 %
State Street Bank And Trust Co	Nominee	2,661,644	0.53 %
Skagen Vekst		2,321,368	0.46 %
State Street Bank And Trust Co.	Nominee	2,321,310	0.46 %
Odin Norden		2,025,000	0.41 %
State Street Bank And Trust Co.	Nominee	1,964,661	0.39 %
Bnym As Emea Asia 25 Omnibus	Nominee	1,636,307	0.33 %
Invesco Perp European Eq Fund		1,426,653	0.29 %
Klp Aksje Norge Indeks Vpf		1,282,884	0.26 %
Number of shares 20 largest shareholders		406,540,357	81.31 %
Number of shares 20 largest shareholders		**500,000,000**	**100.00 %**
Total number of shares		**500,000,000**	**100.00 %**

The shareholder list is based on the VPS shareholder registry as of 31 December 2011. A shareholder list showing the owners behind nominee accounts can be found on page 46.

27 – SHARE-BASED PAYMENT

DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

As at 31 December 2011, Gjensidige has the following share-based payment arrangements:

EQUITY-SETTLED SHARE-BASED PAYMENT

With effect from 2011, Gjensidige established equity-settled share-based payment for executive personnel.

As described in the Board of Directors' statement on the stipulation of pay and other remuneration in Note 18, 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.

The fair value at the grant date is based on the market price. The amount is recognised as payroll expenses. No specific company-related or market-related entitlement criteria apply to the shares, but the Company may carry out a re-assessment based on major qualitative events and/or developments. The expected allocation is set at 100 per cent.

No bonuses in the form of shares have been awarded to executive personnel in 2011.

EQUITY-SETTLED SHARE SAVINGS PROGRAMME FOR EMPLOYEES

In 2011, the Board of Directors of Gjensidige Forsikring ASA decided to introduce a share savings programme for employees of the Group with the exception of employees of Gjensidige Baltic. All employees of the Group were given an opportunity to buy shares for up to NOK 75,000. In 2012, the scheme will be turned into a share savings programme, whereby all permanent employees of the Group will be given an opportunity to save an annual amount of up to NOK 75,000. Saving will take the form of fixed deductions from salary that will be converted into shares four times a year. The employees will be offered a discount of 20 per cent, limited upwards to NOK 1,500 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.

The fair value at grant date is based on the market price. The discount is recognised as payroll expenses at the time of allocation. The value of the bonus shares is recognised as payroll expenses over the vesting period, which is two years.

PURCHASE OF SHARES AT A DISCOUNT IN CONNECTION WITH THE LISTING OF THE COMPANY

In connection with the listing on the stock exchange of Gjensidige Forsikring ASA on 10 December 2010, all employees of the Gjensidige Group, with the exception of employees of Gjensidige Baltic, were given an opportunity to buy shares in the Company.

Permanent employees as of 13 December 2010 were entitled to buy shares. No requirements were applied as regards percentage of a full-time position, whether the employees had been at work, absent because of illness, on leave of absence etc. The offer was also made to employees who were recipients of work clarification benefit. There were no other conditions relating to the offer to buy shares.

For every ten shares owned continuously until 12 December 2011, the employees will receive 1.5 bonus shares. If the shares are owned continuously up to and including 10 December 2012, an additional 1.5 bonus shares will be awarded for every ten shares.

As at 31 December 2010, the participants had invested NOK 44.8 million in the share purchase scheme.

The value at grant date is recognised in the income statement as payroll expenses and as other paid-up equity in the statement of changes in equity.

FAIR VALUE MEASUREMENT

The fair value of the bonus shares allocated through the share savings programme 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 following assumptions were used in the calculation of fair value at the time of allocation

NOK million	2011	2010
Weighted average share price (NOK)	64.13	N/A
Expected turnover	10 %	N/A
Expected sale	5 %	N/A
The options effective life (years)	2	N/A
Expected dividend (NOK per share)	4.63	N/A

The expected return is based on the Group's actual profit/loss after tax expense as of the third quarter, grossed up to a full year, plus the maximum distribution of dividend corresponding to 80 per cent of the profit after tax expense. This was carried out as a technical calculation because the Company's forecast for the fourth quarter result was not available at the time the calculations were carried out.

PAYROLL EXPENSES

NOK million	Note	2011	2010
Stock saving programme for employees in 2011	17	0.9	
Stock purchase offering for employees allocated in 2010	17		6.7

27 – SHARE-BASED PAYMENT (CONT.)

RECONCILIATION OF OUTSTANDING BONUS SHARES

The number of and weighted average exercise price for bonus shares in the share savings programme for each of the following groups are

NOK million	Number of bonus shares 2011	Weighted average exercise prices of bonus shares in 2011	Number of bonus shares 2010	Weighted average exercise prices of bonus shares in 2010
Outstanding 1 January			N/A	N/A
Granted during the period	46,951		N/A	N/A
Forfeited during the period	29		N/A	N/A
Cancelled during the period	(437)		N/A	N/A
Exercised during the period			N/A	N/A
Expired during the period			N/A	N/A
Outstanding 31 December	**46,543**		N/A	N/A
Exercisable 31 December			N/A	N/A

Bonus share options exercised in the 2011 financial year have a weighted average fair value of NOK 0. No bonus share options were exercised in 2011.

Outstanding bonus shares as of 31 December 2011 have an average remaining life of 1.88 years.

Options granted in the 2011 financial year had a weighted average fair value of NOK 52.27 at the time of allocation. The fair value is equivalent to the market value of the share at the time of allocation.

DECLARATION FROM THE MEMBERS OF THE BOARD OF DIRECTORS AND CEO

Today, the Board of Directors and the CEO have considered and approved the Report of the Board of Directors and the Annual Accounts for Gjensidige Forsikring ASA, the Group and the parent company, for the calendar year 2011 and as per 31 December 2011.

The consolidated accounts have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations, together with the additional disclosure requirements that derive from the Regulations concerning annual accounts for insurance companies pursuant to the Norwegian Accounting Act and that shall be adopted as per 31 December 2011. The annual accounts for the parent company were submitted in accordance with the Accounting Act and the Regulations concerning annual accounts for insurance companies as per 31 December 2011. The Report of the Board of Directors for the Group and the parent company is in accordance with the requirements of the Accounting Act and Norwegian Accounting Standard no. 16 as per 31 December 2011.

To the best of our knowledge:

- the annual accounts for 2011 for the Group and the parent company have been prepared in accordance with current accounting standards
- the information in the accounts gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position and results as a whole as per 31 December 2011
- the Report of the Board of Directors for the Group and the parent company gives a true and fair summary of:
  - the development, results and position of the Group and the parent company
  - the most important risk and uncertainty factors that the Group and parent company are currently facing.

7 March 2012
The Board of Directors of Gjensidige Forsikring ASA

Inge K. Hansen
Chairman

Randi B. Sætershagen

Gunnhild H. Andersen

Trond Vegard Andersen

Hans-Erik F. Andersson

Gisele Marchand

Gunnar Mjåtvedt

Per-Arne Bjørge

Kjetil Kristensen

Mari T. Skjærstad

Helge Leiro Baastad
CEO

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Gjensidige Forsikring ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Gjensidige Forsikring ASA, which comprise the financial statements of the parent company Gjensidige Forsikring ASA and the consolidated financial statements of Gjensidige Forsikring ASA and its subsidiaries. The parent company's financial statements comprise the statement of financial position as at 31 December 2011, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, and the income statement and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Group Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Group Managing Director are responsible for the preparation and fair presentation of the parent company's financial statements in accordance with the Norwegian Accounting Act and the regulations concerning annual accounts for insurance companies, and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and in addition, the further disclosure requirements as required by the regulations concerning annual accounts for insurance companies under provisions of the Norwegian Accounting Act, and for such internal control as the Board of Directors and the Group Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG

Independent auditor's report
Gjensidige Forsikring ASA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the separate financial statement
In our opinion, the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Gjensidige Forsikring ASA as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and the regulations concerning annual accounts for insurance companies.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Gjensidige Forsikring ASA and its subsidiaries as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and in addition, the further disclosure requirements as required by the regulations concerning annual accounts for insurance companies under provisions of the Norwegian Accounting Act.

Report on Other Legal and Regulatory Requirements
Opinion on the Board of Directors' report and the Report on Corporate Governance
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the Report on Corporate Governance concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting 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 the company's 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, 7 March 2012
KPMG AS

Tom Myhre
State Authorized Public Accountant

[Translation has been made for information purposes only]

PHOTOS:

Yvonne Holth	Cover photos, The Board of Directors, Helge Leiro Baastad, Group Management, Kjetil Høyland, Miriam Ridola Ellingsgard
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Gjensidige is a leading Nordic insurance group built by customers, for customers. For nearly 200 years, we have worked passionately to secure the lives, health and assets for of our customers. We have 3,116 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer banking, pension and savings. Operating income was NOK 19.4 billion in 2011, while equity was NOK 88.5 billion.

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