Gjensidige

Interim Report 2nd quarter 2018

Gjensidige Forsikring Group

Group highlights
First half-year and second quarter 2018

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

Year-to-date

Group
- Profit/loss before tax expense: NOK 1,979.4 million (2,867.6)
- Earnings per share: NOK 3.08 (4.41)

General Insurance
- Earned premiums: NOK 11,853.5 million (11,372.5)
- Underwriting result: NOK 1,118.0 million (1,704.6)
- Combined ratio: 90.6 (85.0)
- Cost ratio: 15.2 (15.4)
- Financial result: NOK 625.5 million (1,036.1)

Second quarter

Group
- Profit/loss before tax expense: NOK 1,252.6 million (1,502.7)
- Earnings per share: NOK 2.01 (2.19)

General Insurance
- Earned premiums: NOK 5,987.2 million (5,824.7)
- Underwriting result: NOK 706.8 million (972.3)
- Combined ratio: 88.2 (83.3)
- Cost ratio: 15.2 (15.3)
- Financial result: NOK 370.7 million (469.9)

Special events
- Dividend for 2017 was paid on 16 April 2018: NOK 3,550 million, corresponding to NOK 7.10 per share
- On 2 July 2018 Gjensidige announced the sale of 100 per cent of the shares in Gjensidige Bank ASA to Nordea.

Profit performance Group

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
General Insurance Private	371.4	644.9	715.1	1,163.7	2,200.0
General Insurance Commercial	307.4	469.1	376.2	819.2	1,634.8
General Insurance Denmark	63.6	71.2	149.0	59.9	284.0
General Insurance Sweden	13.4	(69.6)	23.5	(86.7)	(91.6)
General Insurance Baltics	11.4	(19.2)	20.1	(31.1)	(7.2)
Corporate Centre/costs related to owner	(83.0)	(72.2)	(165.6)	(132.2)	(272.4)
Corporate Centre/reinsurance [1]	22.8	(51.8)	(0.4)	(88.2)	(337.5)
Underwriting result general insurance [2]	**706.8**	**972.3**	**1,118.0**	**1,704.6**	**3,410.1**
Pension	38.2	23.1	70.1	54.2	103.7
Retail Bank	217.7	121.7	339.5	224.4	612.3
Financial result from the investment portfolio [3]	370.7	469.9	625.5	1,036.1	2,002.6
Amortisation and impairment losses of excess value – intangible assets	(68.5)	(65.8)	(139.5)	(125.9)	(261.3)
Other items	(12.4)	(18.5)	(34.3)	(25.8)	(38.3)
Profit/(loss) before tax expense	**1,252.6**	**1,502.7**	**1,979.4**	**2,867.6**	**5,829.1**
Key figures general insurance					
Large losses [4]	209.6	142.8	434.9	247.3	577.4
Run-off gains/(losses) [5]	292.0	246.2	632.1	486.2	1,030.3
Loss ratio [6]	73.0%	68.0%	75.3%	69.6%	70.1%
Cost ratio [7]	15.2%	15.3%	15.2%	15.4%	15.3%
Combined ratio [8]	88.2%	83.3%	90.6%	85.0%	85.4%

[1] Large losses in excess of NOK 30.0 million are charged to the Corporate Centre, while claims of less than NOK 30.0 million are charged to the segment in which the large losses occur. As a main rule, the Baltics segment has a retention level of EUR 0.5 million and, from 1 January 2018, the Swedish segment has a retention level of NOK 10 million. Large losses allocated to the Corporate Centre amounted to NOK 95.9 million (51.5) for the year to date and NOK 26.8 million (38.0) in the quarter. Accounting items related to written reinsurance and reinstatement premiums are also included.
[2] Underwriting result general insurance = earned premiums - claims incurred etc. - operating expenses
[3] Excluding the return on financial assets in Pension and Retail Bank.
[4] Large losses = loss events in excess of NOK 10.0 million. Expected large losses for the quarter were NOK 295.0 million.
[5] Run-off gains/(losses) = changes in estimates from earlier periods. Provisions are based on best estimates, and the expected run-off result over time is zero.
[6] Loss ratio = claims incurred etc./earned premiums
[7] Cost ratio = insurance-related operating expenses/earned premiums
[8] Combined ratio = loss ratio + cost ratio

Results impacted by the harsh and long winter

Group profit performance

Gjensidige Forsikring Group recorded a profit before tax expense of NOK 1,979.4 million (2,867.6) for the first half-year. The profit from general insurance operations measured by the underwriting result was NOK 1,118.0 million (1,704.6), corresponding to a combined ratio of 90.6 (85.0).

The return on financial assets was 1.2 per cent (1.9) or NOK 625.5 million (1,036.1).

The tax expense amounted to NOK 440.3 million (663.1), resulting in an effective tax rate of 22.2 per cent (23.1). The effective tax rate was influenced by realised and unrealised gains and losses on equity investments in the EEA.

The profit after tax expense was NOK 1,539.1 million (2,204.6). Earnings per share amounted to NOK 3.08 (4.41).

Earned premiums from general insurance increased to NOK 11.9 billion (11.4) in the first half-year. The underwriting result was significantly impacted by the harsh and long winter in Norway, with considerably higher snowfall than in the same period last year. The weather-related deviation in frequency claims for the first half-year, considering historical average levels, is estimated to ~ NOK 400-500 million. Large losses were also higher compared with the same period last year, partly driven by the weather conditions. However, the overall large loss level was still somewhat lower than expected. Run-off gains were somewhat higher than anticipated.

Earned premiums in the Private segment increased by 2.1 per cent. The underwriting result declined due to a higher frequency claims level, reflecting the weather conditions during the first four months of the year as well as higher claims inflation for motor insurance in Norway.

Earned premiums in the Commercial segment increased by 2.9 per cent. The lower underwriting result was mainly driven by higher large losses and an unfavourable underlying development in frequency claims due to the harsh weather conditions.

In the Danish segment, earned premiums increased by 6.8 per cent (by 2.6 per cent in local currency), reflecting the acquisition of Mølholm. Underlying growth was negative. The underwriting result improved compared with the same period last year, primarily due to lower large losses and higher run-off gains.

In the Swedish segment, earned premiums decreased by 1.5 per cent (by 0.3 per cent in local currency). The underwriting result increased compared to the same period last year, due to improved run-off results, lower large losses and a more favourable underlying frequency claims and cost development.

Earned premiums in the Baltic segment increased by 2.0 per cent (decreased by 2.2 per cent in local currency). The underwriting result improved from the same period last year, mainly driven by an improved claims development.

The Retail Bank's profit performance improved as a result of a one-off gain from the sale of a non-performing portfolio of loans. The Pension segment's profit performance developed positively.

The return on financial assets was lower than in the same period last year, primarily due to lower contributions from bonds in both the match and free portfolios and current equities in the free portfolio.

Development during the quarter

The Group recorded a profit before tax expense of NOK 1,252.6 million (1,502.7) for the quarter. The profit from general insurance operations measured by the underwriting result was NOK 706.8 million (972.3), corresponding to a combined ratio of 88.2 (83.3). The return on financial assets was 0.7 per cent (0.9), or NOK 370.7 million (469.9).

The profit after tax expense was NOK 1,004.6 million (1,094.5). Earnings per share amounted to NOK 2.01 (2.19).

The underwriting result was driven by 2.8 per cent growth in premiums, which was offset by a significant increase in the frequency claims level for property in Norway, mainly driven by the long and harsh winter. The weather-related deviation in frequency claims for the second quarter, considering historical average levels, is estimated to ~ NOK 150-200 million. The result was also negatively impacted by the year-on-year increase in claims inflation for motor in Norway. Large losses increased but were lower than normally expected. Run-off gains were somewhat higher than the expected level. The underwriting result in the second quarter 2017 was negatively affected by a non-recurring reinstatement premium of NOK 55 million recognised in the Corporate Centre.

The Retail Bank showed an improvement in profit performance compared to the same quarter last year, due to a gain on the sale of non-performing portfolio of loans.

The Pension operation recorded its best quarter ever, due to higher net operating income.

The financial return in the quarter was lower than in the same period last year, with lower contributions from bonds and current equities.

Equity and capital position

The Group's equity amounted to NOK 21,407.5 million (21,517.1) at the end of the period. The annualised return on equity was 14.2 per cent (21.1).

The solvency margin target in the Partial Internal Model (PIM) perspective is unchanged at 125-175 per cent, it is valid for both the regulatory approved model and the model with own calibration.

The solvency margin level should remain in the upper part of the range in order to support an 'A' rating, to stabilise regular dividends over time, to ensure financial flexibility for smaller acquisitions and organic growth not financed through retained earnings, as well as providing a buffer for regulatory changes.

The solvency margins at the end of the period were:

- Legal perspective [1]: 160 per cent
- Own Partial Internal Model [2]: 173 per cent

This corresponds to a capital buffer above the 100 per cent requirement of NOK 8.2 billion and NOK 9.2 billion respectively.

[1] Regulatory approved partial internal model

[2] Partial internal model with own calibration

The legal perspective reflects the version of the partial internal model approved by the Financial Supervisory Authority of Norway (FSA) in the first quarter 2018, which will be applied going forward instead of the previously reported Standard Formula perspective. All else being equal, the solvency margin in the legal perspective will decrease by approximately 10pp since the FSA requires the implementation of further changes to the model by the end of 2018.

The reported solvency margins reflect the claims provisions recognised in the consolidated statement of financial position for the Group. The solvency margins for the legal perspective and the own partial internal model perspective would have been 187 and 203 per cent respectively, if the communicated expected run-off gains over the next 2.5-4.5 years were fully recognised in claims provisions.

Total comprehensive income for the year-to-date is included in the solvency calculations, minus a formulaic dividend pay-out ratio of 70 per cent of net profit.

Gjensidige has an ‘A’ rating from Standard & Poor’s.

The regulatory uncertainties described below under “Other matters” are not expected to affect annual regular dividends.

Other matters

Sale of Gjensidige Bank to Nordea - entering strategic distribution partnership

On 2 July Gjensidige entered into a share purchase agreement with Nordea for the sale of Gjensidige Bank ASA. The parties also entered into a strategic partnership agreement with respect to mutual distribution of non-life insurance and financing products in Norway. The agreed purchase price was NOK 5.5 billion, subject to certain adjustments based on the performance of the bank until closing of the transaction. Closing is expected to take place within Q1 2019, subject to customary regulatory approvals.

The proceeds from the transaction will provide ample financial resources to pursue value-enhancing growth opportunities, giving further support to Gjensidige’s short and long-term dividend capacity. If M&A opportunities do not materialise, excess capital will be paid out over time, in line with Gjensidige’s dividend policy.

The divestment of Gjensidige Bank and the reciprocal partnership with Nordea in Norway will allow Gjensidige to enhance focus on core operations while continuing to distribute the loyalty-enhancing combination of insurance and financing products to Gjensidige’s customers. In addition, Nordea will distribute Gjensidige’s insurance products to their base of 900 000 customers in Norway.

Gjensidige Forsikring Group is expected to record an estimated gain of approximately NOK 1.9 billion upon closing of the transaction. This gain will be excluded from the basis for calculating the payout ratio for regular dividends.

Pro-forma legal solvency margin as at 30 June 2018 is estimated to 236 per cent.

Update on Solvency II-related regulatory uncertainties

In the first quarter, Gjensidige applied the Partial Internal Model (PIM) approved by the Financial Supervisory Authority of Norway (FSA) as the new legal perspective. Endeavours will continue to be made to obtain approval for Gjensidige’s own partial internal model in future.

There is still some uncertainty about how capital requirements and qualifying funds will be calculated under the Solvency II rules.

There is uncertainty relating to whether the guarantee scheme provision will be included in qualifying funds. The Financial Supervisory Authority of Norway (FSA) takes the view that the guarantee scheme provision should be treated as a liability, and this is reflected in the reported solvency margins. In Gjensidige’s opinion, special Norwegian provisions that are actually an equity element must be treated as solvency capital. Gjensidige will continue to make endeavours to ensure that the regulations are in line with this view. A consultation paper from the Ministry of Finance dated 31 January 2018 proposes a change in the guarantee scheme arrangement that could lead to an increase of approximately NOK 70 million in the guarantee scheme provisions. This could potentially have a negative capital effect. Based on this, the uncertainty concerning available capital related to the guarantee scheme provision is in the range of NOK (0.1) to 0.5 billion.

Furthermore, in connection with the consultation paper concerning changes to the tax regulation mentioned below, it is estimated that the new tax regulation could potentially have a negative effect on solvency capital for the Group in the range NOK 0.7 – 1.3 billion, with a best estimate being NOK 0.7 billion relating to the security provision. The unlikely worst case also reflects deferred tax on the natural peril capital.

Moreover, EIOPA has proposed several changes to the solvency capital calculations. The most material changes for Gjensidige would be the criteria specified for calculating the risk-reducing effect of deferred tax as previously communicated, and the suggested changes in the stress parameters for interest rates.

If approved, these changes could potentially increase the capital requirement.

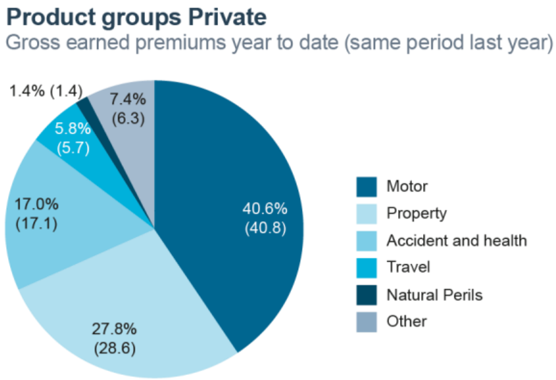
The criteria specified for calculating the risk-reducing effect of deferred tax is expected to have no impact given the current balance sheet, but there could be a negative impact if the solvency margin adjusted for expected run-off gains were to decrease. A decision clarifying the rules regarding the risk-reducing effect suggested by EIOPA is expected in 2018.

Changed stress parameters for interest rates in the standard formula would have a negative capital effect of NOK 0.3 to 0.6 billion. Note that transitional rules are proposed so that the changes can be implemented over a three-year period.

Tax regulation in Norway

On 7 February 2018, the Norwegian Ministry of Finance issued an expected consultation paper about changes to the tax regulation for insurance and pension companies in Norway with potential effect from and including 2018. The preliminary assessment of the proposed regulation is that there will be an increase of NOK ~0.7 billion in the Group’s tax payable evenly distributed over the next 10 years. This is mainly related to the security provision. There will be no effect on the profit after tax expense since a provision has already been made.

Furthermore, there could be a change in the tax expense and deferred tax if the proposed tax changes relating to the natural perils capital and the guarantee scheme provision are implemented. In the best case, there will be a reduction of deferred tax and the tax expense of ~ NOK 0.2 billion. In the worst case, it will be necessary to increase the deferred tax and tax expense by ~ NOK 0.6 billion.



General Insurance Private

Year-to-date development

The underwriting result was NOK 715.1 million (1,163.7). The reduction in the underwriting result was mainly driven by higher frequency claims levels for property and motor. The combined ratio was 83.2 (72.1).

Earned premiums increased to NOK 4,253.3 million (4,164.1). Gjensidige's competitive position remained strong despite continued intense competition. Premiums increased in all main product lines.

Claims incurred amounted to NOK 2,999.3 million (2,481.6). The loss ratio was 70.5 (59.6). Property showed an increase in the loss ratio following the harsh and long winter, with significantly larger amounts of snow in southern and south-eastern parts of Norway, regions where Gjensidige has a high market share. The loss ratio for motor was impacted by the difficult driving conditions during the winter, as well as increased underlying claims inflation reflecting structural changes in the Norwegian vehicle fleet not fully compensated for in pricing. Accident and health recorded a decrease in the loss ratio.

Gjensidige has initiated pricing measures to mitigate the effects of higher expected claims inflation in motor insurance. As communicated earlier, Gjensidige expects around 6 per cent motor claims inflation in 2018, excluding the weather effects recorded in the first quarter of 2018. Pricing measures to mitigate the effect of higher claims inflation continued during the second quarter and will be reflected in the accounts over a period of 12-24 months from implementation

Operating expenses amounted to NOK 538.9 million (518.9) and the cost ratio was 12.7 (12.5).

Development during the quarter

The underwriting result was NOK 371.4 million (644.9). The decline was driven by higher weather-related claims from the property portfolio and the increase in the frequency claims level for motor. The combined ratio was 83.0 (69.7).

Earned premiums increased to NOK 2,178.3 million (2,129.8) driven by price increases in all main product lines, reflecting the Group's focus on prioritising profitability over growth.

Claims incurred amounted to NOK 1,533.5 million (1,224.1). The loss ratio was 70.4 (57.5). Frequency claims for property increased significantly compared with the same quarter last year, due to the large amount of snow early in the quarter. The higher frequency claims level for motor, driven by the change in the Norwegian vehicle fleet, continued into the second quarter.

Operating expenses amounted to NOK 273.5 million (260.8) and the cost ratio was 12.6 (12.2).

The partner agreement with NITO has not been renewed, with effect from 1 January 2019. Annual premiums related to the collective part, limited to the amount of ~NOK 120 million, will not be carried forward from the time of termination of the agreement. Gjensidige will continue the direct customer dialogue and ensuring a competitive product offering to customers in the non-collective part of the agreement.

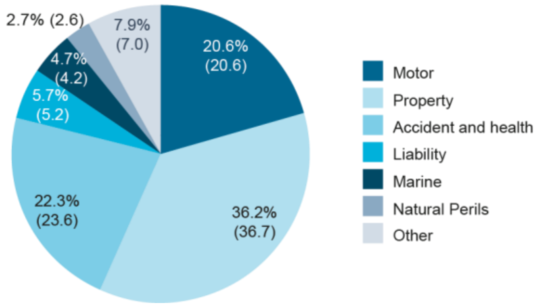
General Insurance Private

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Earned premiums	2,178.3	2,129.8	4,253.3	4,164.1	8,516.5
Claims incurred etc.	(1,533.5)	(1,224.1)	(2,999.3)	(2,481.6)	(5,226.2)
Operating expenses	(273.5)	(260.8)	(538.9)	(518.9)	(1,090.3)
Underwriting result	**371.4**	**644.9**	**715.1**	**1,163.7**	**2,200.0**
Amortisation and impairment losses of excess value – intangible assets	(4.6)	(6.4)	(8.9)	(12.9)	(22.2)
Large losses [1]	23.8		52.1	10.2	32.3
Run-off gains/(losses) [2]	147.4	131.1	297.9	253.5	473.2
Loss ratio [3]	70.4%	57.5%	70.5%	59.6%	61.4%
Cost ratio [4]	12.6%	12.2%	12.7%	12.5%	12.8%
Combined ratio [5]	83.0%	69.7%	83.2%	72.1%	74.2%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio

Product groups Commercial

Gross earned premiums year to date (same period last year)



General Insurance Commercial

Year-to-date development

The underwriting result was NOK 376.2 million (819.2). The decrease was mainly driven by higher large losses and an unfavourable frequency claims development. The combined ratio was 89.9 (77.3).

Earned premiums increased to NOK 3,717.6 million (3,613.2) mainly due to new business initiatives and solid renewals throughout the year for most product lines, especially motor, property and liability lines. Pricing initiatives are beginning to contribute to premium growth.

Claims incurred amounted to NOK 2,906.8 million (2,373.0) and the loss ratio was 78.2 (65.7). Severe winter conditions negatively affected the loss ratio for motor and property. In addition, the previously communicated underlying increase in frequency claims for motor continued. Measures are being taken to mitigate expected claims inflation in motor. Gjensidige has also initiated a review of certain property lines of business with regards to adequate price increases, terms and conditions.

Operating expenses amounted to NOK 434.6 million (421.0), corresponding to a cost ratio of 11.7 (11.7).

Development during the quarter

The underwriting result was NOK 307.4 million (469.1). The decrease mainly reflects a higher level of frequency claims. The combined ratio was 83.7 (74.1).

Earned premiums were higher for most product lines, amounting to NOK 1,881.9 million (1,814.8).

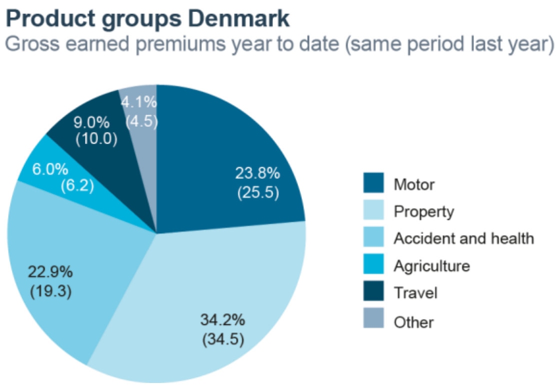
Claims incurred amounted to NOK 1,352.7 million (1,134.1) and the loss ratio was 71.9 (62.5). The increase reflects a higher weather-related frequency claims level for property and motor, in addition to the underlying structural motor claims inflation. Large losses were somewhat higher and run-off gains somewhat lower than in the corresponding quarter last year.

Operating expenses were somewhat higher at NOK 221.8 million (211.6) and the cost ratio was 11.8 (11.7).

General Insurance Commercial

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Earned premiums	1,881.9	1,814.8	3,717.6	3,613.2	7,300.5
Claims incurred etc.	(1,352.7)	(1,134.1)	(2,906.8)	(2,373.0)	(4,825.6)
Operating expenses	(221.8)	(211.6)	(434.6)	(421.0)	(840.1)
Underwriting result	**307.4**	**469.1**	**376.2**	**819.2**	**1,634.8**
Large losses [1]	106.7	74.7	224.5	89.7	195.2
Run-off gains/(losses) [2]	97.7	118.7	233.5	236.1	452.9
Loss ratio [3]	71.9%	62.5%	78.2%	65.7%	66.1%
Cost ratio [4]	11.8%	11.7%	11.7%	11.7%	11.5%
Combined ratio [5]	83.7%	74.1%	89.9%	77.3%	77.6%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio



General Insurance Denmark

Year-to-date development

The underwriting result was NOK 149.0 million (59.9). The increase in the underwriting result was mainly driven by lower large losses and higher run-off gains. The combined ratio was 93.9 (97.4).

Earned premiums increased to NOK 2,456.8 million (2,301.4), of which currency effects contributed NOK 93.6 million. The Mølholm acquisition contributed NOK 263.9 million (85.4). Underlying growth was negative, mainly driven by a decline in commercial insurance lines following re-underwriting and general price adjustments in the SME and agriculture portfolio. The negative growth was partly offset by growth in private insurance lines.

Claims incurred amounted to NOK 1,949.8 million (1,903.5). Adjusted for currency effects of NOK 76.9 million and Mølholm, claims incurred decreased significantly compared with the same period last year. The loss ratio was 79.4 (82.7). The decrease in the loss ratio was mainly driven by lower large losses and higher run-off gains.

Operating expenses amounted to NOK 358.0 million (338.0), of which currency effects contributed NOK 13.8 million. The cost ratio was 14.6 (14.7).

Development during the quarter

The underwriting result was NOK 63.6 million (71.2). The decrease in the underwriting result was driven by higher large losses, which were partly mitigated by higher run-off gains as well as a positive underlying frequency claims development. The combined ratio was 94.8 (94.2).

Earned premiums increased to NOK 1,223.2 million (1,219.9). Adjusted for currency effects of NOK 19.9 million, earned premiums decreased. The Mølholm acquisition contributed NOK 137.2 million (85.4). Mølholm was recognised in accounts from 1 May 2017. Underlying growth was negative, mainly driven by a decline in commercial insurance lines following pricing initiatives.

Claims incurred amounted to NOK 979.3 million (972.7). Adjusted for currency effects of NOK 14.0 million and Mølholm claims incurred decreased significantly compared with the same quarter last year. The loss ratio was 80.1 (79.7). The higher loss ratio was driven by an increase in large losses, which were partly offset by higher run-off gains and a more favourable underlying frequency claims development, reflecting pricing measures and re-underwriting.

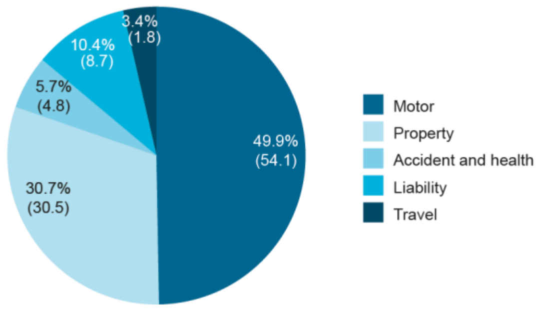
Operating expenses increased to NOK 180.4 million (176.1), of which currency effects contributed NOK 2.7 million. The cost ratio was 14.7 (14.4).

General Insurance Denmark

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Earned premiums	1,223.2	1,219.9	2,456.8	2,301.4	4,827.4
Claims incurred etc.	(979.3)	(972.7)	(1,949.8)	(1,903.5)	(3,863.0)
Operating expenses	(180.4)	(176.1)	(358.0)	(338.0)	(680.3)
Underwriting result	**63.6**	**71.2**	**149.0**	**59.9**	**284.0**
Amortisation and impairment losses of excess value – intangible assets	(42.3)	(39.2)	(86.3)	(73.9)	(153.1)
Large losses [1]	42.3		42.3	65.9	87.6
Run-off gains/(losses) [2]	37.5	18.1	64.1	21.1	98.9
Loss ratio [3]	80.1%	79.7%	79.4%	82.7%	80.0%
Cost ratio [4]	14.7%	14.4%	14.6%	14.7%	14.1%
Combined ratio [5]	94.8%	94.2%	93.9%	97.4%	94.1%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 30.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio

Product groups Sweden
Gross earned premiums year to date (same period last year)



General Insurance Sweden

Year-to-date development

The underwriting result increased to NOK 23.5 million (minus 86.7), primarily driven by improved run-off results, a more favourable underlying frequency claims development and lower operating expenses. The combined ratio was 97.2 (110.3).

Earned premiums decreased to NOK 831.9 million (844.5), of which currency effects amounted to NOK 10.2 million. The decrease was driven by the private portfolio. Significant premium increases have been introduced, and further premium measures, negotiations with partners and quality improvements will contribute to a positive development in profitability going forward.

Claims incurred decreased to NOK 671.4 million (772.4), of which currency effects amounted to NOK 9.5 million. The loss ratio was 80.7 (91.5). Claims incurred were significantly lower in both the private and commercial portfolio, mainly driven by improved risk selection procedures.

Operating expenses decreased to NOK 137.0 million (158.8), of which currency effects amounted to NOK 1.9 million. The cost ratio improved to 16.5 (18.8), mainly driven by the continued integration of Vardia's operations into Gjensidige.

Development during the quarter

The underwriting result increased to NOK 13.4 million (minus 69.6), driven by lower large losses, higher run-off gains and an improvement in underlying frequency claims levels.

Earned premiums decreased to NOK 403.0 million (439.2), of which currency effects amounted to NOK 19.4 million. The decrease was the result of lower renewal rates due to high rate increases.

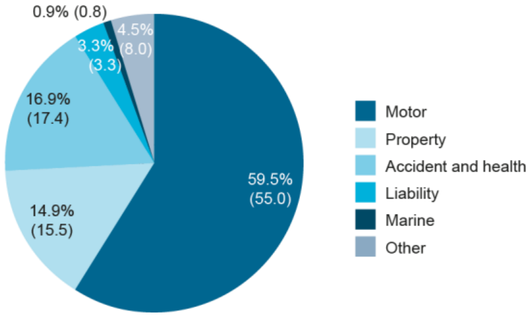
Claims incurred decreased to NOK 323.8 million (427.6), of which currency effects amounted to NOK 17.1 million. The loss ratio was 80.4 (97.3). The improvement was the result of higher run-off gains, lower large losses and an underlying improvement in claims incurred both in the private and commercial portfolio.

Operating expenses fell to NOK 65.7 million (81.3), of which currency effects amounted to NOK 3.7 million.

General Insurance Sweden

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Earned premiums	403.0	439.2	831.9	844.5	1,736.1
Claims incurred etc.	(323.8)	(427.6)	(671.4)	(772.4)	(1,491.9)
Operating expenses	(65.7)	(81.3)	(137.0)	(158.8)	(335.8)
Underwriting result	**13.4**	**(69.6)**	**23.5**	**(86.7)**	**(91.6)**
Amortisation and impairment losses of excess value – intangible assets	(17.7)	(16.5)	(36.2)	(32.0)	(71.1)
Large losses [1]	10.0	30.0	20.0	30.0	40.6
Run-off gains/(losses) [2]	12.6	(22.8)	21.9	(29.5)	(5.7)
Loss ratio [3]	80.4%	97.3%	80.7%	91.5%	85.9%
Cost ratio [4]	16.3%	18.5%	16.5%	18.8%	19.3%
Combined ratio [5]	96.7%	115.9%	97.2%	110.3%	105.3%

[1] Large losses = loss events in excess of NOK 10.0 million. Claims incurred in excess of NOK 10.0 million per event are charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio



General Insurance Baltics

Year-to-date development

The underwriting result increased to NOK 20.1 million (minus 31.1), mainly driven by improved claims development. The combined ratio was 96.2 (105.9).

Earned premiums amounted to NOK 536.9 million (526.5). Currency effects amounted to NOK 22.6 million, resulting in an underlying decline in earned premiums, driven by portfolio restructuring and repricing activities.

Claims incurred amounted to NOK 345.8 million (382.7). The reduction was NOK 16.5 million higher when adjusted for currency effects. The loss ratio showed significant year-over-year improvement at 64.4 (72.7), primarily due to improved tariffs, portfolio restructuring and claims handling processes.

Operating expenses amounted to NOK 171.0 million (174.9). However, the reduction was NOK 7.5 million higher when adjusted for currency effects, mainly due to restructuring and cost-saving initiatives. The cost ratio improved to 31.8 per cent (33.2).

Development during the quarter

The underwriting result improved to NOK 11.4 million (minus 19.2), mainly driven by better claims development. The combined ratio was 95.8 per cent (107.1).

Earned premiums amounted to NOK 272.8 million (271.1). Adjusted for currency effects of NOK 4.4 million, premiums showed a slight decrease, due to portfolio restructuring and repricing.

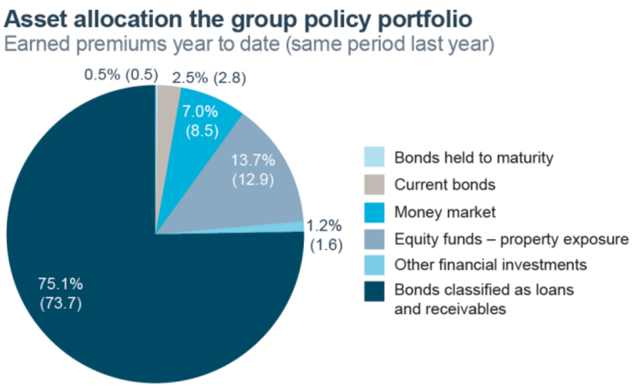
Claims incurred decreased to NOK 176.6 million (201.1). Adjusted for currency effects, the reduction was NOK 3.5 million higher. The loss ratio improved to 64.7 per cent (74.2), driven by portfolio restructuring and an improved frequency claims level.

Operating expenses amounted to NOK 84.9 million (89.2). Adjusted for currency effects, the reduction in operating expenses was NOK 1.4 million higher. The improvement was mainly due to restructuring and cost-saving initiatives. The cost ratio improved to 31.1 per cent (32.9).

General Insurance Baltics

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Earned premiums	272.8	271.1	536.9	526.5	1,074.7
Claims incurred etc.	(176.6)	(201.1)	(345.8)	(382.7)	(736.0)
Operating expenses	(84.9)	(89.2)	(171.0)	(174.9)	(345.9)
Underwriting result	**11.4**	**(19.2)**	**20.1**	**(31.1)**	**(7.2)**
Amortisation and impairment losses of excess value – intangible assets	(3.6)	(3.7)	(7.4)	(7.1)	(14.5)
Large losses [1]					0.9
Run-off gains/(losses) [2]	7.2	(1.5)	12.5	4.1	22.0
Loss ratio [3]	64.7%	74.2%	64.4%	72.7%	68.5%
Cost ratio [4]	31.1%	32.9%	31.8%	33.2%	32.2%
Combined ratio [5]	95.8%	107.1%	96.2%	105.9%	100.7%

[1] Large losses = loss events in excess of EUR 0.5 million. Claims incurred in excess of this per event are as a rule charged to the Corporate Centre.
[2] Run-off gains/(losses) = changes in estimates from previous years
[3] Loss ratio = claims incurred etc./earned premiums
[4] Cost ratio = operating expenses/earned premiums
[5] Combined ratio = loss ratio + cost ratio



Pension

Year-to-date development

Increased operating revenues contributed to significant growth in earnings. The profit before tax expense was NOK 70.1 million (54.2).

Administration fees were NOK 70.5 million (66.4), driven by a growing customer portfolio. Insurance income was NOK 31.6 million (24.3), which was also a consequence of a higher number of customers in addition to the strengthening of IBNR provisions last year. Management income increased to NOK 72.7 million (59.2) as a result of growth in assets under management.

Operating expenses increased to NOK 119.5 million (114.9), mainly driven by increased sales commissions and IT costs due to higher business volume.

Net financial income, including returns on both the group policy portfolio and the corporate portfolio, amounted to NOK 14.7 million (19.1). This decline was mainly related to lower returns on property and high yield investments. The company's share of the profit relating to the paid-up policy portfolio was allocated in its entirety as a provision for longevity. The recognised return on the paid-up policy portfolio was 3.26 per cent (1.90). The improvement was related to non-recurring effects as a result of the changed classification of unrealised gains relating to property. The average annual interest guarantee was 3.3 per cent.

Assets under management increased by NOK 1,545.2 million. Total pension assets under management amounted to NOK 30,244.2 million (26,249.4) including the group policy portfolio of NOK 6,339.5 million (5,726.7).

Development during the quarter

The pension segment reported a record high quarterly profit before tax expense of NOK 38.2 million (23.1).

Administration fees increased to NOK 35.6 million (33.7) as a consequence of a growing customer portfolio. Insurance income was NOK 16.4 million (8.6). Adjusted for a strengthening of provisions in the second quarter 2017, the increase was NOK 1.8 million. Management income increased to NOK 38.2 million (30.5), reflecting higher assets under management.

Operating expenses were NOK 59.7 million (58.5).

Net financial income was NOK 7.8 million (8.7).

Pension

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Administration fees	35.6	33.7	70.5	66.4	134.6
Insurance income	16.4	8.6	31.6	24.3	36.3
Management income etc.	38.2	30.5	72.7	59.2	130.4
Operating expenses	(59.7)	(58.5)	(119.5)	(114.9)	(227.3)
Net operating income	**30.5**	**14.4**	**55.3**	**35.1**	**74.0**
Net financial income	7.8	8.7	14.7	19.1	29.7
Profit/(loss) before tax expense	**38.2**	**23.1**	**70.1**	**54.2**	**103.7**
Run-off gains/(losses) [1]					
Operating margin [2]	33.81%	19.70%	31.66%	23.40%	24.55%
Recognised return on the paid-up policy portfolio [3]			3.26%	1.90%	3.75%
Value-adjusted return on the paid-up policy portfolio [4]			2.08%	2.24%	4.47%

[1] Run-off gains/(losses) = changes in estimates from previous years
[2] Operating margin = net operating income/(administration fees + insurance income + management income etc.)
[3] Recognised return on the paid-up policy portfolio = realised return on the portfolio
[4] Value-adjusted return on the paid-up policy portfolio = total return on the portfolio

Retail Bank

Year-to-date development

The profit before tax expense increased to NOK 339.5 million (224.4). The improvement was due to a gain of NOK 130.5 million on the sale of a portfolio of impaired and written-off unsecured loans during the second quarter Excluding the impact of the sale, the profit before tax expense was NOK 209.0 million. The improvement in the net interest margin driven by portfolio growth was offset by increased acquisition costs and write-downs and losses as well as lower gains on financial instruments.

Net interest income amounted to NOK 506.0 million (464.5). The improvement was driven by lending growth.

Net commission income and other income amounted to NOK 3.6 million (33.7). The decrease was the result of higher acquisition costs driven by business growth and lower gains on financial instruments.

The net interest margin was 1.94 per cent (2.00). The decrease was driven by the portfolio mix and margin as a result of competition in the market.

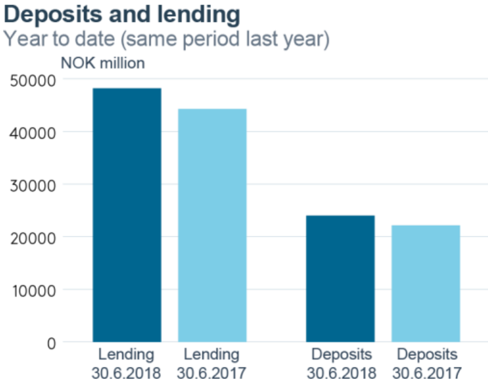
Operating expenses were NOK 211.2 million (206.9). The cost/income ratio was 41.4 per cent (41.5).

Total write-downs and losses resulted in an income of NOK 41.1 million (a loss of 66.8), primarily related to the unsecured lending portfolio. Total write-downs and losses, excluding the impact of the sale of a portfolio of non-performing loans, amounted to NOK 85.7 million. The new IFRS rules have been implemented and last year's financials are therefore not directly comparable. The transition from IAS 39 to IFRS 9 rules led to an increase of NOK 13.9 million in the losses and provisioning balance at the beginning of the year. The impact was charged directly to equity, after adjusting for the impact of tax.

Write-downs and losses were minus 0.18 per cent (0.32) of average gross lending. Excluding the impact of the sale of the non-performing portfolio, write-downs and losses were 0.37 per cent of average gross lending, driven by the change in portfolio mix. The weighted average loan-to-value ratio [1] was estimated to be 60.7 per cent (60.3) for the mortgage portfolio.

Gross lending increased by 8.9 per cent and amounted to NOK 48,206.0 million (44,264.3) at the end of the period. Deposits increased by 8.6 per cent, reaching NOK 24,066.0 million (22,153.9). The deposits-to-loans ratio was 49.9 per cent (50.0).

The accounting principle for fixed interest customer loans changed from amortised cost to fair value after the implementation of IFRS 9. The one-time effect of this change of principle was positive and amounted to NOK 19.4 million before tax in the first quarter. It was charged directly to equity after adjusting for tax.



As result of the Share Purchase Agreement between Gjensidige Forsikring ASA and Nordea, S&P Global Ratings placed its 'A' long-term and 'A-1' short-term issuer credit ratings for Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS, on CreditWatch with positive implications. The change took place on July 4th.

Development during the quarter

The profit before tax expense increased to NOK 217.7 million (121.7). The improvement was the result of the gain on sale of the portfolio of non-performing loans. Excluding the impact of the sale, the profit before tax expense was NOK 87.2 million. The improvement in the net interest margin driven by portfolio growth was offset by increased acquisition costs and write-downs and losses as well as lower gains on financial instruments. Expenses were also higher than prior year.

Net interest income amounted to NOK 255.5 million (242.3). The improvement was driven by business growth.

Net commission income and other income amounted to minus NOK 8.4 million (plus 13.3). The decrease was the result of higher acquisition costs driven by business growth and lower gains on financial instruments.

Operating expenses were NOK 107.6 million (100.3), driven by business growth. The cost/income ratio was 43.5 per cent (39.3).

Total write-downs and losses resulted in an income of NOK 78.2 million (loss of 33.6), primarily related to the unsecured lending portfolio. Excluding the impact of the sale of the non-performing portfolio, total write-downs and losses amounted to NOK 48.6 million. The new IFRS rules have been implemented and last year's financials are therefore not directly comparable.

Gross lending growth was NOK 896.8 million (1,367.1). Deposits increased by NOK 302.0 million (553.2).

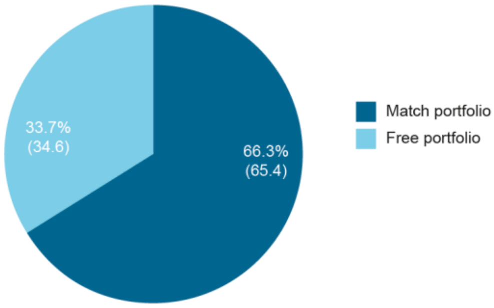
[1] The loan-to-value ratio estimate is calculated on the basis of the exposure on the reporting date and the property valuation, including any higher priority pledge(s), at the time the loan was approved.

Retail Bank

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Interest income and related income	432.4	403.7	847.9	782.8	1,631.7
Interest expenses and related expenses	(176.9)	(161.4)	(341.9)	(318.3)	(639.4)
Net interest income	**255.5**	**242.3**	**506.0**	**464.5**	**992.3**
Net commission income and other income	(8.4)	13.3	3.6	33.7	42.9
Total income	**247.1**	**255.6**	**509.6**	**498.2**	**1,035.2**
Operating expenses	(107.6)	(100.3)	(211.2)	(206.9)	(412.5)
Write-downs and losses	78.2	(33.6)	41.1	(66.8)	(10.3)
Profit/(loss) before tax expense	**217.7**	**121.7**	**339.5**	**224.4**	**612.3**
Net interest margin, annualised [1]			1.94%	2.00%	2.03%
Write-downs and losses, annualised [2]			-0.18%	0.32%	0.02%
Cost/income ratio [3]	43.5%	39.3%	41.4%	41.5%	39.8%

[1] Net interest margin, annualised = net interest income/average total assets
[2] Write-downs and losses, annualised = write-downs and losses/average gross lending
[3] Cost/income ratio = operating expenses/total income

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



Management of financial assets and properties

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

At the end of the period, the investment portfolio totalled NOK 52.2 billion (52.7). The financial result for the first half-year was NOK 625.5 million (1,036.1), which corresponds to a return on total assets of 1.2 per cent (1.9).

Match portfolio

The match portfolio amounted to NOK 34.6 billion (34.5). The portfolio yielded a return of 1.3 per cent (1.6), excluding changes in the value of the bonds recognised at amortised cost.

Bonds recognised at amortised cost amounted to NOK 15.7 billion (17.1). Unrealised excess value amounted to NOK 1.0 billion (1.3) at the end of the period. The reinvestment rate for new investments in the portfolio of bonds held at amortised cost was approximately 3.0 per cent on average during the first half-year, and the running yield was 3.8 per cent at the end of the period.

The average duration of the match portfolio was 3.5 years. The average term to maturity for the corresponding insurance liabilities was 3.6 years. The distribution of counterparty risk and credit rating is shown in the charts on page 14. Securities without an official credit rating amounted to NOK 11.4 billion (10.3). Of these securities, 6.6 per cent (7.0) were issued by Norwegian savings banks, while the remainder were mostly issued by Norwegian power producers and distributors, property companies, industry and municipalities. Bonds with a coupon linked to the development of the Norwegian consumer price index accounted for 7.2 per cent (10.2) of the match portfolio.

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

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

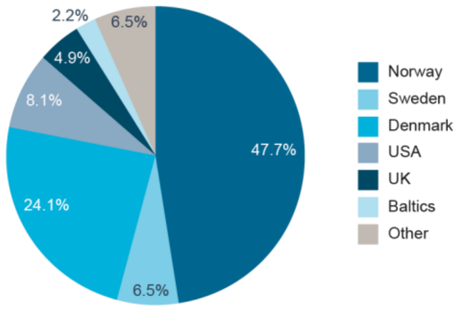
Financial assets and properties

NOK millions	Result Q2 2018	Result Q2 2017	Result 1.1.-30.6. 2018	Result 1.1.-30.6. 2017	Carrying amount 30.6. 2018	Carrying amount 30.6. 2017
Match portfolio						
Money market	17.3	19.4	30.5	51.5	4,903.4	4,212.7
Bonds at amortised cost	155.6	174.6	333.3	353.5	15,700.7	17,117.8
Current bonds [1]	46.6	83.7	85.6	131.7	13,996.9	13,177.7
Match portfolio total	**219.5**	**277.7**	**449.4**	**536.6**	**34,601.0**	**34,508.2**
Free portfolio						
Money market	6.8	7.8	15.4	24.5	3,432.3	3,643.5
Other bonds [2]	(15.3)	34.2	(59.3)	57.3	2,641.1	3,256.7
High yield bonds [3]	0.8	16.1	(2.8)	35.9	446.0	834.9
Convertible bonds [3]	34.6	23.8	31.8	57.3	1,195.3	1,075.7
Current equities [4]	47.2	79.5	47.7	197.1	3,453.5	2,907.8
PE funds	28.6	26.5	86.4	46.8	1,255.9	1,192.2
Property	66.0	63.3	107.3	175.9	3,926.4	3,442.9
Other [5]	(17.5)	(59.0)	(50.4)	(95.2)	1,248.0	1,865.5
Free portfolio total	**151.3**	**192.2**	**176.1**	**499.5**	**17,598.6**	**18,219.2**
Financial result from the investment portfolio	**370.7**	**469.9**	**625.5**	**1,036.1**	**52,199.6**	**52,727.4**
Financial income in Pension and Retail Bank	(3.7)	18.4	11.0	45.9		
Interest expense on subordinated debt Gjensidige Forsikring ASA	(8.1)	(7.6)	(15.2)	(15.6)		
Net income from investments	**358.9**	**480.8**	**621.3**	**1,066.4**		

[1] The item includes discounting effects of the insurance liabilities in Denmark and Sweden, and a mismatch between interest rate adjustments on the liability side in Denmark and the corresponding interest rate hedge. Investments include mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt.
[2] The item includes investment grade and current bonds. Investment grade bonds are investments in internationally diversified funds that are externally managed.
[3] Investments in internationally diversified funds that are externally managed.
[4] Investments mainly in internationally diversified funds that are externally managed. In addition, there is negative derivative exposure of NOK 562.7 million.
[5] The item includes currency hedging related to Gjensidige Sweden and Gjensidige Denmark, lending, paid-in capital in Gjensidige Pensjonskasse, profit/loss effects from a total return swap with Gjensidige Pensjonskasse, hedge funds, commodities and finance-related expenses.

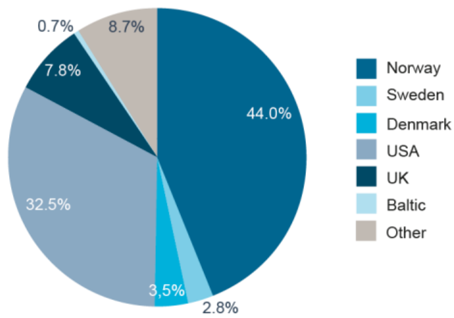
Geographic distribution match portfolio

At the end of the period



Geographic distribution fixed income instruments in free portfolio

At the end of the period



Free portfolio
The free portfolio amounted to NOK 17.6 billion (18.2) at the end of the period. The return was 0.9 per cent (2.6).

Fixed-income instruments
The fixed-income instruments in the free portfolio amounted to NOK 7.7 billion (8.8), of which money market investments, including cash, accounted for NOK 3.4 billion (3.6). The rest of the portfolio was invested in international bonds (investment grade, high yield and convertible bonds). The total fixed-income portfolio yielded a return of minus 0.2 per cent (1.7). The rise in the interest rate level and increase in credit spreads had a negative impact on returns.

At the end of the period, the average duration in the portfolio was approximately 1.9 years. The distribution of counterparty risk and credit rating is shown in the charts on the next page. Securities without an official credit rating amounted to NOK 2.0 billion (1.4). Of these securities, 11.5 per cent (20.9) were issued by Norwegian savings banks, while the remainder were mostly issued by Norwegian power producers and distributors, property companies, industry and municipalities.

The geographical distribution [1] of the fixed-income instruments in the free portfolio is shown in the chart above.

Equity portfolio
The total equity exposure at the end of the period was NOK 4.7 billion (4.1), of which NOK 3.5 billion (2.9) consisted of current equities and NOK 1.3 billion (1.2) PE funds. The return on current equities was 1.4 per cent (7.0). The result was influenced by a non-recurring gain of NOK 52 million from the sale of a single stock holding and profit from hedge positions. The market for equities in general was flat to slightly positive in the first half-year. The return on PE funds was 6.9 per cent (4.0).

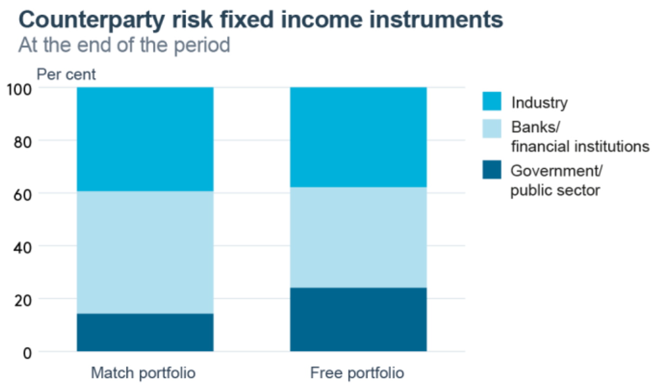
Property portfolio
At the end of the period, the exposure to commercial real estate in the portfolio was NOK 3.9 billion (3.4). The property portfolio yielded a return of 2.8 per cent (5.2).

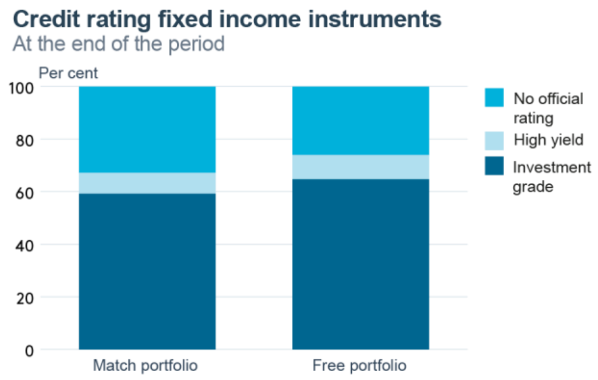
[1] The geographical distribution is related to issuers and does not reflect actual currency exposure.

Return per asset class

Per cent	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Match portfolio					
Money market	0.4	0.4	0.7	1.1	1.8
Bonds at amortised cost	1.0	1.0	2.0	2.0	4.0
Current bonds [1]	0.3	0.7	0.6	1.0	1.6
Match portfolio total	**0.6**	**0.8**	**1.3**	**1.6**	**2.8**
Free portfolio					
Money market	0.2	0.2	0.3	0.5	0.8
Other bonds [2]	(0.6)	1.1	(2.1)	1.7	3.1
High yield bonds [3]	0.2	1.9	(0.6)	4.0	6.1
Convertible bonds [3]	3.0	2.2	2.8	5.4	7.6
Current equities [4]	1.4	2.8	1.4	7.0	15.1
PE funds	2.3	2.2	6.9	4.0	8.4
Property	1.7	1.8	2.8	5.2	9.7
Other [5]	(1.4)	(3.4)	(3.3)	(5.6)	(8.1)
Free portfolio total	**0.8**	**1.0**	**0.9**	**2.6**	**5.3**
Return on financial assets	**0.7**	**0.9**	**1.2**	**1.9**	**3.7**

[1] The item includes discounting effects of the insurance liabilities in Denmark and Sweden, and a mismatch between interest rate adjustments on the liability side in Denmark and the corresponding interest rate hedge. Investments include mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt.
[2] The item includes investment grade and current bonds. Investment grade bonds are investments in internationally diversified funds that are externally managed.
[3] Investments in internationally diversified funds that are externally managed.
[4] Investments mainly in internationally diversified funds that are externally managed. In addition, there is negative derivative exposure of NOK 562.7 million.
[5] The item includes currency hedging related to Gjensidige Sweden and Gjensidige Denmark, lending, paid-in capital in Gjensidige Pensjonskasse, profit/loss effects from a total return swap with Gjensidige Pensjonskasse, hedge funds, commodities and finance-related expenses.





Development during the quarter

The financial result for the total investment portfolio was NOK 370.7 million (469.9) in the quarter. This corresponds to a return on financial assets of 0.7 per cent (0.9).

The match portfolio yielded 0.6 per cent (0.8), excluding changes in the value of the portfolio valued at amortised cost. The return on the free portfolio was 0.8 per cent (1.0). The positive return was primarily driven by returns on the investments in property, equities, PE-funds and convertible bonds whereas other fixed income instruments yielded a small negative return.

Key risk and uncertainty factors

Managing risk is an integral part of Gjensidige's day-to-day operations. The identification, assessment, monitoring and control of risk exposure against risk appetite, as well as analysing the effects of potential strategic decisions on the risk profile, are an essential part of operations.

Insurance risk

General insurance operations account for most of the Group's business and most of the risk. The risk under any insurance contract is the probability of the insured event occurring and the uncertainty about the amount of the resulting claim. Because of the very nature of an insurance contract, this risk is random and must therefore be estimated. For a portfolio of insurance contracts to which the theory of probability is applied to calculate prices and technical provisions, the principal risk the Group faces under its insurance contracts is that the actual claims and benefit payments will 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 in relation to the level calculated using statistical techniques.

The insurance markets in which the Group operates will continue to be characterised by strong competition. The risk of the general premium level not being satisfactory is continuously monitored. The same applies to developments in the frequency and average size of claims, and methods are continuously being developed to set prices more precisely. Gjensidige mainly manages these risks through close monitoring of profitability development, underwriting guidelines and proactive claims handling. If profitability shows an adverse development, sufficient measures will be implemented. This includes necessary premium increases to ensure that profitability remains within the accepted range.

The Group continuously endeavours to set the technical provisions at the correct level. There is nonetheless an inherent risk that the technical provisions will be insufficient. To reduce this risk, regular efforts are made to improve the actuarial methods used. Both external actuaries and the actuarial function are used to conduct independent reviews of the provisions. The reviews have confirmed that the technical provisions are sufficient, and that the risk of substantial run-off losses is low. Gjensidige purchases reinsurance to protect the Group's equity capital and reinsurance is a capital management tool. The maximum retention is approved by the Board.

Financial risk

Financial risk is a collective term for various types of risk relating to financial assets and liabilities. Financial investments are vulnerable to changes in macroeconomic factors and more short-term changes in the market's appetite for risk. The financial investments largely consist of fixed-income investments, property and equities. Continuous monitoring of financial performance in relation to adopted performance requirements and the expected development in profit performance, combined with a large proportion of highly liquid assets, makes it possible to quickly adapt the risk level in the event of negative developments. This entails a moderate fluctuation risk for future financial results.

The liquidity risk is quite limited for most general insurers. Premium income is paid up-front, and claims are paid out at a later stage. Future payments are not based on contractual payment dates, but rather on when claims arise and how long the claims handling takes.

The Group is exposed to credit risk, i.e. the risk that a counterparty is unable or unwilling to settle its liability on the due date or the risk that the credit spreads will increase. The exposure to credit risk in the investments is primarily in the insurance companies, and through receivables from insurance customers and reinsurers. The Group is also exposed to credit risk through its lending business in the bank. Limits have been set for credit operations, and reinsurers are required to have at least an A rating from Standard & Poor's or an equivalent rating.

Operational risk

Operational risk is the risk of financial consequences and/or adverse impact on the Group's reputation resulting from inadequate or failing internal processes or systems, human error or external events. 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. Operational incidents are continuously reported and followed-up.

Organisation

The Group had a total of 3,740 employees at the end of the second quarter, compared with 3,802 at the end of the first quarter.

The number of employees broke down as follows: 1,885 (1,899) in general insurance operations in Norway, 171 (166) in Gjensidige Bank, 61 (61) in Gjensidige Pensjonsforsikring, 751 (748) in Denmark, 306 (327) in Sweden and 566 (601) in the Baltic states (excluding agents). The reduction in Sweden is due to moving part of the business from Luleå to Stockholm and Malmø, and the reduction in the Baltic states is related to synergies resulting from the simplification of systems and processes, and digitalisation initiatives. The figures in brackets refer to the number of employees at the end of the first quarter.

Events after the balance sheet date

On 2 July Gjensidige entered into a share purchase agreement with Nordea for the sale of Gjensidige Bank ASA. The parties also entered into a strategic partnership agreement for the mutual distribution of non-life insurance and financing products in Norway. The agreed purchase price was NOK 5.5 billion, subject to certain adjustments based on the performance of the bank until the closing of the transaction. Gjensidige is expected to record an estimated gain of approximately NOK 1.9 billion for the Gjensidige Forsikring Group and NOK 3.1 billion for Gjensidige Forsikring ASA. The closing of the transaction is expected to take place within the first quarter 2019, subject to customary regulatory approvals. From the third quarter 2018, the Bank will be recognised and reported pursuant to IFRS 5 Non-current assets held for sale and discontinued operations.

On 4 July S&P Global Ratings placed its 'A' long-term and 'A-1' short-term issuer credit ratings for Gjensidige Bank ASA and its subsidiary Gjensidige Bank Boligkreditt AS, on CreditWatch with positive implications.

Except for the sale of Gjensidige Bank and the S&P CreditWatch, no significant events have occurred after the end of the period.

Outlook

The Group targets a 15 per cent return on equity after tax. There is always considerable uncertainty associated with the assessment of future developments. However, the Board remains confident in Gjensidige's ability to deliver solid earnings and dividend growth over time. Strong underwriting profitability is expected to offset a challenging environment as regards achieving investment returns.

1. Organic growth is expected to be in line with nominal GDP growth in Gjensidige's market areas in the Nordic countries and the Baltic states over time. In addition, profitable growth will be achieved by pursuing a disciplined acquisition strategy, as has been done successfully for the past twelve years.
2. The annual combined ratio is expected to be at the lower end of the target corridor of 90–93 (undiscounted and given zero run-off effects). The target cost ratio is around 15 per cent. A reduction is expected in the underlying cost ratio and loss ratio, but Gjensidige will endeavour to strike a balance between good profitability and increased investments in order to ensure strong competitiveness going forward. Extraordinary circumstances relating to the weather and the proportion of large losses and run-off can contribute to a combined ratio that is above or below the target range.
3. Over the next ~2.5-4.5 years, average annual run-off gains are expected to be around NOK 1,000 million, moving the expected reported combined ratio to the lower end of the 86-89 corridor (undiscounted).
4. Regulatory uncertainty relating to Solvency II is unchanged. All else being equal, this supports the already strong capital position.

Over time, dividend pay-outs will reflect Gjensidige's policy not to build unnecessary excess capital.

It is Gjensidige's ambition to become the most customer-oriented general insurance company in the Nordic region, based on profitable operations and a leading position.

The strategic priorities in the period up until 2020 are:

- Digital customer experiences
- Business intelligence and analytics
- Building organisational capabilities

To support the three strategic priorities and ensure strong competiveness in future, efficiency measures are being taken to create room for increased investments, primarily in the fields of technology, competence development and brand strength.

Efforts will be intensified to deliver the best digital customer experiences in the Nordic general insurance industry. To support this, Gjensidige is currently planning to start a blue-print process for a new core system. The investment in a new core system is expected to be handled within the current cost ratio target, and will be made step-by-step, starting with Denmark, then Sweden and finally Norway.

At the same time, Gjensidige intends to increase its presence in the growing market for health and personal insurance.

Competition is still strong in the Norwegian general insurance market. Gjensidige has managed to capitalise on its position as market leader in Norway, and its competitiveness remains good. It has strengthened its leading position relative to its main competitors in parallel with delivering good profitability and high customer satisfaction. The growth rate is expected to remain subdued in the short to medium term, although an uptick in inflation and growth will lead to increased insurance premiums. Continued efforts to maintain and further strengthen Gjensidige's position in the Norwegian market will be prioritised, with particular focus on improving the profitability performance in motor insurance, ensuring cost-efficiency and improving digital customer experiences. At the same time, new, profitable opportunities for growth will be considered in the Nordic region and the Baltic states to ensure good utilisation of a scalable business model and best practice. Strong emphasis will also be placed on further developing cooperation with partners and distributors.

Geopolitical uncertainty, low interest rates and financial challenges in several key economies, reflect an uncertain economic situation. Gjensidige has a robust investment strategy, although returns are affected by challenging market conditions. The Group is financially sound and has a high proportion of its business in the Norwegian general insurance market. The macroeconomic outlook in the Nordic region and the outlook for Gjensidige's operations are still regarded as good.

There are still some outstanding uncertainties relating to changes to the regulatory framework conditions for the financial sector in Norway and internationally.

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

Oslo, 12 July 2018
The Board of Gjensidige Forsikring ASA

Gisele Marchand Chair	Per Arne Bjørge	Eivind Elnan	John Giverholt	Vibeke Krag
Gunnar Mjåtvedt	Hilde Merete Nafstad	Anne Marie Nyhammer	Terje Seljeseth	Lotte K. Sjøberg
				Helge Leiro Baastad CEO

Consolidated income statement

NOK millions	Notes	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Operating income						
Earned premiums from general insurance	4	5,987.2	5,824.7	11,853.5	11,372.5	23,398.3
Earned premiums from pension		555.0	324.9	1,121.6	829.5	1,832.7
Interest income etc. from banking operations		432.4	403.7	847.9	782.8	1,631.7
Other income including eliminations		43.0	30.9	83.6	68.7	151.3
Total operating income	**3**	**7,017.6**	**6,584.2**	**13,906.6**	**13,053.4**	**27,014.0**
Net income from investments						
Results from investments in associates and joint ventures		55.7	49.4	139.2	107.7	255.8
Interest income and dividend etc. from financial assets		245.2	283.9	512.3	545.1	1,040.5
Net changes in fair value on investments (incl. property)		199.8	107.1	(208.9)	(59.7)	(355.1)
Net realised gain and loss on investments		(109.0)	71.5	235.3	534.6	1,207.1
Expenses related to investments		(32.8)	(31.2)	(56.5)	(61.2)	(119.3)
Total net income from investments		**358.9**	**480.8**	**621.3**	**1,066.4**	**2,029.0**
Total operating income and net income from investments		**7,376.5**	**7,065.0**	**14,527.9**	**14,119.8**	**29,042.9**
Claims, interest expenses, loss etc.						
Claims incurred etc. from general insurance	5, 6	(4,371.0)	(3,961.7)	(8,930.5)	(7,919.6)	(16,401.7)
Claims incurred etc. from pension		(503.0)	(282.6)	(1,019.4)	(738.7)	(1,661.8)
Interest expenses etc. and write-downs and losses from banking operations		(98.7)	(195.0)	(300.9)	(385.0)	(649.8)
Total claims, interest expenses, loss etc.		**(4,972.7)**	**(4,439.2)**	**(10,250.7)**	**(9,043.4)**	**(18,713.3)**
Operating expenses						
Operating expenses from general insurance		(909.3)	(890.7)	(1,805.0)	(1,748.3)	(3,586.5)
Operating expenses from pension		(59.7)	(58.5)	(119.5)	(114.9)	(227.3)
Operating expenses from banking operations		(107.6)	(100.3)	(211.2)	(206.9)	(412.5)
Other operating expenses		(6.1)	(7.8)	(22.6)	(12.7)	(12.9)
Amortisation and impairment losses of excess value - intangible assets		(68.5)	(65.8)	(139.5)	(125.9)	(261.3)
Total operating expenses		**(1,151.2)**	**(1,123.1)**	**(2,297.8)**	**(2,208.8)**	**(4,500.6)**
Total expenses		**(6,123.9)**	**(5,562.3)**	**(12,548.5)**	**(11,252.2)**	**(23,213.8)**
Profit/(loss) before tax expense	**3**	**1,252.6**	**1,502.7**	**1,979.4**	**2,867.6**	**5,829.1**
Tax expense		(248.0)	(408.1)	(440.3)	(663.1)	(1,309.8)
Profit/(loss)		**1,004.6**	**1,094.5**	**1,539.1**	**2,204.6**	**4,519.3**
Profit/(loss) for the period attributable to:						
Owners of the company		1,004.9	1,095.3	1,540.2	2,206.8	4,523.1
Non-controlling interests		(0.3)	(0.8)	(1.2)	(2.2)	(3.8)
Total		**1,004.6**	**1,094.5**	**1,539.1**	**2,204.6**	**4,519.3**
Earnings per share, NOK (basic and diluted)		**2.01**	**2.19**	**3.08**	**4.41**	**9.05**

Consolidated statement of comprehensive income

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Profit/(loss)	**1,004.6**	**1,094.5**	**1,539.1**	**2,204.6**	**4,519.3**
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Remeasurement of the net defined benefit liability/asset					(342.7)
Share of other comprehensive income from associates and joint ventures					(0.7)
Tax on items that are not reclassified to profit or loss					85.7
Total items that are not reclassified subsequently to profit or loss					**(257.7)**
Items that may be reclassified subsequently to profit or loss					
Exchange differences from foreign operations	(127.2)	296.7	(299.8)	398.8	577.2
Tax on items that may be reclassified to profit or loss	21.3	(43.4)	50.9	(62.0)	(88.2)
Total items that may be reclassified subsequently to profit or loss	**(105.9)**	**253.4**	**(248.9)**	**336.8**	**489.1**
Total components of other comprehensive income	**(105.9)**	**253.4**	**(248.9)**	**336.8**	**231.3**
Total comprehensive income	**898.7**	**1,347.9**	**1,290.2**	**2,541.4**	**4,750.7**
Total comprehensive income attributable to:					
Owners of the company	899.0	1,348.7	1,291.3	2,543.6	4,754.4
Non-controlling interests	(0.3)	(0.8)	(1.2)	(2.2)	(3.8)
Total	**898.7**	**1,347.9**	**1,290.2**	**2,541.4**	**4,750.7**

Consolidated statement of financial position

NOK millions	Notes	30.6.2018	30.6.2017	31.12.2017
Assets				
Goodwill		3,448.5	3,471.1	3,557.4
Other intangible assets		1,361.2	1,521.5	1,472.2
Deferred tax assets		10.7	24.3	11.3
Investments in associates and joint ventures		2,776.0	1,710.7	1,859.4
Interest-bearing receivables from joint ventures		1,971.9	1,690.5	1,620.1
Owner-occupied property, plant and equipment		302.5	325.3	290.1
Pension assets		206.0	488.7	206.0
Financial assets				
Financial derivatives	8	503.5	1,103.3	674.0
Shares and similar interests	8	6,630.7	6,917.5	7,328.3
Bonds and other securities with fixed income	8	31,186.0	29,081.5	30,734.2
Bonds held to maturity	8	694.0	1,614.4	1,136.0
Loans and receivables	8	67,889.7	63,698.5	67,010.1
Assets in life insurance with investment options		23,834.7	20,472.5	22,565.5
Reinsurance deposits			0.3	
Reinsurers' share of insurance-related liabilities in general insurance, gross		826.9	1,118.7	827.4
Receivables related to direct operations and reinsurance		7,575.2	6,609.2	5,840.8
Other assets and receivables		1,050.5	1,001.7	1,064.5
Prepaid expenses and earned, not received income		433.8	192.9	189.9
Cash and cash equivalents		2,694.5	2,985.5	2,685.2
Total assets		**153,396.3**	**144,028.4**	**149,072.4**
Equity and liabilities				
Equity				
Share capital		1,000.0	1,000.0	1,000.0
Share premium		1,430.0	1,430.0	1,430.0
Natural perils capital		2,429.8	2,381.1	2,333.4
Guarantee scheme provision		638.3	628.9	638.3
Other equity		15,908.9	16,057.5	18,283.4
Total equity attributable to owners of the company		**21,407.0**	**21,497.5**	**23,685.1**
Non-controlling interests		0.5	19.6	18.0
Total equity		**21,407.5**	**21,517.1**	**23,703.1**
Provision for liabilities				
Subordinated debt		1,947.6	1,947.1	1,947.3
Premium reserve in life insurance		6,077.5	5,502.1	5,784.9
Provision for unearned premiums, gross, in general insurance		12,253.5	12,180.0	9,961.4
Claims provision, gross	7	30,486.4	31,245.8	31,322.7
Other technical provisions		366.6	331.7	339.6
Pension liabilities		577.1	507.4	578.3
Other provisions		253.5	293.5	328.6
Financial liabilities				
Financial derivatives	8	740.4	812.0	584.9
Deposits from and liabilities to customers	8	24,066.0	22,153.9	23,765.7
Interest-bearing liabilities	8	25,616.1	23,012.3	23,083.4
Other liabilities	8	2,951.7	926.4	1,265.2
Current tax		396.3	656.7	1,131.5
Deferred tax liabilities		902.6	977.3	1,076.8
Liabilities related to direct insurance and reinsurance	8	803.2	880.0	1,132.8
Liabilities in life insurance with investment options	8	23,834.7	20,472.5	22,565.5
Accrued expenses and deferred income	8	715.7	612.5	500.8
Total liabilities		**131,988.8**	**122,511.2**	**125,369.3**
Total equity and liabilities		**153,396.3**	**144,028.4**	**149,072.4**

Consolidated statement of changes in equity

NOK millions	Share capital	Own shares	Share premium	Other paid-in capital	Perpetual Tier 1 capital	Exchange differ-ences	Re-measure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2016 attributable to owners of the company	**1,000.0**	**(0.1)**	**1,430.0**	**39.2**	**1,298.3**	**113.5**	**(1,702.0)**	**20,127.2**	**22,306.3**
Non-controlling interests as at 31.12.2016									19.8
Equity as at 31.12.2016									**22,326.0**
1.1.-31.12.2017									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					45.9			4,477.2	4,523.1
Total components of other comprehensive income				0.3		488.4	(256.6)	(0.7)	231.3
Total comprehensive income				**0.3**	**45.9**	**488.4**	**(256.6)**	**4,476.5**	**4,754.4**
Transactions with owners of the company									
Own shares		0,0						(9.4)	(9.4)
Paid dividend								(3,399.6)	(3,399.6)
Remeasurement of the net defined benefit liability/asset of liquidated companies							22.0	(22.0)	
Equity-settled share-based payment transactions				8.8					8.8
Perpetual Tier 1 capital					70.5			(0.6)	69.8
Perpetual Tier 1 capital - interest paid					(45.3)				(45.3)
Total transactions with owners of the company		**0,0**		**8.8**	**25.2**		**22.0**	**(3,431.5)**	**(3,375.6)**
Equity as at 31.12.2017 attributable to owners of the company	**1,000.0**	**0,0**	**1,430.0**	**48.2**	**1,369.4**	**602.0**	**(1,936.7)**	**21,172.2**	**23,685.1**
Non-controlling interests as at 31.12.2017									18.0
Equity as at 31.12.2017									**23,703.1**
Adjustment due to amendment to IFRS 2				8.5					8.5
Adjustment on initial application of IFRS 9 in the bank								4.2	4.2
Equity as at 1.1.2018									**23,715.8**
1.1.-30.6.2018									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					23.2			1,517.1	1,540.2
Total components of other comprehensive income				(0.2)		(248.5)	(0.2)		(248.9)
Total comprehensive income				**(0.2)**	**23.2**	**(248.5)**	**(0.2)**	**1,517.1**	**1,291.3**
Transactions with owners of the company									
Own shares		0,0						(6.2)	(6.2)
Paid dividend								(3,549.9)	(3,549.9)
Equity-settled share-based payment transactions				4.1					4.1
Perpetual Tier 1 capital					0.3			(0.3)	
Perpetual Tier 1 capital - interest paid					(22.9)				(22.9)
Net effect of purchase of non-controlling interests								(7.2)	(7.2)
Total transactions with owners of the company		**0,0**		**4.1**	**(22.6)**			**(3,563.6)**	**(3,582.1)**
Equity as at 30.6.2018 attributable to owners of the company	**1,000.0**	**0,0**	**1,430.0**	**60.7**	**1,369.9**	**353.5**	**(1,936.9)**	**19,129.8**	**21,407.0**
Non-controlling interests as at 30.6.2018									0.5
Equity as at 30.6.2018									**21,407.5**
1.1.-30.6.2017									
Comprehensive income									
Profit/(loss) (the controlling interests' share)					23.0			2,183.8	2,206.8
Total components of other comprehensive income				0.2		336.6			336.8
Total comprehensive income				**0.2**	**23.0**	**336.6**		**2,183.8**	**2,543.6**
Transactions with owners of the company									
Own shares		0,0						(5.1)	(5.1)
Paid dividend								(3,399.6)	(3,399.6)
Remeasurement of the net defined benefit liability/asset of liquidated companies							5.9	(5.9)	
Equity-settled share-based payment transactions				5.2					5.2
Perpetual Tier 1 capital					70.1			(0.3)	69.8
Perpetual Tier 1 capital - interest paid					(22.7)				(22.7)
Total transactions with owners of the company		**0,0**		**5.2**	**47.5**		**5.9**	**(3,410.9)**	**(3,352.3)**
Equity as at 30.6.2017 attributable to owners of the company	**1,000.0**	**0,0**	**1,430.0**	**44.6**	**1,368.8**	**450.2**	**(1,696.1)**	**18,900.1**	**21,497.5**
Non-controlling interests as at 30.6.2017									19.6
Equity as at 30.6.2017									**21,517.1**

Consolidated statement of cash flows

NOK millions	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Cash flow from operating activities			
Premiums paid, net of reinsurance	16,472.1	15,874.5	29,645.8
Claims paid, net of reinsurance	(9,789.7)	(9,271.5)	(18,398.9)
Net payment of loans to customers	(2,151.1)	(3,007.2)	(4,912.2)
Net payment of deposits from customers	300.4	883.5	2,495.3
Payment of interest from customers	797.5	732.2	1,509.0
Payment of interest to customers	(64.3)	(45.7)	(257.2)
Net receipts/payments of premium reserve transfers	(758.7)	(524.5)	(1,231.2)
Net receipts/payments from financial assets	69.5	485.6	(1,812.3)
Net receipt/payments on sale/acquisition of investment property		97.1	97.1
Operating expenses paid, including commissions	(2,281.5)	(2,272.3)	(4,283.3)
Taxes paid	(1,288.0)	(1,279.2)	(1,250.4)
Net other receipts/payments	146.8	29.1	116.4
Net cash flow from operating activities	**1,453.0**	**1,701.6**	**1,718.1**
Cash flow from investing activities			
Net receipts/payments from sale/acquisition of subsidiaries and associates/joint venture	(31.2)	(494.0)	(502.6)
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment and intangible assets	(240.5)	(179.6)	(328.1)
Net receipts/payments on sale/acquisition of customer portfolios - intangible assets			(3.9)
Net cash flow from investing activities	**(271.7)**	**(673.6)**	**(834.6)**
Cash flow from financing activities			
Payment of dividend	(3,549.9)	(3,459.9)	(3,459.9)
Net receipts/payments on subordinated debt incl. interest	(20.1)	(22.0)	(42.3)
Net receipts of capital from non-controlling interests		2.1	2.1
Net receipts/payments on loans to credit institutions	2,628.8	3,388.2	3,462.4
Net receipts/payments on other short-term liabilities	(22.8)	(37.7)	(53.1)
Net receipts/payments on interest on funding activities	(138.3)	(141.9)	(308.8)
Net receipts/payments on sale/acquisition of own shares	(6.2)	(6.8)	(11.1)
Tier 1 issuance/installments		70.0	70.0
Tier 1 interest payments	(28.6)	(28.6)	(56.8)
Net cash flow from financing activities	**(1,137.0)**	**(236.7)**	**(397.5)**
Effect of exchange rate changes on cash and cash equivalents	(35.0)	35.5	40.5
Net cash flow	**9.3**	**826.8**	**526.5**
Cash and cash equivalents at the start of the period	2,685.2	2,158.7	2,158.7
Cash and cash equivalents at the end of the period	2,694.5	2,985.5	2,685.2
Net cash flow	**9.3**	**826.8**	**526.5**
Specification of cash and cash equivalents			
Deposits with central banks	61.1	473.9	229.6
Cash and deposits with credit institutions	2,633.4	2,511.6	2,455.6
Total cash and cash equivalents	**2,694.5**	**2,985.5**	**2,685.2**

Notes

1. Accounting policies

The consolidated financial statements as of the second quarter of 2018, concluded on 30 June 2018, comprise Gjensidige Forsikring ASA and its subsidiaries (collectively referred to as the Group) and the Group's holdings in associated companies. Except for the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2017.

The consolidated financial statements as of the second quarter of 2018 have been prepared in accordance with IFRS and IAS 34 Interim Financial Reporting. The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2017.

New standards adopted

IFRS 15 Recognition of revenue for customers (2014)
The standard did not have a significant effect on Gjensidige's financial statements.

IFRS 9 Financial instruments (2014)
Gjensidige Bank implemented IFRS 9 at 1 January 2018, and there were two implementation effects. The new impairment requirements increased the bank's provision for expected credit losses with NOK 13.8 million. Further, the fixed interest loans to customers were reclassified from amortised cost to fair value, with an effect of increased value of NOK 19.4 million. The net implementation effect of NOK 4.2 million (after tax) were recognised in the opening balance.

New standards and interpretations not yet adopted

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

IFRS 9 Financial instruments (2014)
IFRS 9 introduces new requirements for the classification and measurement of financial assets, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

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

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

IFRS 9 is effective from 1 January 2018.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016)
IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, IAS 39 Financial Instruments. In addition, the insurance sector of a financial conglomerate is allowed to defer the application of IFRS 9 until 1 January 2021, where all of the following conditions are met:

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

Gjensidige has decided to make use of this exception.

IFRS 16 Leases (2016)
IFRS 16 requires all contracts that qualify under its definition as a lease to be reported on a lessee`s balance sheet as right of use assets and lease liabilities. Earlier classification of leases as either operating leases or finance leases are removed. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. A lessee shall recognise a right-of-use asset and a lease liability. The interest effect of discounting the lease liability shall be presented separately from the depreciation charge for the right-of-use asset. The depreciation expense will be presented with the group's other depreciations, whereas the interest effect of discounting will be presented as a financial item. IFRS 16 is effective 1 January 2019. The standard is expected to have an effect on the group's financial statements, significantly increasing the group's recognised assets and liabilities and potentially affecting the presentation and timing of recognition of charges in the income statement.

IFRS 17 Insurance Contracts (2017)
IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. IFRS 17 is a complex standard that includes some fundamental differences to current accounting for liability measurement and profit recognition. Insurance contracts will be recognised at a risk-adjusted present value of the future cash flows plus an amount representing the unearned profit in the group of contracts (the contractual service margin). If a group of contracts is or become loss-making, the loss will be recognised immediately. Insurance revenue, insurance service expenses and insurance finance income or expenses will be presented separately. IFRS 17 is effective 1 January 2021. The standard is expected to have an

effect on the group's financial statements, significantly changing the measurement and presentation of income and expenses.

Based on our preliminary assessments and based on Gjensidige's current operations, other amendments to standards and interpretation statements will not have a significant effect.

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

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

Notes are presented on a Group level. Separate notes for Gjensidige Forsikring ASA (GF ASA) is not presented as GF ASA is the material part of the Group and therefore the notes for the Group give a sufficient presentation of both the Group and GF ASA.

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

2. Seasonal variations

For some insurance products, seasonal premiums are used. This is because the incidence of claims is not evenly distributed throughout the year, but follows a stable seasonal pattern. Normally, premium income (earned premiums) is accrued evenly over the period of insurance, but for products with a seasonal pattern, premium income must also be allocated according to the incidence of claims. Gjensidige Forsikring has a seasonal premium for the following products: pleasure craft, snowmobiles and motorcycles. For example, for motorcycles, earned premiums for the period from April to September amount to a full 85 per cent of the annual premiums.

Another consequence of a seasonal premium is that if the customer cancels the insurance contract before the renewal date, only the portion of the seasonal premium is refunded for which the Company did not bear any risk. For motorcycle insurance taken out on 1 April, but cancelled on 1 October, the policyholder will only be refunded 15 per cent of the annual premium, even though the insurance was in effect only for six months.

3. Segment information

The Group´s core operations comprise the segments general insurance Private, Commercial, Denmark, Sweden and Baltics. The Group also has operations in the Pension and Retail Bank segments.

The segments are evaluated regularly by Gjensidige´s senior group management based on financial and operational information specially prepared for each segment for the purpose of following up performance and allocating necessary resources.

Segment income is defined as earned premiums for general insurance, earned premiums and other income for Pension and interest income and related income and other income for Retail Bank.

The segment result is defined as the underwriting result for general insurance, and the profit before tax expense for Pension and Retail Bank.

As from 1 January 2018 the former Nordic segment has been divided into two new segments: Denmark and Sweden. Comparable figures are changed accordingly.

Second quarter	Segment income [2]		Claims, interest expenses, loss etc.		Operating expenses		Net income from investments		Segment result/profit/(loss) before tax expense	
NOK millions	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
General Insurance Private	2,178.3	2,129.8	(1,533.5)	(1,224.1)	(273.5)	(260.8)			371.4	644.9
General Insurance Commercial	1,881.9	1,814.8	(1,352.7)	(1,134.1)	(221.8)	(211.6)			307.4	469.1
General Insurance Denmark	1,223.2	1,219.9	(979.3)	(972.7)	(180.4)	(176.1)			63.6	71.2
General Insurance Sweden	403.0	439.2	(323.8)	(427.6)	(65.7)	(81.3)			13.4	(69.6)
General Insurance Baltics	272.8	271.1	(176.6)	(201.1)	(84.9)	(89.2)			11.4	(19.2)
Pension	593.1	355.4	(503.0)	(282.6)	(59.7)	(58.5)	7.8	8.7	38.2	23.1
Retail Bank	435.4	407.2	(98.7)	(195.0)	(107.6)	(100.3)	(11.5)	9.7	217.7	121.7
Eliminations etc. [1]	29.8	(53.4)	(5.1)	(2.1)	(157.7)	(145.2)	362.6	462.3	229.6	261.6
Total	**7,017.6**	**6,584.2**	**(4,972.7)**	**(4,439.2)**	**(1,151.2)**	**(1,123.1)**	**358.9**	**480.8**	**1,252.6**	**1,502.7**

1.1.-30.6.	Segment income [2]		Claims, interest expenses, loss etc.		Operating expenses		Net income from investments		Segment result/profit/(loss) before tax expense	
NOK millions	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
General Insurance Private	4,253.3	4,164.1	(2,999.3)	(2,481.6)	(538.9)	(518.9)			715.1	1,163.7
General Insurance Commercial	3,717.6	3,613.2	(2,906.8)	(2,373.0)	(434.6)	(421.0)			376.2	819.2
General Insurance Denmark	2,456.8	2,301.4	(1,949.8)	(1,903.5)	(358.0)	(338.0)			149.0	59.9
General Insurance Sweden	831.9	844.5	(671.4)	(772.4)	(137.0)	(158.8)			23.5	(86.7)
General Insurance Baltics	536.9	526.5	(345.8)	(382.7)	(171.0)	(174.9)			20.1	(31.1)
Pension	1,194.2	888.7	(1,019.4)	(738.7)	(119.5)	(114.9)	14.7	19.1	70.1	54.2
Retail Bank	855.3	789.7	(300.9)	(385.0)	(211.2)	(206.9)	(3.8)	26.8	339.5	224.4
Eliminations etc. [1]	60.6	(74.6)	(57.4)	(6.4)	(327.7)	(275.4)	610.3	1,020.5	285.8	664.1
Total	**13,906.6**	**13,053.4**	**(10,250.7)**	**(9,043.4)**	**(2,297.8)**	**(2,208.8)**	**621.3**	**1,066.4**	**1,979.4**	**2,867.6**

[1] Eliminations etc. consist of internal eliminations and other income and expenses not directly attributable to one single segment, and large losses of NOK 95.9 million (51.5) for the year to date and 26.8 million (38.0) in the quarter. Interest on subordinated debt is included in Net income from investments.
[2] There is no significant income between the segments at this level in 2018 and 2017.

4. Earned premiums from general insurance

NOK millions	**Q2 2018**	**Q2 2017**	**1.1.-30.6.2018**	**1.1.-30.6.2017**	**1.1.-31.12.2017**
Earned premiums, gross	6,181.6	6,033.8	12,211.0	11,760.6	24,083.0
Ceded reinsurance premiums	(194.5)	(209.0)	(357.6)	(388.1)	(684.7)
Total earned premiums, net of reinsurance	**5,987.2**	**5,824.7**	**11,853.5**	**11,372.5**	**23,398.3**

5. Claims incurred etc. from general insurance

NOK millions	**Q2 2018**	**Q2 2017**	**1.1.-30.6.2018**	**1.1.-30.6.2017**	**1.1.-31.12.2017**
Gross claims	(4,384.0)	(4,517.2)	(8,999.1)	(8,407.5)	(16,891.7)
Claims, reinsurers' share	13.0	555.5	68.6	487.9	490.0
Total claims incurred etc. from general insurance	**(4,371.0)**	**(3,961.7)**	**(8,930.5)**	**(7,919.6)**	**(16,401.7)**

6. Run-off gain/(loss) from general insurance

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Earned premiums from general insurance	5,987.2	5,824.7	11,853.5	11,372.5	23,398.3
Run-off gain/(loss) for the period, net of reinsurance [1]	292.0	246.2	632.1	486.2	1,030.3
In per cent of earned premiums from general insurance	4.9	4.2	5.3	4.3	4.4

[1] Run-off gains/(losses) from general insurance includes run-off from the general insurance segments in addition to run-off on Corporate Centre/reinsurance.

7. Claims provision, gross from general insurance

NOK millions	30.6.2018	30.6.2017	31.12.2017
Claims provision, gross, as at 1 January	31,322.7	31,357.4	31,357.4
Additions from acquisitions		73.8	115.7
Claims for the year	9,658.1	9,034.1	18,104.9
Claims incurred in prior years, gross	(658.2)	(620.8)	(1,200.9)
Claims paid	(9,447.3)	(8,935.3)	(17,728.0)
Discounting of claims provisions	35.4	34.2	70.5
Change in discounting rate	1.8	(144.4)	(66.0)
Other changes		(43.9)	(43.9)
Exchange differences	(426.1)	490.6	713.0
Claims provision, gross, at the end of the period	**30,486.4**	**31,245.8**	**31,322.7**
Discounted claims provision, gross - annuities	5,821.8	5,932.6	6,127.1
Nominal claims provision, gross - annuities	6,593.3	6,731.8	6,855.7

The claims provisions shall cover future claims payments. The claims provisions for insurances with annuity payments are converted to present value (discounted), whereas other provisions are undiscounted.

The reason why the claims provisions for annuities are discounted is due to very long cash flows and substantial future interest income. The claims for occupational injuries in Denmark are paid either as annuities or as lump-sum indemnities (which are calculated mainly as discounted annuities). Therefore, it is most expedient to regard the whole portfolio as annuities. For Swedish MTPL personal injuries are paid as lifelong annuities. The discount rate used is a swap interest rate.

8. Financial assets and liabilities

Fair value

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

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

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

Quoted prices in active markets

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

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

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

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 based on valuation techniques which are based on observable market data.

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

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

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

Valuation based on non-observable market data

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

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

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

- Unlisted private equity investments. The private equity investments that are not organised as funds are valued using cash flow analysis, price multiples and recent market transactions. The private equity investments that are organised as funds are valued based on NAV (Net Asset Value) as reported by the fund administrators in accordance with IPEV guidelines (International Private Equity and Venture Capital Valuation. Because of late reporting from the funds, the NAV from the previous quarterly reporting is used in estimating fair value. The NAV is then assessed for discretionary adjustments based on objective events since the last reporting date. Objective events may be the development in underlying values of listed companies since the last reporting, changes in regulations or substantial market movements.
- 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.

The valuation process for financial assets classified as level three

In consultation with the Investment Performance and Risk Measurement department, the Chief Investment Officer decides which valuation models will be used when valuing financial assets classified as level three in the valuation hierarchy. The models are evaluated as required. The fair value and results of the investments and compliance with the stipulated limits are reported weekly to the Chief Financial Officer and Chief Executive Officer, and monthly to the Board.

Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued based on non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of ten per cent is deemed to be a realistic and plausible market outcome for shares and similar interests, as well as bonds and other securities with a fixed return that are included in level three of the valuation hierarchy.

NOK millions	Carrying amount as at 30.6.2018	Fair value as at 30.6.2018	Carrying amount as at 30.6.2017	Fair value as at 30.6.2017
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss	503.5	503.5	1,103.3	1,103.3
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	6,630.7	6,630.7	6,917.5	6,917.5
Bonds and other fixed income securities	31,186.0	31,186.0	29,081.5	29,081.5
Shares and similar interests in life insurance with investment options	20,889.1	20,889.1	18,254.5	18,254.5
Bonds and other fixed income securities in life insurance with investment options	2,945.7	2,945.7	2,218.0	2,218.0
Financial assets held to maturity				
Bonds held to maturity	694.0	701.2	1,614.4	1,667.2
Loans and receivables				
Bonds and other fixed income securities classified as loans and receivables	19,801.5	20,936.9	19,752.9	21,284.6
Loans	50,060.1	50,060.1	45,636.2	45,661.6
Receivables related to direct operations and reinsurance	7,575.2	7,575.2	6,609.2	6,609.2
Other assets and receivables	1,050.5	1,050.5	1,001.7	1,001.7
Prepaid expenses and earned, not received income	433.8	433.8	192.9	192.9
Cash and cash equivalents	2,694.5	2,694.5	2,985.5	2,985.5
Total financial assets	**144,464.6**	**145,607.2**	**135,367.7**	**136,977.5**
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss	740.4	740.4	812.0	812.0
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options	23,834.7	23,834.7	20,472.5	20,472.5
Financial liabilities at amortised cost				
Subordinated debt	1,947.6	1,944.7	1,947.1	1,948.7
Deposits from and liabilities to customers, bank	24,066.0	24,066.0	22,153.9	22,153.9
Interest-bearing liabilities	25,616.1	25,834.5	23,012.3	23,190.6
Other liabilities	2,951.7	2,951.7	926.4	926.4
Liabilities related to direct insurance	803.2	803.2	880.0	880.0
Accrued expenses and deferred income	715.7	715.7	612.5	612.5
Total financial liabilities	**80,675.4**	**80,890.9**	**70,816.7**	**70,996.7**
Gain/(loss) not recognised in profit or loss		**927.1**		**1,429.9**

Valuation hierarchy 2018

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

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		503.5		503.5
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	82.0	5,271.2	1,277.5	6,630.7
Bonds and other fixed income securities	11,715.8	16,849.5	2,620.7	31,186.0
Shares and similar interests in life insurance with investment options	20,873.2	15.9		20,889.1
Bonds and other fixed income securities in life insurance with investment options	2,930.3	15.4		2,945.7
Financial assets at amortised cost				
Bonds held to maturity	268.2	433.0		701.2
Bonds and other fixed income securities classified as loans and receivables		20,933.4	3.5	20,936.9
Loans			50,060.1	50,060.1
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		740.4		740.4
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options	23,803.5	31.3		23,834.7
Financial liabilities at amortised cost				
Subordinated debt		1,944.7		1,944.7
Interest-bearing liabilities		25,834.5		25,834.5

Valuation hierarchy 2017

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

NOK millions	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial derivatives				
Financial derivatives at fair value through profit or loss		1,103.3		1,103.3
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	80.0	4,592.9	2,244.6	6,917.5
Bonds and other fixed income securities	11,108.6	16,846.0	1,126.9	29,081.5
Shares and similar interests in life insurance with investment options	18,244.0	10.5		18,254.5
Bonds and other fixed income securities in life insurance with investment options	2,202.8	15.2		2,218.0
Financial assets at amortised cost				
Bonds held to maturity	363.2	1,304.0		1,667.2
Bonds and other fixed income securities classified as loans and receivables		21,284.6		21,284.6
Loans			45,661.6	45,661.6
Financial liabilities				
Financial derivatives				
Financial derivatives at fair value through profit or loss		812.0		812.0
Financial liabilities at fair value through profit or loss, designated upon initial recognition				
Debt in life insurance with investment options	20,446.8	25.8		20,472.5
Financial liabilities at amortised cost				
Subordinated debt		1,948.7		1,948.7
Interest-bearing liabilities		23,190.6		23,190.6

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

NOK millions	As at 1.1.2018	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/out of level 3	Cur-rency effect	As at 30.6.2018	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.6.2018
Shares and similar interests	2,211.8	7.4	56.9	(86.8)		(911.7)	(0.2)	1,277.5	29.1
Bonds and other fixed income securities	904.3	1,850.8		(89.5)			(44.9)	2,620.7	
Total	**3,116.2**	**1,858.2**	**56.9**	**(176.4)**		**(911.7)**	**(45.1)**	**3,898.1**	**29.1**

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

NOK millions		Sensitivity
Shares and similar interests	Change in value 10%	127.7
Bonds and other fixed income securities	Change in value 10%	262.1
Total		**389.8**

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

NOK millions	As at 1.1.2017	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Trans-fers into/out of level 3	Cur-rency effect	As at 30.6.2017	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.6.2017
Shares and similar interests	2,307.0	(76.5)	72.0	(58.2)			0.3	2,244.6	(97.4)
Bonds and other fixed income securities	1,333.5	(308.3)	410.7	(368.5)			59.5	1,126.9	
Total	**3,640.5**	**(384.8)**	**482.7**	**(426.7)**			**59.8**	**3,371.5**	**(97.4)**

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

NOK millions		Sensitivity
Shares and similar interests	Change in value 10%	224.5
Bonds and other fixed income securities	Change in value 10%	112.7
Total		**337.2**

9. Contingent liabilities

NOK millions	30.6.2018	30.6.2017	31.12.2017
Guarantees and committed capital			
Gross guarantees	0.1	0.1	0.1
Committed capital, not paid	1,337.2	1,657.2	1,392.5

As part of its ongoing financial management Gjensidige has committed, but not paid up to NOK 1,337.2 million (1,657.2) in loan funds containing secured debt and various private equity and real estate funds, over and above the amounts recognised in the balance sheet.

Gjensidige Forsikring is liable externally for any insurance claim arising in the cooperating mutual fire insurers' fire insurance operations.

According to the agreement with Gjensidige Pensjonskasse the return, if not sufficient to cover the pension plans guaranteed interest rate, should be covered from the premium fund or through contribution from Gjensidige Forsikring.

10. Related parties

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

Declaration

Today, the Board and the CEO have considered and approved the half-yearly report and the consolidated half-yearly accounts for Gjensidige Forsikring ASA for the period 1 January to 30 June 2018.

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with current accounting standards and gives a true and fair view of the Group's assets, liabilities, financial position and result for the period viewed in their entirety. Furthermore, that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, a description of the principal risks and uncertainties for the business in the following accounting period and related parties' significant transactions.

Oslo, 12 July 2018
The Board of Gjensidige Forsikring ASA

Gisele Marchand Chair	Per Arne Bjørge	Eivind Elnan	John Giverholt	Vibeke Krag
Gunnar Mjåtvedt	Hilde Merete Nafstad	Anne Marie Nyhammer	Terje Seljeseth	Lotte K. Sjøberg
				Helge Leiro Baastad CEO

Key figures

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

		Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Gjensidige Forsikring Group						
Equity	NOK millions			21,407.5	21,517.1	23,703.1
Equity per share	NOK			42.8	43.0	47.4
Earnings per share in the period, basic and diluted [1]	NOK	2.01	2.19	3.08	4.41	9.05
Return on equity, annualised [2]	%			14.2	21.1	21.3
Return on tangible equity, annualised [3]	%			18.5	27.2	27.5
Return on financial assets [4]	%	0.7	0.9	1.2	1.9	3.7
Total eligible own funds to meet the group SCR (legal) [5]	NOK millions			21,697.0	21,171.0	21,052.5
Group SCR margin (legal) [6]	%			160.5	143.6	137.5
Total eligible own funds to meet the minimum consolidated group SCR (legal) [7]	NOK millions			14,178.5	14,521.4	13,980.9
Minimum consolidated group SCR margin (legal) [8]	%			289.6	266.2	256.2
Gjensidige Forsikring ASA						
Total eligible own funds to meet the SCR (legal) [9]	NOK millions			19,532.7	19,252.1	18,877.4
SCR margin (legal) [10]	%			213.9	183.2	168.5
Total eligible own funds to meet the MCR (legal) [11]	NOK millions			16,640.4	16,631.5	16,281.4
MCR margin (legal) [12]	%			407.4	351.6	346.3
Issued shares, at the end of the period	Number			500,000,000	500,000,000	500,000,000
General Insurance						
Gross premiums written						
Private	NOK millions	2,102.9	2,037.8	4,925.9	4,762.0	8,614.5
Commercial	NOK millions	1,364.6	1,303.5	4,945.3	4,772.9	7,637.0
Denmark	NOK millions	918.0	904.7	3,180.6	2,876.6	4,941.9
Sweden	NOK millions	410.2	485.7	929.0	979.6	1,761.9
Baltics	NOK millions	276.4	257.4	568.9	528.8	1,074.9
Corporate Centre/reinsurance	NOK millions		(3.8)	105.7	97.4	47.2
Total	NOK millions	5,072.1	4,985.3	14,655.4	14,017.3	24,077.5
Premiums, net of reinsurance [13]	%			95.9	95.6	97.1
Earned premiums						
Private	NOK millions	2,178.3	2,129.8	4,253.3	4,164.1	8,516.5
Commercial	NOK millions	1,881.9	1,814.8	3,717.6	3,613.2	7,300.5
Denmark	NOK millions	1,223.2	1,219.9	2,456.8	2,301.4	4,827.4
Sweden		403.0	439.2	831.9	844.5	1,736.1
Baltics	NOK millions	272.8	271.1	536.9	526.5	1,074.7
Corporate Centre/reinsurance	NOK millions	28.0	(50.2)	57.0	(77.2)	(56.9)
Total	NOK millions	5,987.2	5,824.7	11,853.5	11,372.5	23,398.3
Loss ratio [14]						
Private	%	70.4	57.5	70.5	59.6	61.4
Commercial	%	71.9	62.5	78.2	65.7	66.1
Denmark	%	80.1	79.7	79.4	82.7	80.0
Sweden		80.4	97.3	80.7	91.5	85.9
Baltics	%	64.7	74.2	64.4	72.7	68.5
Total	%	73.0	68.0	75.3	69.6	70.1
Cost ratio [15]						
Private	%	12.6	12.2	12.7	12.5	12.8
Commercial	%	11.8	11.7	11.7	11.7	11.5
Denmark	%	14.7	14.4	14.6	14.7	14.1
Sweden		16.3	18.5	16.5	18.8	19.3
Baltics	%	31.1	32.9	31.8	33.2	32.2
Total	%	15.2	15.3	15.2	15.4	15.3
Combined ratio [16]						
Private	%	83.0	69.7	83.2	72.1	74.2
Commercial	%	83.7	74.1	89.9	77.3	77.6
Denmark	%	94.8	94.2	93.9	97.4	94.1
Sweden		96.7	115.9	97.2	110.3	105.3
Baltics	%	95.8	107.1	96.2	105.9	100.7
Total	%	88.2	83.3	90.6	85.0	85.4
Combined ratio discounted [17]	%	87.1	83.1	89.4	84.9	84.8

		Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Pension						
Assets under management pension, at the end of the period	NOK millions			30,244.2	26,249.4	28,699.0
of which the group policy portfolio	NOK millions			6,339.5	5,726.7	6,018.4
Operating margin [18]	%	33.81	19.70	31.66	23.40	24.55
Recognised return on the paid-up policy portfolio [19]	%			3.26	1.90	3.75
Value-adjusted return on the paid-up policy portfolio [20]	%			2.08	2.24	4.47
Share of shared commercial customers [21]	%			69.0	69.4	69.3
Return on equity, annualised [2]	%			13.9	12.0	11.0
Retail Bank						
Gross lending, addition in the period	NOK millions	896.8	1,367.1	2,149.8	3,014.8	4,806.6
Deposits, addition in the period	NOK millions	302.0	553.2	300.4	883.5	2,495.3
Gross lending, at the end of the period	NOK millions			48,206.0	44,264.3	46,056.1
Deposits, at the end of the period	NOK millions			24,066.0	22,153.9	23,765.7
Deposits-to-loan ratio at the end of the period [22]	%			49.9	50.0	51.6
Assets under management, at the end of the period	NOK millions			7,304.0	15,743.6	15,975.1
Net interest margin, annualised [23]	%			1.94	2.00	2.03
Write-downs and losses, annualised [24]	%			(0.18)	0.32	0.02
Cost/income ratio [25]	%	43.5	39.3	41.4	41.5	39.8
Shared customers' share of gross lending [26]	%			74.4	76.1	75.0
Capital adequacy ratio [27]	%			17.9	17.1	18.1
Tier 1 capital ratio [28]	%			16.1	15.1	16.2
Common equity Tier 1 capital ratio [29]	%			14.7	13.5	14.7
Return on equity, annualised [2]	%			13.8	11.1	14.2

[1] Earnings per share, basic and diluted = the shareholders' share of the profit or loss for the period/average number of outstanding shares in the period

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

[3] Return on tangible equity, annualised = Shareholders' share of net profit for the period/average shareholders' equity for the period adjusted for intangible assets, annualised

[4] Return on financial assets = net financial income in per cent of average financial assets including property, excluding Pension and Retail Bank

[5] Total eligible own funds to meet the group SCR (legal) = Total eligible own funds to meet the group SCR based on the regulatory approved Partial Internal Model. Total comprehensive income is included, less a formulaic dividend pay-out ratio in first, second and third quarter of 70 per cent of net profit.

[6] Group SCR margin (legal) = Ratio of total eligible own funds to group SCR based on the regulatory approved Partial Internal Model

[7] Total eligible own funds to meet the minimum consolidated group SCR (legal) = Total eligible own funds to meet the minimum consolidated group SCR based on the regulatory approved Partial Internal Model. Total comprehensive income is included, less a formulaic dividend pay-out ratio in first, second and third quarter of 70 per cent of net profit.

[8] Minimum consolidated group SCR margin (legal) = Ratio of eligible own funds to minimum consolidated group SCR based on the regulatory approved Partial Internal Model

[9] Total eligible own funds to meet the SCR (legal) = Total eligible own funds to meet the SCR for Gjensidige Forsikring ASA based on the regulatory approved Partial Internal Model. Total comprehensive income is included, less a formulaic dividend pay-out ratio in first, second and third quarter of 70 per cent of net profit of the Group.

[10] SCR margin (legal) = Ratio of total eligible own funds to SCR for Gjensidige Forsikring ASA based on the regulatory approved Partial Internal Model

[11] Total eligible own funds to meet the MCR (legal) = Total eligible own funds to meet the MCR for Gjensidige Forsikring ASA based on the regulatory approved Partial Internal Model. Total comprehensive income is included, less a formulaic dividend pay-out ratio in first, second and third quarter of 70 per cent of net profit of the Group.

[12] MCR margin (legal) = Ratio of eligible own funds to MCR for Gjensidige Forsikring ASA based on the regulatory approved Partial Internal Model

[13] Premiums, net of reinsurance = gross premiums written, net of reinsurance/gross premiums written (general insurance)

[14] Loss ratio = claims incurred etc./earned premiums

[15] Cost ratio = operating expenses/earned premiums

[16] Combined ratio = loss ratio + cost ratio

[17] Combined ratio discounted = combined ratio if claims provisions had been discounted

[18] Operating margin = net operating income/(administration fees + insurance income + management income etc.)

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

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

[21] Shared customers = customers having both pension and general insurance products with Gjensidige

[22] Deposit-to-loan ratio = deposits as a percentage of gross lending

[23] Net interest margin, annualised = net interest income/average total assets

[24] Write-downs and losses, annualised = write-downs and losses/average gross lending

[25] Cost/income ratio = operating expenses/total income

[26] Shared customers = customers having both bank and general insurance products with Gjensidige

[27] Capital adequacy ratio = net primary capital/risk-weighted assets. The result of the period is not included in the calculation for the quarters, with the exception of fourth quarter.

[28] Tier 1 capital ratio = Tier 1 capital/risk-weighted assets. The result of the period is not included in the calculation for the quarter, with the exception of fourth quarter.

[29] Common equity Tier 1 capital ratio = common equity Tier 1 capital/risk-weighted assets. The result of the period is not included in the calculation for the quarter, with the exception of fourth quarter.

Income statement

Gjensidige Forsikring ASA

NOK millions	Q2 2018	Q2 2017	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-31.12.2017
Premiums					
Earned premiums, gross	5,759.4	5,664.3	11,377.1	11,116.3	22,601.2
Ceded reinsurance premiums	(193.4)	(206.8)	(347.5)	(378.8)	(677.1)
Total earned premiums, net of reinsurance	**5,566.0**	**5,457.4**	**11,029.6**	**10,737.4**	**21,924.1**
General insurance claims					
Gross claims	(4,102.2)	(4,237.0)	(8,414.8)	(7,935.0)	(15,808.7)
Claims, reinsurers' share	10.3	551.9	67.5	483.8	481.4
Total claims incurred, net of reinsurance	**(4,091.8)**	**(3,685.1)**	**(8,347.3)**	**(7,451.2)**	**(15,327.3)**
Insurance-related operating expenses					
Insurance-related administration expenses incl. commissions for received reinsurance and sales expenses	(902.3)	(856.0)	(1,770.2)	(1,684.5)	(3,469.1)
Received commission for ceded reinsurance and profit share	15.2	3.8	23.4	13.0	28.2
Total insurance-related operating expenses	**(887.1)**	**(852.3)**	**(1,746.8)**	**(1,671.5)**	**(3,440.9)**
Profit/(loss) of technical account general insurance	**587.1**	**920.0**	**935.4**	**1,614.7**	**3,155.9**
Net income from investments					
Income from investments in subsidiaries, associates and joint ventures		80.9	94.9	81.1	83.9
Impairment losses of investments in subsidiaries, associates and joint ventures	(76.0)	(49.4)	(76.0)	(49.4)	(49.4)
Interest income and dividend etc. from financial assets	246.2	272.4	512.5	579.1	1,107.4
Changes in fair value on investments	198.1	107.2	(207.5)	(61.9)	(368.1)
Realised gain and loss on investments	(99.8)	65.7	237.3	525.3	1,206.1
Administration expenses related to investments, including interest expenses	(32.9)	(35.3)	(61.3)	(134.8)	(239.6)
Total net income from investments	**235.6**	**441.4**	**500.0**	**939.4**	**1,740.3**
Other income	2.1	0,0	5.1	6.7	10.2
Other expenses	(8.1)	(10.4)	(18.8)	(22.9)	(41.2)
Profit/(loss) of non-technical account	**229.6**	**430.9**	**486.2**	**923.3**	**1,709.3**
Profit/(loss) before tax expense	**816.7**	**1,351.0**	**1,421.6**	**2,538.0**	**4,865.2**
Tax expense	(174.2)	(367.6)	(333.0)	(589.9)	(1,104.6)
Profit/(loss) before components of other comprehensive income	**642.5**	**983.3**	**1,088.7**	**1,948.1**	**3,760.6**
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Remeasurement of the net defined benefit liability/asset					(339.3)
Tax on items that are not reclassified to profit or loss					84.8
Total items that are not reclassified subsequently to profit or loss					**(254.5)**
Items that may be reclassified subsequently to profit or loss					
Exchange differences from foreign operation	(87.9)	178.1	(208.3)	254.1	359.9
Tax on items that may be reclassified to profit or loss	21.3	(43.4)	50.9	(62.0)	(88.2)
Total items that may be reclassified subsequently to profit or loss	**(66.5)**	**134.8**	**(157.4)**	**192.2**	**271.7**
Total comprehensive income	**575.9**	**1,118.1**	**931.3**	**2,140.2**	**3,777.9**

Statement of financial position

Gjensidige Forsikring ASA

NOK millions	30.6.2018	30.6.2017	31.12.2017
Assets			
Goodwill	1,776.4	1,644.0	1,843.4
Other intangible assets	1,028.1	989.4	1,068.8
Total intangible assets	**2,804.5**	**2,633.4**	**2,912.2**
Investments			
Buildings and other real estate			
Owner-occupied property	28.5	27.0	27.0
Subsidiaries and associates			
Shares in subsidiaries	6,110.5	6,309.0	6,297.3
Shares in associates and joint ventures	1,086.9	1,086.9	1,086.9
Interest-bearing receivables on subsidiaries and joint ventures	1,971.9	1,690.5	1,620.1
Financial assets measured at amortised cost			
Bonds held to maturity	397.2	1,230.7	712.9
Loans and receivables	15,144.6	15,647.1	16,598.3
Financial assets measured at fair value			
Shares and similar interests (incl. shares and similar interests measured at cost)	6,587.2	6,150.0	6,553.7
Bonds and other fixed-income securities	21,460.5	20,752.1	21,974.7
Financial derivatives	421.6	978.3	549.2
Other investments	111.0		111.0
Reinsurance deposits	507.3	491.4	507.6
Total investments	**53,827.3**	**54,363.0**	**56,038.7**
Reinsurers' share of insurance-related liabilities in general insurance, gross			
Reinsurers' share of provision for unearned premiums, gross	281.8	252.8	41.4
Reinsurers' share of claims provision, gross	440.3	779.9	698.0
Total reinsurers' share of insurance-related liabilities in general insurance, gross	**722.1**	**1,032.7**	**739.5**
Receivables			
Receivables related to direct operations	7,086.3	5,957.7	5,318.7
Receivables related to reinsurance	112.0	263.5	148.5
Receivables within the group	24.1	97.6	49.1
Other receivables	761.7	904.9	822.5
Total receivables	**7,984.1**	**7,223.7**	**6,338.9**
Other assets			
Plant and equipment	247.3	267.6	236.2
Cash and cash equivalents	1,368.2	1,503.5	1,625.0
Pension assets	204.4	486.2	204.4
Total other assets	**1,819.9**	**2,257.4**	**2,065.6**
Prepaid expenses and earned, not received income			
Other prepaid expenses and earned, not received income	88.1	64.0	36.5
Total prepaid expenses and earned, not received income	**88.1**	**64.0**	**36.5**
Total assets	**67,245.9**	**67,574.3**	**68,131.4**

NOK millions	30.6.2018	30.6.2017	31.12.2017
Equity and liabilities			
Paid in equity			
Share capital	1,000.0	1,000.0	1,000.0
Share premium	1,430.0	1,430.0	1,430.0
Perpetual Tier 1 Capital	1,000.1	999.4	999.8
Other paid-in equity	54.6	42.0	45.1
Total paid in equity	**3,484.7**	**3,471.3**	**3,474.9**
Retained equity			
Funds etc.			
Natural perils capital	2,429.8	2,381.1	2,333.4
Guarantee scheme provision	638.3	628.9	638.3
Other retained earnings	12,236.7	13,320.7	11,425.1
Total retained earnings	**15,304.8**	**16,330.7**	**14,396.8**
Total equity	**18,789.5**	**19,802.1**	**17,871.7**
Subordinated debt	1,198.1	1,197.8	1,198.0
Insurance-related liabilities in general insurance, gross			
Provision for unearned premiums, gross	10,992.1	10,981.1	8,769.5
Claims provision, gross	29,866.9	30,585.6	30,676.6
Provision for premium discounts and other profit agreements	67.0	62.1	66.5
Total insurance-related liabilities in general insurance, gross	**40,925.9**	**41,628.8**	**39,512.5**
Provision for liabilities			
Pension liabilities	551.0	488.7	552.2
Current tax	257.7	542.9	904.7
Deferred tax liabilities	984.1	1,001.3	1,122.5
Other provisions	248.6	284.3	319.3
Total provision for liabilities	**2,041.4**	**2,317.3**	**2,898.6**
Liabilities			
Liabilities related to direct insurance	271.1	402.4	646.9
Liabilities related to reinsurance	220.4	267.3	132.5
Financial derivatives	663.1	798.0	568.6
Accrued dividend			3,550.0
Other liabilities	2,793.0	820.7	1,131.5
Liabilities to subsidiaries and associates	13.8	27.3	298.8
Total liabilities	**3,961.4**	**2,315.7**	**6,328.2**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	329.6	312.7	322.4
Total accrued expenses and deferred income	**329.6**	**312.7**	**322.4**
Total equity and liabilities	**67,245.9**	**67,574.3**	**68,131.4**

Statement of changes in equity

Gjensidige Forsikring ASA

NOK millions	Share capital	Own shares	Share premium	Other paid-in capital	Perpetual Tier 1 capital	Exchange differ-ences	Re-measure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2016	**1,000.0**	**(0.1)**	**1,430.0**	**36.7**	**999.2**	**112.6**	**(1,678.7)**	**15,779.4**	**17,679.1**
1.1.-31.12.2017									
Comprehensive income									
Profit/(loss)					34.5			3,726.1	3,760.6
Total components of other comprehensive income				0.3		271.1	(254.1)		17.3
Total comprehensive income				**0.3**	**34.5**	**271.1**	**(254.1)**	**3,726.1**	**3,777.9**
Transactions with owners of the company									
Own shares		0,0						(9.4)	(9.4)
Accrued and paid dividend								(3,549.6)	(3,549.6)
Equity-settled share-based payment transactions				8.2					8.2
Perpetual Tier 1 capital					0.6			(0.6)	
Perpetual Tier 1 capital - interest paid					(34.6)				(34.6)
Total transactions with owners of the company		**0,0**		**8.2**	**(33.9)**			**(3,559.6)**	**(3,585.3)**
Equity as at 31.12.2017	**1,000.0**	**0,0**	**1,430.0**	**45.1**	**999.8**	**383.8**	**(1,932.8)**	**15,945.9**	**17,871.7**
Adjustment due to amendment to IFRS 2				5.5					5.5
Equity as at 1.1.2018	**1,000.0**	**0,0**	**1,430.0**	**50.6**	**999.8**	**383.8**	**(1,932.8)**	**15,945.9**	**17,877.2**
1.1.-30.6.2018									
Comprehensive income									
Profit/(loss)					17.1			1,071.6	1,088.7
Total components of other comprehensive income				(0.2)		(157.0)	(0.2)		(157.4)
Total comprehensive income				**(0.2)**	**17.1**	**(157.0)**	**(0.2)**	**1,071.6**	**931.3**
Transactions with owners of the company									
Own shares		0,0						(6.2)	(6.2)
Accrued and paid dividend								0.1	0.1
Equity-settled share-based payment transactions				4.2					4.2
Perpetual Tier 1 capital					0.3			(0.3)	
Perpetual Tier 1 capital - interest paid					(17.1)				(17.1)
Total transactions with owners of the company		**0,0**		**4.2**	**(16.8)**			**(6.4)**	**(19.0)**
Equity as at 30.6.2018	**1,000.0**	**0,0**	**1,430.0**	**54.6**	**1,000.1**	**226.7**	**(1,933.0)**	**17,011.1**	**18,789.5**
1.1.-30.6.2017									
Comprehensive income									
Profit/(loss)					17.6			1,930.5	1,948.1
Total components of other comprehensive income				0.2		192.0			192.2
Total comprehensive income				**0.2**	**17.6**	**192.0**		**1,930.5**	**2,140.2**
Transactions with owners of the company									
Own shares		0,0						(5.1)	(5.1)
Accrued and paid dividend								0.4	0.4
Equity-settled share-based payment transactions				5.1					5.1
Perpetual Tier 1 capital					0.3			(0.3)	
Perpetual Tier 1 capital - interest paid					(17.7)				(17.7)
Total transactions with owners of the company		**0,0**		**5.1**	**(17.4)**			**(5.0)**	**(17.3)**
Equity as at 30.6.2017	**1,000.0**	**0,0**	**1,430.0**	**42.0**	**999.4**	**304.6**	**(1,678.7)**	**17,704.8**	**19,802.1**

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 3,800 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer banking, pension and savings. Operating income was NOK 27 billion in 2017, while total assets were NOK 149 billion.

Gjensidige
Schweigaardsgate 21, 0191 Oslo
Postboks 700, Sentrum, 0106 Oslo
Phone +47 22 96 80 00