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GJENSIDIGE

ANNUAL REPORT 2008

EVENTS IN 2008

JANUARY

Gjensidige was the first insurance company in Norway to employ its own climate researcher.

Gjensidige's head office building at Sollerud is sold with an accounting profit of NOK 724.4 million.

Gjensidige enters into an agreement to purchase the Baltic general insurance company RESO Europa.

FEBRUARY

Gjensidige initiated the purchase of child accident insurance via SMS.

MARCH

Kommuneforsikring, Gjensidige's venture in the Scandinavian municipal market, was fully operative and active in the market in the three Scandinavian countries.

Inge K. Hansen elected as new Chairman of the Board of Gjensidige Forsikring BA.

APRIL

The general meeting approves the disbursement of NOK 1,025 million in dividends for the financial year 2007. Nearly one million customers receive a total of NOK 766 million.

MAY

The purchase of the Baltic insurance company RESO Europa was approved by the authorities.

JUNE

Extensive organisational changes in the Norwegian operations. The distribution organisation was changed from a regional to a divisional structure.

Fair Forsikring entered into a five-year strategic cooperative agreement with the Danish FDB Forsikring to offer insurance to 1.6 million members in Denmark.

The stake in Lindorff was sold with an accounting profit of NOK 939.9 million.

AUGUST

The cooperative and sponsor agreement with the Norwegian Handball Association (NHF) was renewed for another four years.

SEPTEMBER

Planned stock exchange listing is postponed indefinitely.

OCTOBER

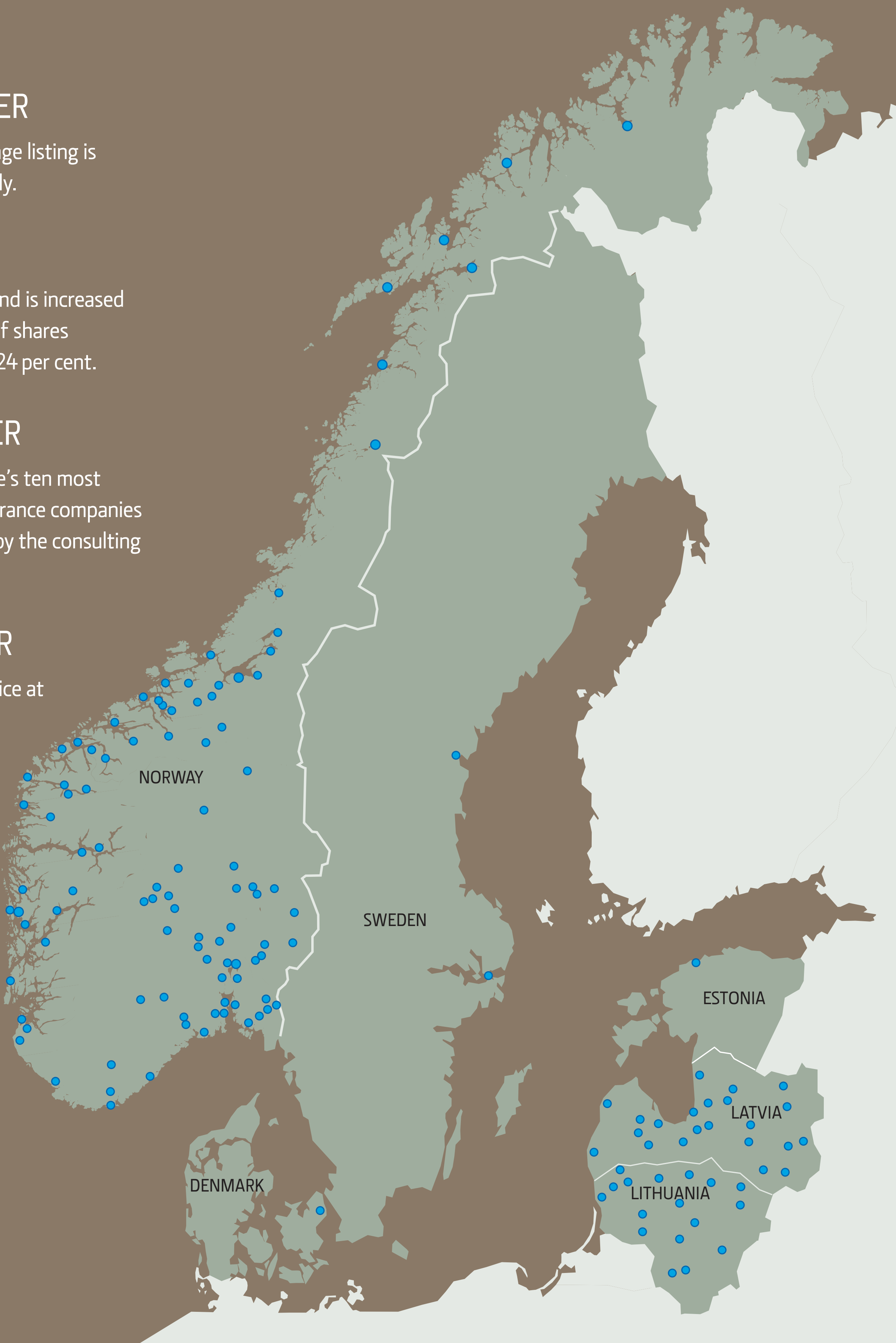
The stake in Storebrand is increased through acquisition of shares amounting to about 24 per cent.

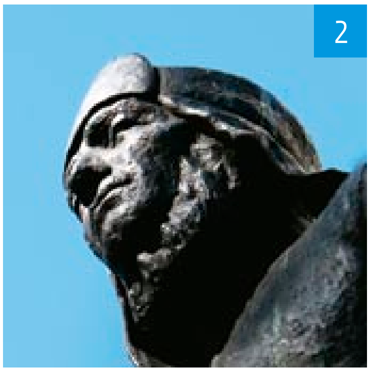
NOVEMBER

Named one of Europe's ten most efficient general insurance companies in a report prepared by the consulting firm Arthur D Little.

DECEMBER

Gjensidige's head office at Lysaker/Sollerud was certified as an Environmental Lighthouse.





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THIS IS GJENSIDIGE

16

OPERATIONS

42

PERSPECTIVE

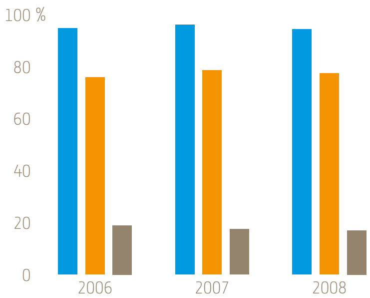
50

GOVERNANCE

66

RESULTS

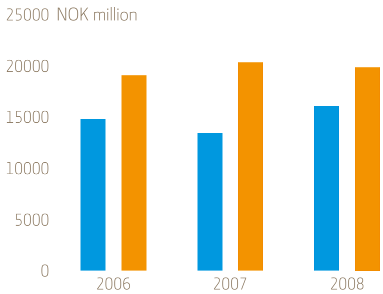
COMBINED RATIO DEVELOPMENT



Combined Ratio
Loss ratio
Cost ratio

Combined ratio = Loss ratio, net of reinsurance + Cost ratio, net of reinsurance

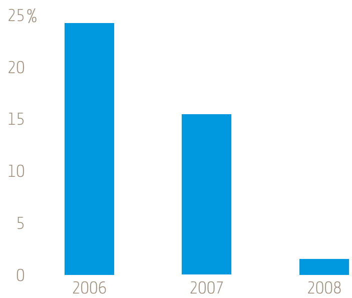
EQUITY AND SOLVENCY MARGIN CAPITAL



Equity
Solvency margin capital

Solvency margin capital = Net subordinated capital including share of security provisions (based on the company accounts for Gjensidige Forsikring BA in accordance with NGAAP)

RETURN ON EQUITY BEFORE TAX



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

Financial key figures

PROFIT AND LOSS		2008	2007	2006
Gross premiums written	NOK million	17,428.6	15,726.5	13,787.2
Earned premiums, net of reinsurance	NOK million	15,539.9	14,875.9	13,193.2
Claims incurred, net of reinsurance	NOK million	12,015.1	11,695.8	10,014.9
Insurance-related operating expenses	NOK million	2,743.1	2,684.3	2,561.6
Technical result, before amortisation of excess value [1]	NOK million	2,118.2	2,027.6	1,676.9
Net income and expenses from financial assets	NOK million	(220.3)	2,820.3	3,711.1
Profit for the year	NOK million	486.3	2,479.0	4,091.9
Underwriting result general insurance [2]	NOK million	859.8	552.6	668.9
Combined ratio [3]	Per cent	94.4	96.1	94.8
Loss ratio, net of reinsurance [4]	Per cent	77.4	78.6	75.9
Cost ratio, net of reinsurance [5]	Per cent	17.0	17.5	18.9
Premiums, net of reinsurance [6]	Per cent	98.0	98.4	97.6

BALANCE		2008	2007	2006
Investments portfolio [7]	NOK million	47,771.8	46,803.0	41,966.0
Provisions for unearned premiums, gross	NOK million	6,760.9	6,060.2	5,737.9
Claims provisions, gross	NOK million	25,561.5	23,147.1	17,556.7
Equity	NOK million	19,820.0	20,302.5	19,017.3
Total equity and liabilities	NOK million	65,551.4	58,159.9	47,112.7
Solvency capital [8]	NOK million	16,049.2	13,423.5	14,760.3
Solvency margin [9]	Per cent	658.7	561.3	645.2
Capital adequacy [10]	Per cent	21.0	26.1	41.6

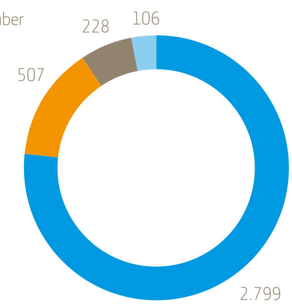
RETURN		2008	2007	2006
Return on financial assets (ROI) [11]	Per cent	(0.6)	6.3	9.2
Return on equity, before tax (ROE) [12]	Per cent	1.5	15.4	24.2

DEFINITIONS:

1 Earned premiums, net of reinsurance + allocated return on investment – claims incurred, net of reinsurance – premium discounts and other profit agreements - insurance-related operating expenses. The allocated return on investment for the underwriting reserves is based on the government-dictated interest rate for the period.
2 Earned premiums, net of reinsurance - claims incurred, net of reinsurance – premium discounts and other profit agreements - insurance-related operating expenses (general insurance operations)
3 Loss ratio, net of reinsurance + cost ratio, net of reinsurance (general insurance operations)
4 Claims incurred, net of reinsurance / earned premiums, net of reinsurance (general insurance operations)
5 Insurance-related operating expenses / earned premiums, net of reinsurance (general insurance operations)
6 Premiums written, net of reinsurance / gross premiums written (general insurance operations)
7 Financial assets including property, excluding Gjensidige Bank and Gjensidige Pensjon og Sparing
8 Net subordinated capital including share of security provisions (based on the company accounts for Gjensidige Forsikring BA in accordance with NGAAP)
9 Solvency margin capital as a percentage of the minimum solvency capital requirements calculated in accordance with the requirements of the Financial Supervisory Authority of Norway (based on Solvency I)
10 Net subordinated capital / risk-weighted calculation basis (based on the consolidated accounts in accordance with NGAAP). The Financial Supervisory Authority of Norway requires a minimum ratio of 8 per cent.
11 Net financial income as a percentage of the average financial assets (excluding funds managed by Gjensidige Bank and Gjensidige Pensjon og Sparing).
12 Profit before tax / average equity for the period

EMPLOYEES PER COUNTRY

Number

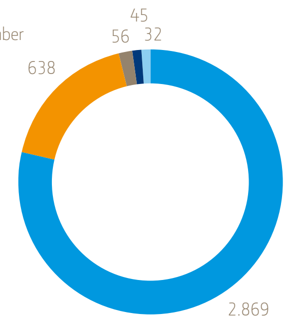


Norway
Baltic
Denmark
Sweden

The Group had a total of 3,640 employees at the end of 2008

EMPLOYEES BY BUSINESS AREA

Number



General insurance
Health care services
Pension and savings
Online retail banking
Other

Non-financial key figures

HEALTH, SAFETY AND ENVIRONMENT		2008	2007	2006
Sickness absence, Gjensidige Forsikring	Per cent	4.7	5.2	5.0
Injuries, Gjensidige Forsikring	Number	0	0	0
Turnover employees, Gjensidige Forsikring	Per cent	12.6	19.6	10.0
EMPLOYEES		**2008**	**2007**	**2006**
Group, as a whole	Number	3,640	3,460	2,033
Average age, Gjensidige Forsikring	Year	45.1	45.7	45.9
Average amount spent on skills development per employee	NOK	5,400	9,300	10,000
Participation in a training programme	Number	4,756	2,485	2,500

Targets

AREA	TARGET	COMMENTS
GROUP LEVEL		
Combined ratio	< 97 per cent	Present targets Combined ratio in 2008 – 94.4 per cent
	90-93 per cent	Adjustet target as of 2011
Return on equity before tax	> 15 per cent	Return on equity in 2008, 1.5 per cent
Rating	Maintain single A rating from Standard & Poors'	A-rating confirmed by Standard & Poor's in September 2008
Dividends	50-80 per cent of the profit for the year	The Board of Directors recommends that no dividend should be paid in 2008.
GENERAL INSURANCE		
Claims	Reduction of 400 – 500 NOK million (inflation adjusted) as of 2011	Reduction from 2008-level
Operating expenses	Reduction of 300 –400 NOK million (inflation adjusted) as of 2011	Reduction from 2008-level
Market share (Norwegian operation)	30-35 per cent	Market share by the end of 2008 of 29.6 per cent
PENSION AND SAVINGS		
Asset under management	Annual doubling	Target for the period 2008-2010 Increased by 135.3 per cent in 2008
ONLINE RETAIL BANKING		
Number of registeredcustomers	Quarterly increase between 5,000 and 6,000	Target for the period 2008-2009: Increased by 22,169 in 2008
HEALTH CARE SERVICES		
EBITA-margin	6-8 per cent	EBITA-margin of 8.1 per cent in 2008

THE YEAR OF CHANGE

For Gjensidige, 2008 has seen much greater changes than the preceding years. Through further simplifications and improvements, we have established a sound basis for continuing to maintain our customers' confidence in us.

Many of the changes that were implemented in 2008 are a result of resolutions that were approved at an extraordinary general meeting in the autumn of 2007. These resolutions laid the foundation for further growth and development in Gjensidige through the establishment of equity certificates as a possible source of funds. At the same time, the resolutions helped facilitate the payment of dividends to our customers, which has contributed to clarify the customers' rights related to the control of the Group and ownership role in Gjensidige.

RESULTS

The results for 2008 show that we register continued growth while we are implementing cost reductions. All of the business areas in the Group contribute: some with growth, others with good profitability. The development in 2008 has been in accordance with our plans for the year, both in the area of general insurance in the Nordic countries and the Baltic States and in the other business areas. Our operational base is stronger, and our financial flexibility and position are relatively strengthened.

Looking at the past year in retrospect reveals that our core operation, general insurance in Norway, has been strengthened. The organisational changes that were carried out on 1 June last year changed Gjensidige's distribution map in Norway. Five regional distribution and customer services units were phased out and replaced by nationwide accountability for results through two divisions, which are responsible for the private and commercial markets respectively. For the Company, this means more integrated operations and clearer group functions.

Our financial results have also been affected by the financial crisis. In addition to giving us weak financial results, the crisis also resulted in a weak market for stock exchange listings during the first half of 2008, after which the bottom felt out in the second half of the year. As a result of this, the planned introduction of equity certificates on Oslo Børs (the Oslo Stock Exchange) was postponed indefinitely.

Our efforts to conduct our business efficiently have also attracted attention outside Norway. Being ranked among the ten most efficient insurance companies in Europe (source Arthur D. Little) is inspiring and shows that our simplification and rationalisation efforts have been necessary and correct. At the same time, it is also a reminder that it is important to continue our efforts to improve efficiency.

CUSTOMER ORIENTATION

We guarantee our customers promptness, security and simplicity. In order to achieve this, we must have a complete overview of the customer's needs for security, financing, savings and not least the way in which he or she wants to contact us. This is in accordance with our vision of "knowing the customer best and caring the most".

The customers should perceive that we make further efforts to customer-orient our activities. The goal is to ensure continued growth, and therefore, everything we do must provide benefits to the customer in the long run. In Norway, we will make efforts to develop new products and services for our existing customers, and simultaneously we want to attract new customers.

The brand has gotten more exposure now that Gjensidige's Watchman logo has come into use in our international general insurance business, as well as Gjensidige has become a part of the company name in Sweden and the Baltic States..

HEALTH

Gjensidige offers health-related services under the Hjelp24 brand. Even though this is a completely different type of activity from the rest of our operations, it is a valuable contribution. The trend for the business area was also positive in 2008 and constitutes an important part of the broad range of services we offer our customers. Health-related services are one of our growth areas, and we have a goal of further top-line growth in this area in 2009 and the years ahead.

DIVIDENDS TO OUR CUSTOMERS

Last year, Gjensidige paid over NOK one billion to its customers and equity certificate holders in dividends for the 2007 financial year. About NOK 760 million of this amount was in dividends to our customers.

The Gjensidige Foundation is currently sole owner of the issued equity certificates, and at some point in the future, it will sell them in connection with a stock exchange listing of the certificates on the Oslo Børs. The capital in the foundation shall be used as gifts for charitable purposes in accordance with the Foundation's objectives and Articles of Association.

EMPLOYEES AND DEVELOPMENT

For a long time, the employees at Gjensidige have had to adapt to a typical workday full of adaptations, which they have shown both considerable ability and willingness to implement. In recent years, extensive organisational changes have been carried out, and 2008 was no exception in this sense. Although I am impressed by the way these changes were handled, I am aware of the risk that constant change may entail.

Skills development and management development have been important focus areas and will continue to be so in 2009 and the following years. Systematic support for skills development and employee development is necessary if we are going to manage to maintain our position as the leading Norwegian company and a significant Nordic player. We will and must support the development of the people in our organisation.

SIMPLIFICATION

Simplification of routines and procedures has been a key activity in Gjensidige for a number of years. To achieve our goal about being the most customer orientated finance group in the market, we will have to take even more radical steps. Gjensidige is a market leader in general insurance, which obligates us to take the initiative with measures that improve our own and the industry's reputation.

I am convinced that simplification and quicker and better performance will give us more satisfied customers who will also remain our customers for many more years. This will give us a basis for both lower costs and lower claims payments: a development that will benefit both our customers and ourselves.

OPPORTUNITIES IN 2009

Gjensidige is well-equipped to face both challenges and opportunities in 2009. With a sound financial status, Gjensidige can be an active participant in any structural changes that may come in the Norwegian and/or Nordic markets.

In foreign countries, we shall continue to develop on the basis of the platform we have built up in Norway. The operations shall be profitable on their own, and they should also help strengthen our operations in Norway.

The Group's growth strategy aimed at broadened product range in the Norwegian market and geographical expansion of general insurance in the Nordic and Baltic countries remains firm. The goal for the combined ratio for general insurance operations has been lowered from the current level of 97 to 90-93 starting in 2011. This is an ambitious goal, but we consider it necessary if Gjensidige is going to maintain its position as one of the leading players in the Norwegian and Nordic general insurance markets.

FACTS ABOUT GJENSIDIGE

Gjensidige is a sound Norwegian financial group and one of the leading players in general insurance in the Nordic countries. In Norway, Gjensidige is the market leader with a market share in general insurance of 29,6 per cent in 2008 (Norwegian non-marine business, source: Norwegian Financial Services Association, FNH).

OPERATIONS

Gjensidige offers general insurance products in Norway, Sweden, Denmark and the three Baltic States. In addition, it offers Internet banking for private persons, pension and savings products and health care services in Norway.

Gjensidige is one of Norway's best-known brands. Both the company logo and the Watchman have a high recognition factor. The roots of the general insurance operations can be traced back to the 1820s, while the Watchman has been the Company's trademark for more than 75 years. 2007 and 2008 saw the launch of the Watchman logo in the other countries where Gjensidige offers insurance products. The group's health care service has been branded Hjelp24.

The operations are divided into seven business areas. These are described on pages 14-39.

CORE VALUES

Our core values are to be helpfull and accessible.

Accessible

We aim to be there for our customers, be easy to contact and easy to understand. We aim to make what is difficult easy, listen, be informal and welcomming and get the job done quickly.

Helpfull

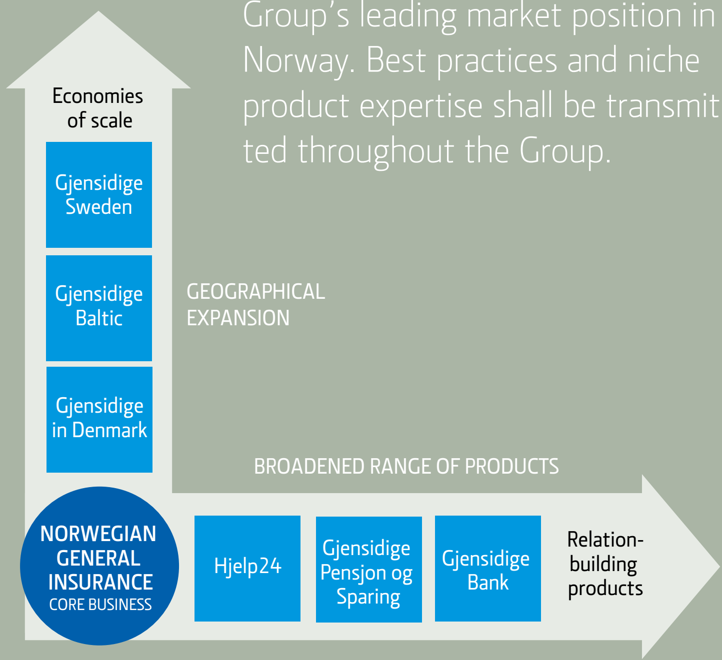
We want our customers to feel cared for, as Gjensidige recognises our customers' needs, takes an interest and is there when needed.

STRATEGY

Gjensidige's comprehensive goal is to be a leading and profitable general insurance company in the Norwegian market. The Norwegian general insurance operations are the Group's core operations. Gjensidige is currently a complete supplier of products in general insurance and insurances of the person to Norwegian private and commercial customers. Other target areas – a broad range of products in Norway and general insurance in the Nordic countries and the Baltic States – should primarily support the core operations by offering relation-building products and services together with economies of scale.

GROWTH STRATEGY

Gjensidige's growth strategy shall capitalise on the brand and the Group's leading market position in Norway. Best practices and niche product expertise shall be transmitted throughout the Group.



HISTORY 1820–2008

Gjensidige has safeguarded property since the first mutual fire insurer was established. Today Gjensidige emerges as a modern financial group offering a range of products that includes all types of insurance, banking, savings and pensions. In the Nordic countries and the Baltic States, general insurance products are offered.

1820–1920

Mutual fire insurers were established throughout the country. As many as 260 were in operation around the year 1920. The objective was to ensure favourable insurance terms and conditions and low premiums. Life insurance business has been conducted since 1847.

1921–1985

Samtrygd was established as a mutual reassurance company for the mutual fire insurers in 1922. Many mutual fire insurers had a risk exposure that greatly exceeded their financial capacity.

The Watchman and the slogan "Time passes, Gjensidige endures", were put to use for the first time in 1932 and quickly became a well recognised brand. In 1958, Samtrygd was granted a licence to engage in insurance business in all sectors with the exception of credit insurance.

Cooperation between Gjensidige Liv and Samtrygd started in 1974. Samtrygd changed its name to Gjensidige Skadeforsikring. The companies were placed under joint management in 1985.

1986–1998

Gjensidige evolved into a financial group, offering a full range of general, life and pension insurance products, as well as banking and financial products.

The business expanded significantly through the acquisition of the Forenede Group in 1993.

1999–2005

Gjensidige Forsikring and Sparebanken NOR coordinated their operations in the new financial group, Gjensidige NOR. The purpose of this coordination was to generate a potent and effective financial group, involved in the fields of banking, general and life insurance and real estate.

In 2002, the business was divided into two cooperating groups, the general insurance group, Gjensidige NOR Forsikring and the stock-exchange-listed banking and savings group Gjensidige NOR ASA, after which Gjensidige NOR ASA merged with DnB and took the name DnB NOR.

The cooperation between DNB NOR and Gjensidige NOR Forsikring was terminated in 2005, and use of the Gjensidige brand name resumed.

2005–2008

The insurance operations were expanded into Denmark, Sweden and the Baltic States through acquisitions.

Gjensidige also involved in the competition for occupational pensions, savings and investments via the company Gjensidige Pensjon og Sparing.

Gjensidige Bank was launched in 2007.

That same year, equity certificates were also issued and stock exchange listing was approved. Due to the financial crisis, the stock exchange listing in 2008 was postponed indefinitely.

In June 2008, extensive organisational changes were implemented, and the distribution was altered from a regional to a divisionalised structure.

In Latvia, the company RESO Europa was acquired. The brand name Gjensidige and the Watchman were put to use in the Baltic States and in the other Scandinavian countries.

«Loyalty is something you have to earn. Gjensidige gives us what we need in one place and at the right price.»

ANN-KRISTIN STEDJEBERG
Finance manager

Mutual confidence gives strength

... Recessions come and go, but the customers' confidence in Gjensidige endures. We return that confidence by knowing the customer best and caring the most.

«There are many sectors that I have to have a knowledge of in this job. That makes my workday varied and challenging.»

ROY RAAUM
Commercial insurance agent

«I do not mind going out with my mother to practice driving. That way I save money doing something that is fun, and it makes me a better driver»

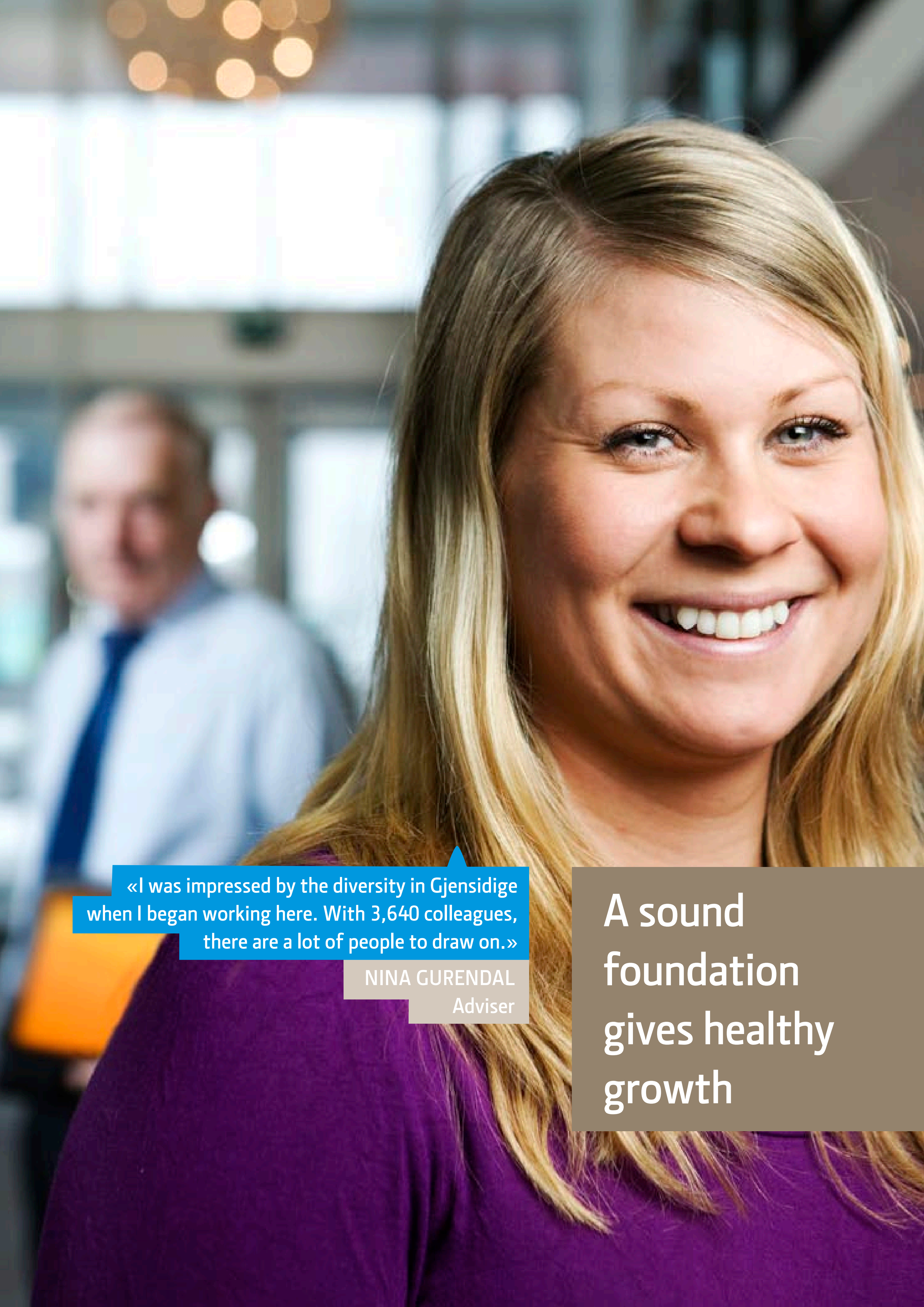
LARS KRISTIAN ISTAD
Student

Learning for the future

... Few know more about injuries than we do, and what we learn benefits others. We do research on traffic safety and climate effects in order to safeguard lives, health and assets for the future.

«We have seen that volume training contributes to fewer accidents among young drivers. Therefore, we also reward good conduct.»

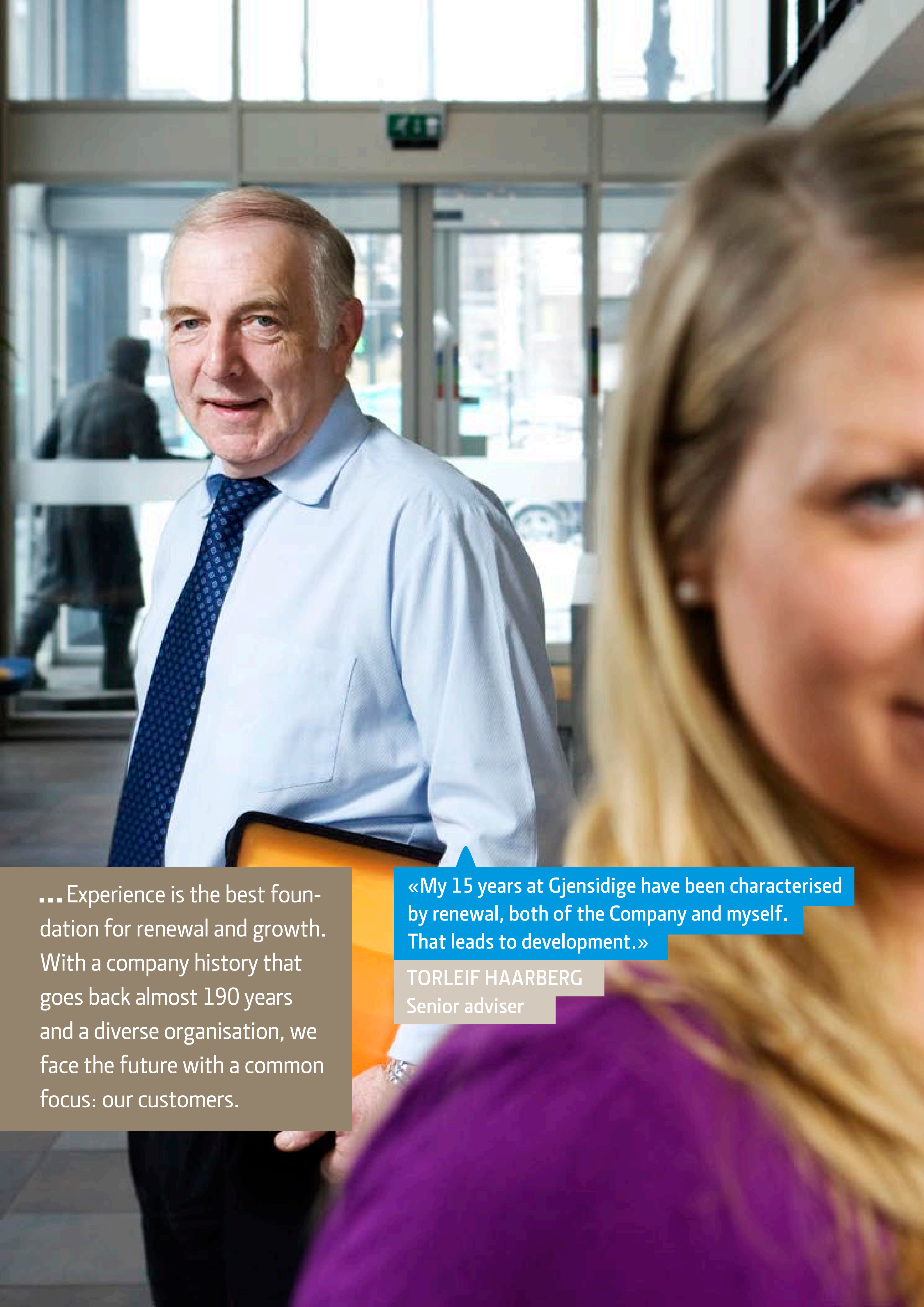
TORE VAAJE
Traffic researcher



A sound foundation gives healthy growth

«I was impressed by the diversity in Gjensidige when I began working here. With 3,640 colleagues, there are a lot of people to draw on.»

NINA GURENDAL
Adviser



... Experience is the best foundation for renewal and growth. With a company history that goes back almost 190 years and a diverse organisation, we face the future with a common focus: our customers.

«My 15 years at Gjensidige have been characterised by renewal, both of the Company and myself. That leads to development.»

TORLEIF HAARBERG
Senior adviser

OPERATIONS

Percentage of gross premiums written in general insurance

2008	
Gross premiums written	8,010.6
Underwriting result	689.9
Combined Ratio (%)	91.2

MARKET LEADER

and complete supplier of general insurance products to the private and agricultural market in Norway.

Percentage of gross premiums written in general insurance

2008	
Gross premiums written	5,120.6
Underwriting result	19.6
Combined Ratio (%)	99.6

SATISFIED CUSTOMERS

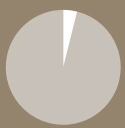
Highest percentage of satisfied customers in business and commerce.

Percentage of gross premiums written in general insurance

2008	
Gross premiums written	2,155.5
Underwriting result	113.2
Combined Ratio (%)	94.5

CUSTOMISED

Will provide customised insurance solutions to various customer groups.

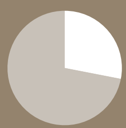


Percentage of gross premiums written in general insurance

2008	
Gross premiums written	657.7
Underwriting result	37.1
Combined Ratio (%)	93.2

LARGEST GROWTH

Achieved greater growth than the total market growth for general insurance in the area.



Savings funds' percentage of assets under management

2008	
Assets under management	2,846.5
Profit/loss before tax	(133.2)
Profit margin (%)	1.7

RANGE OF PRODUCTS

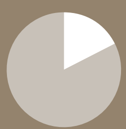
Offers pension, investment and savings products, for both the private and commercial market.

Percentage of registered customers who also are general insurance customers

2008	
Gross lending	6,711.4
Deposit-to-loan ratio (%)	91.4
Net interest income (%)	0.74

NATIONWIDE

Internet bank intended for the private, organisation and agricultural market in Norway.

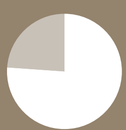


Percentage of employees in the Group who work in the health programmes

2008	
Operating revenue	503.9
EBITA	41.0
EBITA-margin (%)	8.1

LEADING PLAYER

From prevention and risk assessment to rehabilitation and vocational reintegration.



Percentage of fixed income instruments in the Group's investment portfolio

2008	
Investment portfolio	47,771.8
Financial result	(277.9)
Return on financial assets (%)	(0.6)

GENERAL INSURANCE
PRIVATE

Gjensidige is the market leader and offers a broad range of general insurance products to the private and agricultural markets in Norway. The Company has the biggest market shares in motor vehicle insurance, agricultural insurance, and insurances of the person, and it also has a solid position in other types of private insurance.

OPERATIONS

The business area Privat Norge provides a broad range of insurance products and services. This includes everything from home and motor vehicle insurance to insurance of the person and agricultural insurance. Customers can choose between product solutions that provide solid basic cover for the most important insurance requirements or more comprehensive solutions adapted to those who want the best possible insurance cover.

In 2008, Gjensidige had a total of 330,000 claims settlements, and its goal is to be the company that takes the best care of the customer, also after a loss has been sustained. One example of this is the service "Alltid Bil", which is included in our comprehensive motor insurance. With this service, the customer can get a rental car at the place of loss. The rental car is at the customer's disposal throughout the entire period of repair. Gjensidige ensures that the car will be repaired at a quality-assured garage and that the repairs are quality controlled by the Norwegian Automobile Association (NAF). A repair guarantee is also provided so that Gjensidige takes responsibility if the repairs do not meet expectations.

Gjensidige also offers banking and savings products to its customers through a multichannel distribution and is experiencing a rapid customer growth in these new product areas. In this way, we give the customers an opportunity to have their total financial needs covered by the Group's advisors.

High customer satisfaction

Gjensidige measures customer satisfaction in the various customer groups annually. Among our private customers, the satisfaction with the Company has been stable on the whole and high in recent years. The survey for 2008 shows in particular that customers with agreements through their labour organisations and affinity groups express a high and increasing level of customer satisfaction. The same applies to customers at the highest level of the loyalty programme Fordel Pluss.

Gjensidige also surveys the market repeatedly to measure the Company's position relative to its competitors. The surveys show that Gjensidige has a solid position in the private market, and it is the company that is usually mentioned first in surveys. Surveys of customer loyalty show a slight decline in 2008, but Gjensidige's general insurance customers are still among the most satisfied and loyal in Norway.

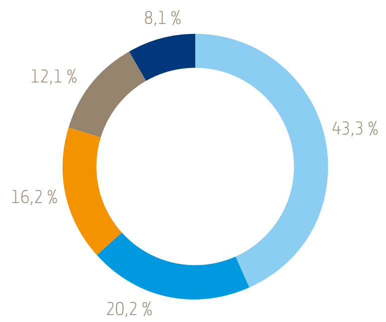
Gjensidige differs in particular from other companies in that it has an especially high percentage of customers who are satisfied with their contact person. Good, close personal relations with the customers are an extremely important factor in promoting customer loyalty to the Company.

Key figures

NOK million	2008	2007
Gross premiums written	8,010.6	7,910.6
Earned premiums, net of reinsurance	7,911.4	7,729.8
Allocated return on investments	521.1	587.1
Claims incurred, net of reinsurance	(5,793.0)	(5,746.3)
Premium discounts and other profit agreements	(2.6)	(10.9)
Insurance-related operating expenses	(1,425.9)	(1,444.5)
Technical profit / (loss)	1,211.0	1,115.3
Underwriting result [1]	689.9	528.2
Loss ratio, net of reinsurance [2]	73.2 %	74.3 %
Cost ratio, net of reinsurance [3]	18.0 %	18.7 %
Combined ratio, net of reinsurance [4]	91.2 %	93.0 %

Definitions:
1 Underwriting result = earned premiums, net of reinsurance - claims incurred, net of reinsurance – premium discounts and other profit agreements – insurance-related operating expenses
2 Loss ratio, net of reinsurance = claims incurred, net of reinsurance / earned premiums, net of reinsurance
3 Cost ratio, net of reinsurance = insurance-related operating expenses / earned premiums, net of reinsurance
4 Combined ratio, net of reinsurance = loss ratio, net of reinsurance + cost ratio, net of reinsurance

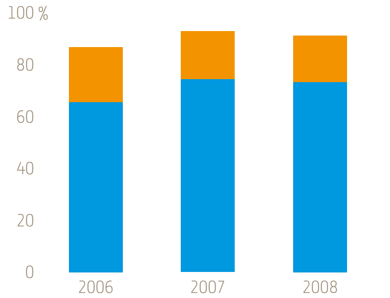
PRODUCT GROUPS PRIVATE NORWAY



Motor
Property
Accident and health
Agriculture
Other

Based on gross premiums written, 2008

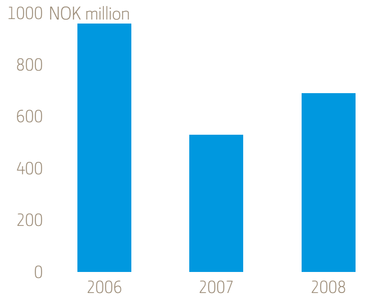
COMBINED RATIO, NET OF REINSURANCE PRIVATE NORWAY



Loss ratio, net of reinsurance
Cost ratio, net of reinsurance

Combined ratio for net of reinsurance is equal to the amount of loss ratio, net of reinsurance and cost ratio, net of reinsurance

UNDERWRITING RESULT PRIVATE NORWAY



Underwriting result equals earned premiums, net of reinsurance, less claims, net of reinsurance, less premium discounts and other profit agreements, less insurance-related operating expenses

Leading market position

Gjensidige's market share in the private and agricultural segment was 28.7 per cent in 2008. Gjensidige is still the market leader, in spite of an reduction of 1.6 percentage points since 2007. In the motor vehicle sector, Gjensidige has a solid position with a market share of 28.7 per cent. In the agricultural segment, Gjensidige also has a leading position with 73.2 per cent of the market.

Comprehensive customer programme

At the close of 2008, 915,000 customers had a customer relationship with Gjensidige. About 350,000 of these customers are included in the customer programme Gjensidige Fordel, where the customers attain a number of advantages in addition to a customer discount based on their overall relationship with Gjensidige.

Around 300,000 of the remaining customers participate in the different customer programmes that Gjensidige offers with key affinity groups such as the Norwegian Farmers' Union, the Norwegian Farmers' and Smallholders' Union and the Norwegian Fishermen's Union and the labour organisations the Confederation of Vocational Unions (YS), the Norwegian Society of Engineers and Technologists (NITO) and Tekna.

Breadth in customer relationships

Gjensidige is continuously developing the Company's customer relationships. The goal is to increase the number of customers who have several general insurances and to persuade them to also establish customer relationships in the areas of banking, pensions and savings. A substantial number of insurance customers have already chosen Gjensidige as their supplier of other financial services.

A broad customer relationship often results in a longer duration and better risk selection, which entails lower premiums for the customers and increased profitability for the Company.

DISTRIBUTION CHANNELS

Gjensidige has a multi-channel strategy where products and services are distributed by phone, Internet-based solutions and a decentralised physical distribution system. The customer gets a uniform handling regardless of the channel.

Insurance and financial offices

Gjensidige currently has just above 70 insurance offices distributed throughout the country. This is a reduction from about 100 offices at the close of 2007. The insurance offices are responsible for functions where local knowledge, a one-on-one relationship and personal contact are expedient. The offices are responsible for active customer development and advisory services for total customers, as well as new sales. All local offices offer the Group's entire range of products, but with different degrees of local expertise. Gjensidige collaborates with 20 mutual fire insurers throughout the whole country, which function in the same way as the insurance offices in Gjensidige Forsikring.

The Group's development of its range of products is followed up by changes in its distribution model to ensure optimal distribution of the entire range of insurance, banking, pension and savings and health care services. Financial offices are established in places where there is a large customer base.

Customer centre

Gjensidige's customer centre receives over 1.3 million incoming telephone calls annually. The centre is also open in the evening and is an independent sales and relationship channel that serves private customers by phone and over the Internet.

Gjensidige.no

The financial portal gjensidige.no is becoming an ever more important distribution channel for Gjensidige's contact with private customers. Customers can choose full self-service on the Internet or utilise the portal as a supplement to the other forms of service. The number of self-service customers has increased steadily in 2008.

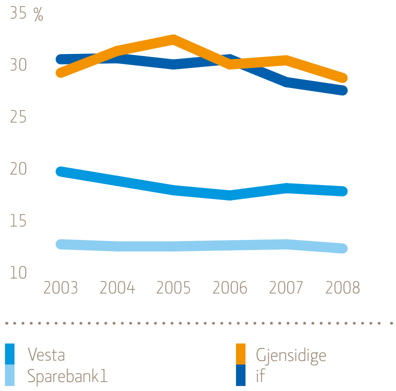
Sales centres

Gjensidige has established a specialised outward sales channel that employs modern technology for high activity and efficiency based on modern technical solutions. The channel should promote further growth for Gjensidige.

Organisation market

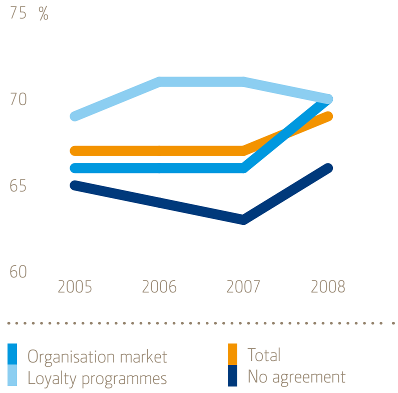
Gjensidige has agreements with several large labour organisations and affinity groups, and it offers good insurance solutions to the members of those organisations.

MARKET SHARES
PRIVATE NORWAY



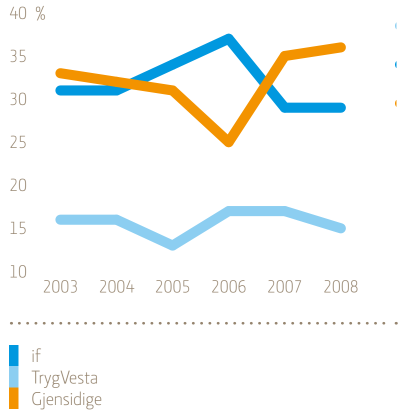
Total non-marine insurance, excluding insurances of the person, but including he Tennant portfolio

CUSTOMER SATISFACTION
PRIVATE NORWAY



Source: Customer satisfaction survey, self-initiated customer analysis, conducted by TNS Gallup

TOP OF MIND
PRIVATE NORWAY



Source: Brand tracker self-initiated brand survey, conducted by TNS Gallup

Agents

As a supplement to Gjensidige's own channels, products are distributed through agents and agencies.

Car dealers

Gjensidige has agreements with a large number of car dealers for distribution of the Company's car insurance.

Distribution in the agricultural market

The agricultural market is serviced from agricultural centres and through agricultural insurers located in offices throughout the country. The agricultural channel is an independent information, distribution and relationship channel that serves incoming inquiries from agricultural customers, and they perform outward services and sales to customer segments in the agriculture sector. For example, Gjensidige has agreements with the Norwegian Farmers' Union and the Norwegian Farmers' and Smallholders' Union, which provide their members with good insurance schemes. Furthermore, cooperation with a number of other agricultural organisations makes important contributions to professional skill and position in the agricultural market.

INCREASED FOCUS ON CUSTOMER ORIENTATION IN 2008

Gjensidige's ambition is to be the leading company in customer orientation. In 2008, a number of programmes were launched that are meant to improve the customer's perception of our services. Examples of new customer-oriented services are:

The start package

The start package covers the fundamental needs for banking and insurance for young adults between the ages of 20 and 30. The package is flexible and, among other things, may include Internet banking with a Visa card with no fees, travel, accident, household contents, cycle, PC and study interruption insurance. Gjensidige has utilised new methods of communicating with the target group, e.g. an interactive web solution at the web site www.losrivdeg.no and marketing in social media such as Nettby and Facebook. The campaign attracted more than 300,000 visits during a four-week period and has been characterized as highly successful.

Offers of service in other languages beside Norwegian

We are the first Norwegian insurance company to launch an offer of services in English. We are also testing out services in 12 other different languages so as to be able to provide better service.

Your advisor

In 2008, there were substantially more customers than in previous years who had been assigned their own permanent advisor. So far, this has had positive effects, and we will evaluate a further expansion in 2009.

RESULTS

Earned premiums, net of reinsurance, were NOK 7,911.4 million in 2008, an increase of 1.3 per cent from the previous year. The growth in premiums in 2008 was lower than the growth in premiums in 2007, which reflects a total market with low growth and tough price competition.

The claims level was very good with a loss ratio on 73.2 in 2008 compared with 74.3 in 2007. The development of claims has been positive in the areas motor vehicle and other products. The improvement is primarily due to the effect of implemented premium measures, but less losses and injuries during the winter of 2008 is also a significant factor. In the remaining areas – property, agriculture and insurances of the person – there has partly been a somewhat slower development of claims in 2008. For property, the deviation is partly due to an increase in the number of fires in 2008 compared with the previous years.

The effect of many years with a high building index and low growth in premiums has also acted to diminish the results in 2008 compared with 2007. The results for agriculture are still satisfactory, but the development of claims in certain areas of cover, such as livestock, gives grounds for concern and has given rise to both increases in premiums and changes in products. For insurances of the person, the claims provisions have improved somewhat on the basis of an expectation that the financial crisis will result in an increase in the number of disabled persons.

The cost ratio was 18.0 for 2008, a reduction of 0.7 percentage points compared with the previous year. Nominally, the costs were reduced in 2008 compared with 2007, which is a result of efficiency improvement efforts in both distribution and in staff and/or support areas.

The combined ratio for 2008 was 91.2 per cent, compared with 93.0 in 2007.

The underwriting result in 2008 ended at NOK 689.9 million compared with NOK 528.2 million in 2007

OBJECTIVES AND STRATEGIES

Gjensidige will continue its efforts to expand its private customers' involvement in the Company, e.g. by encouraging them to enter into banking, savings and pension agreements.

The authorities' establishment of the Financial Portal in January 2008 has made it easier for customers to compare products and prices offered by the various companies. This, together with an increased opportunity to change insurance companies at times other than the annual renewal date has given rise to some greater mobility among customers. Increased attention from customers, however, will also give the companies an opportunity to emphasise the quality and scope of cover offered by their products. This will make it more apparent that the choice of an insurance provider entails more than just an evaluation of price. Gjensidige will therefore continue its product strategy that offers customers the opportunity to choose more comprehensive cover than the standard solution if they so desire.

Gjensidige shall be one of Norway's most customer-oriented companies. In 2008, significant steps were taken to strengthen this position, e.g. through reorganisation of the distribution channels, establishment of point-of-contact surveys, introduction of "Your Advisor" to the Company's loyalty programme customers and establishment of multilingual web sites and customer services. In addition, a project was started in 2008 to establish a Gjensidige sales school, which is planned to start in April 2009. The sales school shall ensure faster training of new customer service representatives, increased competence and further improvements in customer service.

In order to meet the increased market competition, Gjensidige is further developing its systems for customer follow-up. This provides opportunities for even better service in 2009.

OUTLOOK

The competition in the market increased in 2008. Several years of adequate profitability have entailed that new competitors have entered the market. The small insurance companies have gradually increased their market shares, partly by establishing themselves in niches in the market and partly through aggressive pricing. It is expected that the competition will further intensify in 2009, caused by the fact that several financial players are establishing new general insurance companies. These companies have not previously provided general insurance, but have associated operations and established distribution channels. The measures that were implemented in 2008 entail that Gjensidige is well positioned to meet this competition.

:: IN FOCUS

Sponsoring and customer development

Gjensidige entered into a new sponsor agreement with the Norwegian Handball Association in the summer of 2008 so that the good, longstanding relationship we have had with the Norwegian women's handball team over the last 16 years will continue for another four years. The year 2008 was an extremely successful one for the women's handball team with gold medals in both the Olympics and the European championship. In addition to fostering a spirit of in-house pride, this also gives Gjensidige considerable exposure.

In order to gain further benefits from the sponsorship and to make a valuable contribution to recruiting for handball among children and youth, Gjensidige has started the Gjensidige Handball School in cooperation with the Norwegian Handball Association and the regional handball associations. The goal is to hold 100 courses a year among children aged 6-13. So far, this has been a success. In order to give children of customers in the loyalty programme, Gjensidige Fordel, information and an opportunity to sign up, a DM has been sent out offering extra benefits and a separate registration. This will also give the loyalty programme customers a sense of our commitment to handball.

Everyone who registers their children in the Gjensidige Handball School will have an opportunity to request contact with Gjensidige for offers of insurance. This information is gathered through our CRM-system and distributed to our offices for customer follow-up.

GENERAL INSURANCE **COMMERCIAL**

Gjensidige offers business and commerce security for life, health and assets. The surveys conducted by TNS Gallup show that Gjensidige has the highest share of satisfied customers in the commercial segment in Norway.

OPERATIONS

Gjensidige provides Norwegian business and commerce a broad range of insurance solutions on:

- Accident and health
- Motor vehicles
- Property (including assets, operating losses)
- Liability
- Marine/cargo

In addition, Gjensidige can offer comprehensive solutions that also meet the commercial customers' needs for pension and savings products and a selection of health services.

At the end of 2008, 70 per cent of the Group's pension customers were also general insurance customers

Satisfied customers

Customer satisfaction among our commercial customers has been very good and followed a positive trend from 2005 to 2008. Customer satisfaction is highest among the biggest customers with whom we have the closest relations. The trend in satisfaction among the brokerage houses is positive and has evolved from a point score of 55 in 2005/2006 to 60 in 2008. The figures are taken from a survey conducted by TNS Gallup.

In the course of 2009, Gjensidige will put great emphasis on point-of-contact surveys where the customers provide feedback related to individual situations. The advantage of this type of survey is that the customer satisfaction survey is more closely linked to specific work processes so that improvement measures can be more easily defined.

Tougher competition for the customers

Almost 80,000 businesses and 15,000 clubs and associations had a customer relationship with Gjensidige in 2008, and each business had close to three insurance products on average. About 2,000 customers are served indirectly through insurance brokers. The remaining customers are served by the Group's direct distribution system.

At the close of 2008, Gjensidige had a market share in the commercial segment of 31.8 per cent, which was somewhat lower (- 0.9 percentage points) than in 2007. This change is primarily related to a somewhat slower growth in the fire/combined sectors than in the rest of the market.

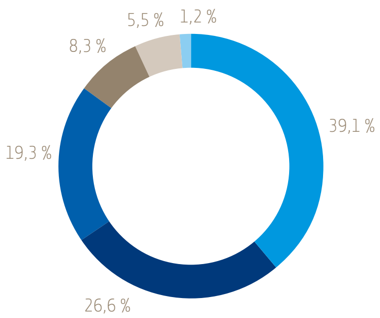
Key figures

NOK million	2008	2007
Gross premiums written	5,120.0	5,464.7
Earned premiums, net of reinsurance	4,909.7	5,072.7
Allocated return on investments	690.1	802.2
Claims incurred, net of reinsurance	(4,218.0)	(4,324.3)
Premium discounts and other profit agreements	(1.7)	(7.1)
Insurance-related operating expenses	(670.4)	(679.8)
Technical profit / (loss)	709.7	863.7
Underwriting result [1]	19.6	61.5
Loss ratio, net of reinsurance [2]	85.9 %	85.2 %
Cost ratio, net of reinsurance [3]	13.7 %	13.4 %
Combined ratio, net of reinsurance [4]	99.6 %	98.6 %

Definitions:

1 Underwriting result = earned premiums, net of reinsurance - claims incurred, net of reinsurance – premium discounts and other profit agreements – insurance-related operating expenses
2 Loss ratio, net of reinsurance = claims incurred, net of reinsurance / earned premiums, net of reinsurance
3 Cost ratio, net of reinsurance = insurance-related operating expenses / earned premiums, net of reinsurance
4 Combined ratio, net of reinsurance = loss ratio, net of reinsurance + cost ratio, net of reinsurance

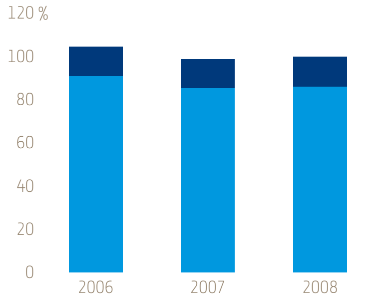
PRODUCT GROUPS COMMERCIAL NORWAY



Accident and health
Property
Motor
Marine/Cargo
Liability
Other

Based on gross premiums written, 2008

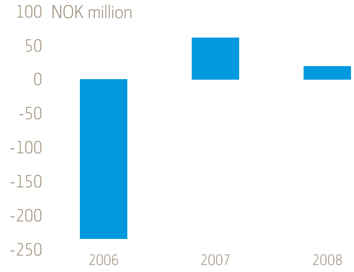
COMBINED RATIO, NET OF REINSURANCE, COMMERCIAL NORWAY



Loss ratio, net of reinsurance
Cost ratio, net of reinsurance

Combined ratio, net of reinsurance is equal to the amount of loss ratio, net of reinsurance and cost ratio, net of reinsurance

UNDERWRITING RESULT, COMMERCIAL NORWAY



Underwriting result is equal to earned premiums, net of reinsurance, less claims, net of reinsurance, less premium discounts and other profit agreements, less insurance-related operating expenses

DISTRIBUTION THROUGH MANY CHANNELS

Gjensidige's distribution model in the commercial segment is based on a division of the customers based on size, risk and complexity. The most important channels for the commercial customers are:

Business centre

Sales and servicing of smaller commercial customers are carried out through two specialised centres. The one centre has worked most with handling customer inquiries by phone and on the Internet. The other centre is specialised in conducting outward sales and is an important contributor to help generate further growth for Gjensidige.

SME market

Medium-sized commercial customers are served by insurers with close geographical connections to their customers who have expertise in property insurance, insurance of the person, pensions and health.

In addition, Gjensidige cooperates with 20 mutual fire insurers which are serving customers in their regions.

Corporate customers/Brokered customers

Customers among Norway's 500 largest companies are served by a separate corporate customer department. This unit also indirectly serves the customers who have chosen to purchase their schemes through insurance brokers.

Agencies

Gjensidige has agreements with agencies that distribute the Group's insurance products in selected geographic regions.

Gjensidige.no

Gjensidige's web site for business customers have the goal of giving customers access to good counselling adapted to the company's needs. The sign-on solution "Næringsnett" is an integral part of the service concept for business customers, where the customers have great opportunities for self-service.

:: NEW STANDARD

Personal settlement

The Company is constantly working with measures to speed up the claims settlements and for that reason has a lot of contact with customers by phone. Through a close, direct dialogue, the customer should feel that his/her needs are better taken care of.

Gjensidige fully supports the proposal from the Norwegian Financial Services Association (FNH) for a common industry standard. The industry standard encourages the companies to have rules and routines for key aspects of their procedures and to ensure that the rules will be easily accessible on the company's Internet portal. The industry standard entered into force starting 1 January 2009, and Gjensidige will comply with it.

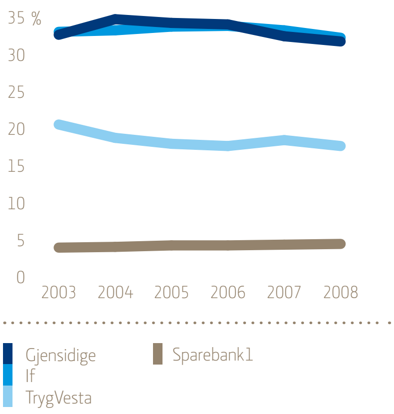
A service declaration has been drawn up in Gjensidige that meets the industry standard's recommendations. In this declaration, the Company also states its ambition to be best in claims settlement and notes that the Company shall achieve this on the basis of a high level of expertise, quick processing of claims and correct settlement at the right time.

REASONABLE GROUNDS FOR REJECTIONS, RESERVATIONS OR INCREASED PREMIUMS

Starting 1 January 2009, new rules will come into force, which require that reasonable grounds be stated when insurance is refused completely or partially or offered at an especially high premium. In addition, this includes a regulation concerning the companies' gathering and use of health information.

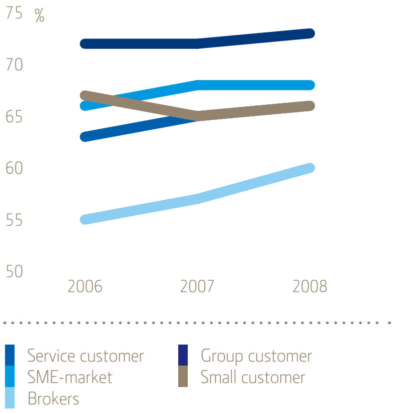
As a result of the legislative amendment, the Company will change the information in letters to its customers starting 1 January 2009. Hereafter, a more detailed explanation will be provided for rejections, reservations and premium increases. In this way, the customer will get a better understanding of the basis for the Company's decision.

MARKET SHARES, COMMERCIAL NORWAY



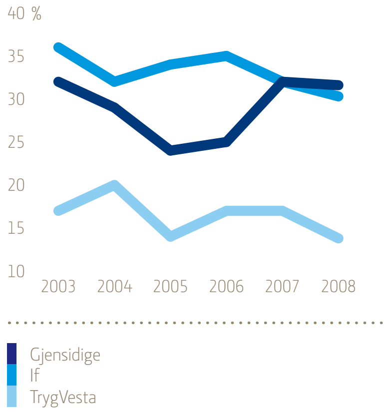
Total non-marine insurance, excluding insurances of the person but including the Tennant portfolio

CUSTOMER SATISFACTION, COMMERCIAL NORWAY



Source: Customer satisfaction survey, self-initiated customer analysis, conducted by TNS Gallup

TOP OF MIND, COMMERCIAL NORWAY



Source: Brand tracker self-initiated brand survey, conducted by TNS Gallup

FOCUS IN 2008

Altered distribution system

A new organisation structure for the Norwegian operations was implemented starting 1 June. The division now distributes both savings, and pension to the commercial market. The new distribution model better control and more forceful implementation of initiated measures, both on price and quality.

Less focus on marine

The operations in the marine segment include comprehensive insurance for boats (not pleasure craft), building risk and aquaculture. Up to 2008, certain parts of the portfolio also included foreign vessels.

However, the profitability in the marine segment has varied considerably. This particularly applies to comprehensive insurance where there has been major losses on a relatively low volume, calculated both in premiums and in the number of objects. Gjensidige has therefore decided to change its strategy in the marine segment. The Group no longer offers insurance of foreign vessels or supply vessels to the oil industry.

Better internet solutions

New business pages at gjensidige.no were adapted in 2008. The customer is the main focus throughout the whole process. Importance has been attached to emphasising the content that is most visited in the portal and adopting a more advisory role toward the customer. From the home page, you can choose the sector in which you work and on this basis receive advice concerning insurance, pensions, health services, prevention of loss and relevant organisation agreements.. The goal is for the customer to be able to serve him/herself on the Internet.

RESULTS

Earned premiums, net of reinsurance, were NOK 4,909.7 million in 2008, a reduction of 3.2 per cent from the previous year. The reduction in premium volume was due to a clear prioritising of profitability over volume.

For 2008, the loss ratio was 85.9, a slight worsening from 85.2 in 2007. The negative trend is mainly due to increased claims incurred due to a high number of major losses in 2008, partly because of a number of large fires.

A number of measures have been initiated to improve profitability.

- Strong management commitment to improving price and quality relating to sales and renewals.
- Necessary increases in premiums in many products
- Increased focus on risk assessment and implementation of injury prevention measures for business customers.

The nominal insurance-related operating expenses were reduced by 1.4 per cent relative to 2007 to NOK 4,218 million. The cost ratio showed a slight increase from 13.4 in 2007 to 13.7 in 2008. A new distribution model and a strong focus on costs will reduce the operating expenses in 2009.

For 2008 in its entirety, the technical result came to NOK 709.7 million, compared with NOK 863.7 million the previous year. The combined ratio was 99.6 in 2008 compared with 98.6 in 2007.

OBJECTIVES AND STRATEGIES

Efficient resource utilisation in all sales channels will be an important target area in the coming years. In 2009, Gjensidige will continue its focus on introductory sales of pension and savings products and health care services for its business customers in general insurance. A new organisation structure gives new opportunities for distribution of the full range of the Group's financial products. Likewise, the Group's focus on health will mean better utilisation of the opportunities that arise at the crossroads between corporate health services provided by Hjelp24 and the Group's insurance and pension solutions. A focus on the whole range of products provides an opportunity to consider the customer's needs for Gjensidige's products in a broader perspective, which will benefit the customers.

A long-term customer relationship provides good profitability and stable prices for both the customer and the insurance provider. Gjensidige is continuing its strategy of long-term stable prices, and we have therefore chosen not to participate in the significant price reduction that has been experienced in some segments of the market. This has resulted in some reduction of the premium volume, but it has also resulted in improved profitability and a good basis for a stable price level for the years to come.

Gjensidige helps the customer get safely through the "health loop".

OUTLOOK

It is expected that the competition in the commercial market will continue to be tough in 2009. The trend in the Norwegian and global economies will affect the markets in which Gjensidige operates, and the Group will closely follow the trend in the industries and product groups that are most sensitive to cyclical fluctuations.

The growth in general insurance will be limited in the coming years. An increased focus on risk selection, pricing and loss prevention in close cooperation with customers will continue to be important criteria for success to ensure long-term profitability and growth. Gjensidige's solid finances and long-term focus are expected to be important competitive advantages in the coming years.

The growth potential is expected to be in the Group's newer business areas: pensions and health care services. In 2009, Gjensidige will continue to focus on utilising the commercial portfolio in general insurance to make introductory sales of pension products and health care services.

The efforts to further develop the Group's Internet solutions in 2009 will be made in a market where many other players are positioning themselves to take advantage of an increased focus on sales and counselling over the Internet. This trend has been observed internationally and will now manifest itself in Norway with full force. Gjensidige will participate actively in this trend and regards Internet-based service concepts solutions as a natural element in the service concepts of the future for business customers, which can also contribute to competitive prices.

:: HEALTH

Improved customer experiences

Innovative health concepts based on insurance and health care services in the areas of prevention, treatment and rehabilitation are under development.

Gjensidige shall distinguish itself from other players through a more holistic approach. This occurs through increased cooperation between and common deliveries from the insurance area and Hjelp24. The goal is to give customers unique customer experiences throughout the whole value chain.

In September, Gjensidige's treatment insurance was improved and now stands out as one of the best in the market. Guarantee periods all the way down to 14 days are offered now, and treatment services are included. The customer calls 03100 and receives round-the-clock assistance.

Hjelp24 is Gjensidige's professional provider of health care services and helps find the right treatment centre, follow up the customer and arrange all practical details in the event of illness or injury. If the customer does not have other wishes, Gjensidige's own treatment system in Hjelp24 will be offered. Other examples where the customer experiences in Gjensidige are improved with health care services are:

- Psychological help is offered for all insurances
- The concept "AKTIV hjelp" (Active assistance) to become healthy after vocational or traffic injuries. Quick clarification of the injured party's state of health and needs for assistance, if any, will help the customer end up with as few lasting health afflictions as possible after an accident

All of the health services are provided by Hjelp24 and are naturally linked to relevant insurances.

GENERAL INSURANCE
OTHER NORDIC

Gjensidige's Nordic activities in 2008 reflect the Group's goals of providing customised insurance solutions to various customer groups. The operations in Denmark are the Group's competence centre for the Nordic municipal market, whereas the Swedish operations' branch in Norway represents the Group's White Label efforts.

OPERATIONS

The business area Other Nordic includes the Group's operations in the Danish and Swedish insurance market.

Gjensidige's insurance activities in Denmark are organised under the subsidiary Fair Forsikring. Fair Forsikring provides general insurance to the private and commercial markets in Denmark, whereas the subsidiary KommuneForsikring is the market leader in the municipal market. KommuneForsikring also offers insurance solutions to municipal customers in Sweden and Norway.

The private market is served by a call centre in Copenhagen. In addition, private products are sold through partners, including Kia Motors and the Danish Consumers Co-operative Society (FDB). In the Danish commercial market, Fair Forsikring provides solutions to selected segments, primarily in cooperation with brokers and preferably to customers with premiums exceeding DKK one million.

Gjensidige Sverige, formerly Tennant Insurance Group, offers general insurance products to private persons and business and commerce. The distribution is both direct and through insurance mediators. The operations have a strong Internet distribution and about 15 per cent of the sales go through this channel. The Norwegian branch of Gjensidige Sverige operates under the brand name Tennant and has a complete line of products adapted to distribution through partners.

REVIEW OF THE YEAR

During the past year, Fair Forsikring has worked actively to conduct its business more efficiently, and the Company's cost ratio is one of the lowest in the market. The focus in the market has been on increasing the general awareness of Fair Forsikring. Alliance partners are a new target area, and in June Fair Forsikring entered into an agreement with the Danish Consumers Co-operative Society (FDB) to offer insurance to FDB's 1.6 million members.

KommuneForsikring has had a stable year with an inflow of new customers, especially from Norway and Sweden.

In 2008, Gjensidige Sverige has expanded its range of products with commercial insurances, both property and motor vehicle insurance.

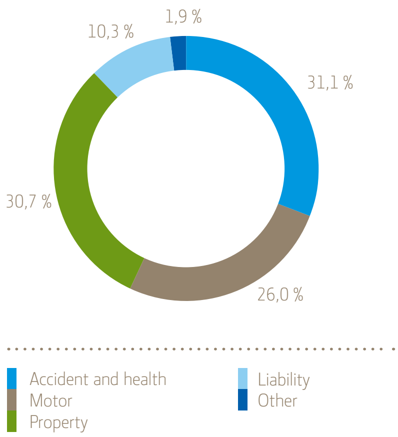
Key figures

NOK million	2008	2007
Gross premiums written	2,155.5	1,810.4
Earned premiums, net of reinsurance	2,068.4	1,685.3
Allocated return on investments	110.9	74.4
Claims incurred, net of reinsurance	(1,604.3)	(1,376.3)
Premium discounts and other profit agreements	(0.1)	(0.5)
Insurance-related operating expenses	(350.8)	(360.8)
Techn. profit before amortisat. of excess value	**224.1**	**22.1**
Amortisation of excess value – intangible assets	(85.3)	(85.7)
Technical profit / (loss)	**138.8**	**(63.6)**
Underwriting result [1]	**113.2**	**(52.3)**
Loss ratio, net of reinsurance [2]	77.6 %	81.7 %
Cost ratio, net of reinsurance [3]	17.0 %	21.4 %
Combined ratio, net of reinsurance [4]	94.5 %	103.1 %

Definitions:

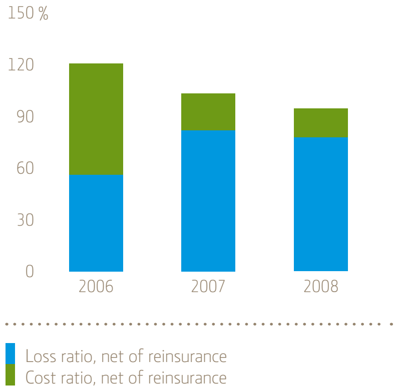
1. Underwriting result = earned premiums, net of reinsurance - claims incurred, net of reinsurance – premium discounts and other profit agreements – insurance-related operating expenses
2. Loss ratio, net of reinsurance = claims incurred, net of reinsurance / earned premiums, net of reinsurance
3. Cost ratio, net of reinsurance = insurance-related operating expenses / earned premiums, net of reinsurance
4. Combined ratio, net of reinsurance = loss ratio, net of reinsurance + cost ratio, net of reinsurance

PRODUCT GROUPS OTHER NORDIC



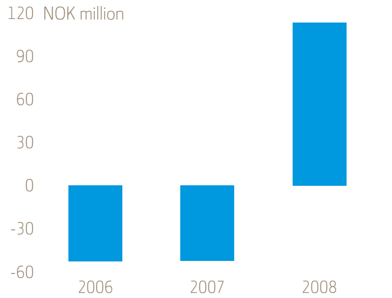
Based on gross premiums written, 2008

COMBINED RATIO, NET OF REINSURANCE, OTHER NORDIC



Combined ratio, net of reinsurance is equal to the amount of loss ratio, net of reinsurance and cost ratio, net of reinsurance

UNDERWRITING RESULT, OTHER NORDIC



Underwriting result is equal to earned premiums, net of reinsurance, less claims, net of reinsurance, less premium discounts and other profit agreements, less insurance-related operating expenses

Accident and health products for both private individuals and companies are under development.

For Tennant, the work in 2008 has been focused on the establishment of a full-value White Label business, and a new cooperative agreement with Sparebanken Pluss has been signed for both insurance of the person and general insurance.

RESULTS

Earned premiums, net of reinsurance, were NOK 2,068.4 million in 2008, an increase of NOK 383.1 million from the previous year.

The loss ratio for the segment was 77.6 in 2008 compared with 81.7 per cent in 2007. Both the operations in Denmark and the Norwegian part of Gjensidige Sverige have sustained major losses in 2008. There have been a number of major fire losses, and this has had a negative effect on the results. In addition, the operations in Fair Forsikring have seen an increase in the number of claim frequencies in several areas.

The aggregate cost performance for the segment is still positive. The cost ratio was 17.1 for 2008, which is a reduction of 4.4 percentage points relative to the previous year. The combined ratio for 2008 was 94.5, compared with 103.1 in 2007. Other Nordic had an underwriting profit of NOK 113.2 million in 2008 compared with a loss of NOK 52.3 million in 2007.

OBJECTIVES AND STRATEGIES

In order to heighten Fair Forsikring's focus on the three main segments, an organisational change in the division structure was introduced in January 2009: Private, Commercial and Public. For the private part of the operations, priority will still be given to further improving the business model and making it more efficient. Moreover, there will still be a focus on new partners. For the commercial segment, Fair Forsikring will continue to focus on selected segments. In the municipal segment, KommuneForsikring will continue to focus on the Swedish and Norwegian markets.

The operations in Gjensidige Sverige are in a growth phase. The strategy is tripartite and aims to establish the Swedish part as a complete supplier of general insurance to private and corporate customers and to establish Tennant as the Group's provider of partner insurance.

:: SWEDEN

Partner insurance

In November, Gjensidige Sverige entered into an agreement with Svetax Taxiförsäkring AB. This agreement entails that taxi insurance will be sold in the Swedish market under the brand name "Svetax taxiförsäkring" with Gjensidige acting as insurer. This is a strategic establishment in a profitable market in Sweden in one of several selected segments in the Swedish commercial market.

Svetax Taxiförsäkring AB was established in 2005 with the objective of marketing, administering and negotiating insurance policies for the country's taxi companies that are members of the Swedish Association of Taxi Owners and/or owners in Svetax Invest AB.

Svetax currently has about 5,000 taxis insured through its former partner, which is equivalent to a little over a third of the taxi market in Sweden. When Svetax decided to change it insurer in 2008, they looked for an insurance company that is located in Sweden with Swedish personnel, is backed by a strong financial group, has a cost-efficient organisation and is distinguished by its entrepreneurship and flexibility.

Gjensidige Sverige was selected.

OUTLOOK

In the commercial market, the Danish operations have tripled their portfolio in only a few years. Through a close collaboration with the brokers, the goal is further growth within this segment. KommuneForsikring will continue to work at becoming the municipalities' preferred partner in Denmark while working to increase the market share in Norway and Sweden.

In the Swedish market, the launching of Gjensidige as a supplier in the commercial segment has gotten off to a good start.

GENERAL INSURANCE
BALTIC

In 2008, Gjensidige Baltic achieved growth and improved its profitability by focusing on sales strategy and improving the efficiency of its operations. Its position in the Baltic States was strengthened by the acquisition of RESO Europa.

OPERATIONS

Gjensidige's operations in the Baltic market are handled by the subsidiary Gjensidige Baltic with a traditional selection of general insurance products for both private and corporate customers. The Company is strongest in car insurance, which is also the largest insurance product in the Baltic States. Insurance products are offered in the main categories of motor, property, accident and health, and liability.

In the private sector, the target group is persons with medium to high incomes, and in the commercial segment the target group is small and medium-sized enterprises. The most important distribution channels are direct sales and sales through insurance agents and brokers. In addition, Statoil service stations are important distribution channels in Latvia.

The insurance markets in the Baltics were deeply affected by recessions in the Baltic States I 2008. Reduced access to credit financing, falling real estate prices and a steadily declining market for real property and new cars were the factors that had the greatest direct effect on the insurance market.

After a rapid growth in previous years and in the beginning of 2008, the growth was considerably slower in the second half of 2008. The total market growth for 2008 was of about 10 per cent in the Baltic States – down from 33 per cent in 2007.

The growth was largest in Lithuania (14%) and Latvia (9%) and more moderate in Estonia (6 %). There have been major changes in the competitive situation in Estonia, where new strong players have entered the market so that all of the major players have lost some of their market share.

In the Baltic market, Gjensidige Baltic has its strongest market position in Latvia, with a market share of about 12 per cent. This makes the Company the third largest player in Latvia.

REVIEW OF THE YEAR

Despite the problems in the financial market and the unstable economic situation, the actuarial results have been very positive, and the Company's growth was much greater than the aggregate market growth for general insurance in the area.

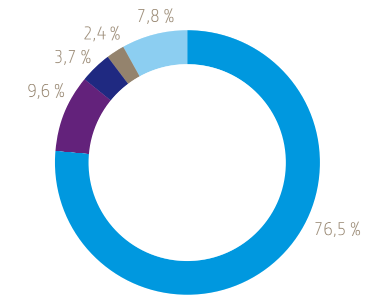
Car insurance is still the most important activity and accounts for about 80 per cent of the total premium volume. The share of motor third party liability insurance has grown rapidly whereas the share of comprehensive insurance has declined, which is in keeping with their respective market trends.

Key figures

NOK million	2008	2007
Gross premiums written	657.7	432.6
Earned premiums, net of reinsurance	592.4	360.2
Allocated return on investments	22.1	11.4
Claims incurred, net of reinsurance	(368.1)	(229.5)
Premium discounts and other profit agreements	(3.2)	(1.5)
Insurance-related operating expenses	(183.9)	(113.9)
Techn. profit before amortisat. of excess value	**59.2**	**26.6**
Amortisation of excess value – intangible assets	(9.3)	(17.6)
Technical profit / (loss)	**49.9**	**9.0**
Underwriting result [1]	**37.1**	**15.2**
Loss ratio, net of reinsurance [2]	62.1 %	63.7 %
Cost ratio, net of reinsurance [3]	31.0 %	31.6 %
Combined ratio, net of reinsurance [4]	93.2 %	95.4 %

Definitions:
1 Underwriting result = earned premiums, net of reinsurance - claims incurred, net of reinsurance – premium discounts and other profit agreements – insurance-related operating expenses
2 Loss ratio, net of reinsurance = claims incurred, net of reinsurance / earned premiums, net of reinsurance
3 Cost ratio, net of reinsurance = insurance-related operating expenses / earned premiums, net of reinsurance
4 Combined ratio, net of reinsurance = loss ratio, net of reinsurance + cost ratio, net of reinsurance

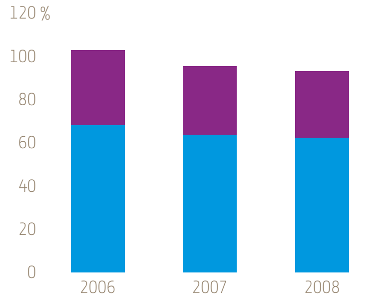
PRODUCT GROUPS BALTIC



Motor
Property
Accident and health
Liability
Other

Based on gross premiums written, 2008

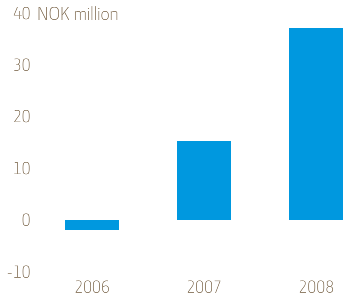
COMBINED RATIO, NET OF REINSURANCE, BALTIC



Loss ratio, net of reinsurance
Cost ratio, net of reinsurance

Combined ratio, net of reinsurance equal to the amount of loss ratio, net of reinsurance and cost ratio, net of reinsurance

UNDERWRITING RESULT BALTIC



Underwriting result is equal to earned premiums, net of reinsurance, less claims, net of reinsurance, less premium discounts and other profit agreements, less insurance-related operating expenses

The Company continued to develop its core insurance products in 2008. Both the comprehensive and property insurance products have been improved to meet new customer needs. Considerable emphasis has been given to technical solutions for sales support. 2008 was the first operating year under the brand Gjensidige Baltic. In 2008 was also sales of motor TLP –insurance via internet launched.

Gjensidige Baltic opened five new branches in Latvia and now has a total of 31 branches and is represented in 24 different cities. The good cooperation with Gjensidige's partners continued and was further improved.

RESULTS

Earned premiums, net of reinsurance, came to NOK 592.4 million, a substantial increase from NOK 360.2 million in 2007. The acquisition of RESO Europa has been a major factor in the growth in premium income, but the underlying organic growth was also good.

The loss ratio was 62.1 per cent in 2008, compared with 63.7 per cent in 2007. The combined ratio for 2008 was 93.2 compared with 95,4 i 2007. The cost and loss ratios are still among the best in the industry and have further improved since 2007. Better work processes and especially the measures in Lithuania have had a positive effect on the cost ratio.

OBJECTIVES AND STRATEGIES

One of the Company's goals is to become one of the leading insurance companies in the Baltic States. The objective for the coming years is to increase the market share through organic growth while maintaining a good profitability.

The Company wants to develop products that are adapted to the customers' needs and distribute them to the customers in the way that is most efficient.

OUTLOOK

It is expected that the economies of the Baltic States will decrease in 2009- 2010 and then gradually begin to grow again in the following years. Consequently, it is assumed that the growth in the insurance market will be moderate. The general economic will affect the trend.

However, Gjensidige Baltic will aim for more growth than the market average and an increased market share in the Baltic States. Further consolidation can be expected in the insurance market, especially in Latvia and Lithuania.

To achieve the ambitious sales targets for 2009, there will be a continued focus on the development of core products, the efficiency of the sales channels and development of loyalty programmes. In addition, the claims handling process will be improved in order to make it more customer-friendly and transparent.

:: IN FOCUS

RESO Europa

In 2008, in keeping with Gjensidige's geographic expansion strategy, Gjensidige purchased RESO Europa, the sixth largest general insurance company in Lithuania, with a market share of about 4.5 per cent. The transaction was completed in May 2008.

RESO Europa is a strong player in motor third party liability insurance, liability and performance bonds in Lithuania and has considerable expertise in these fields. The Company has a good customer base, good customer relations and a broad customer portfolio. The Company also has skilful employees and experienced managers.

The work of integrating the operations of RESO Europa into Gjensidige Baltic started immediately after the transaction was completed. The establishment of a common range of products and the integration and reorganisation of the sales organisation and the claims handling service have already helped promote a better range of services for the customers and more efficient operations in Lithuania. The development of the organisation will continue in 2009

After the acquisition of RESO Europa, Gjensidige Baltic has achieved a Baltic market share of about 8 per cent and has become the fifth largest insurance company in the Baltic States. It is very important that the Company has strengthened its position in Lithuania, which is the Baltic state with the biggest growth potential.

PENSION AND SAVINGS

Gjensidige offers a broad range of pension and savings products for both the private and commercial markets.

OPERATIONS

Gjensidige's business area, Pension and Savings, delivers products in the following main categories:

- Individual pensions
- Group occupational pensions
- Savings and investment

The products are offered to both private and commercial markets.

Gjensidige's operations in the Pension and Savings business are organised with Gjensidige Pensjon og Sparing Holding AS serving as the holding company for Gjensidige Pensjonsforsikring AS (GPF) and Gjensidige Investeringsrådgivning ASA (GIR).

The management concept on which this is based is unique compared with the other players in the market, because Gjensidige Pensjon og Sparing (GPS) is an independent advisor and only offers externally managed funds. The products are distributed through the Group's general insurance operations and partners.

Pensions

GPF offers individual and group pension products. Many special benefit agreements have been entered into with chains and affinity groups.

Savings

A broad range of products have been developed in the savings and investment area. The Vekter funds, combination funds adapted to the customer's investment horizon and desired risk, are the Company's main products in the broad portion of the private market. Further information about these products are found on the Internet, cf. www.gjensidige.no/sparing.

REVIEW OF THE YEAR

Pensions

The period from the start of the operations up to the end of 2008 has been distinguished by product development in order to achieve a complete range of products and extensive training of the sales force and support functions in order to give the customers the best possible service and quality. In 2008, the Company was active in the transfer market and achieved a market share in the transfer market for IPAs of almost 50 per cent.

Savings

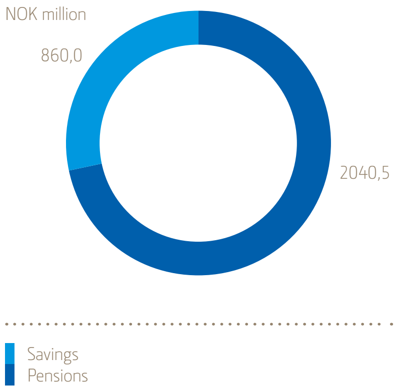
GIR's policy states that all products shall be as transparent and understandable as possible. This is also in harmony with the new MiFID regulations that have been implemented in the whole organisation. In addition, the Company has attached importance to making the advisors' remuneration system neutral with regard to the products. The licence to operate active management was granted in 2008, so that GIR could customise solutions for customers with special wishes even more than before.

Key figures

NOK million	2008	2007
Gross premiums written	1,562.6	496.4
Earned premiums, net of reinsurance	58.1	27.9
Claims incurred, net of reinsurance	(39.0)	(19.3)
Insurance-related operat. expenses	(104.9)	(84.9)
Technical profit / (loss)	**(85.7)**	**(76.3)**
Management income	14.7	9.4
Other income and expenses, including financial, net	(62.2)	(56.1)
Profit / (loss) before tax expense	**(133.2)**	**(123.0)**
Assets under managem. (GPF), addition in the per.	1,443.4	544.0
Assets under managem. (GIR), addition in the per.	193.0	425.2
Assets under managem. (GPF), at the end of the per.	2,040.5	597.0
Assets under managem. (GIR), at the end of the per.	806.0	613.0
Profit margin in per cent [1]	1.7	2.5

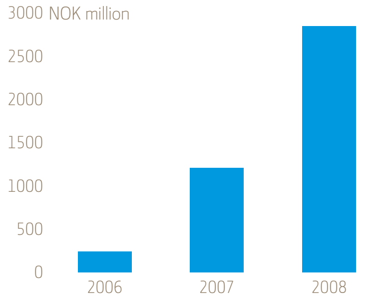
Definitions:
1 Profit margin, total in per cent = (earned premiums – claims + management income for the period) / average assets under management for the period

ASSETS UNDER MANAGEMENT



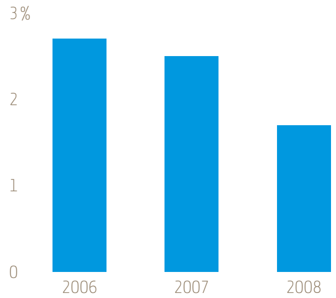
Assets under management at the end of 2008

ASSETS UNDER MANAGEMENT DEVELOPMENT



Total assets under management at the end of the period.

PROFIT MARGIN



Total profit margin in per cent is the period's premium income, less claims plus management income for the period divided by average capital under management for the period

RESULTS

Gross premiums written in 2008 totalled NOK 1,562.5 million, compared with NOK 496.4 million in 2007. Gross premiums written consist of savings deposits for private group pensions and premiums for risk products related to group and individual pensions, as well as premium reserves transferred from other companies for transferred contracts. Earned premiums, net of reinsurance, totalled NOK 58 million in 2008, compared with NOK 27.9 million in 2007.

Premiums in force at the end of 2008 can be broken down into NOK 489 million for group pensions and NOK 29.4 million for individual pensions. Assets under management increased by NOK 1,662 million to NOK 2,846.5 million in 2008. This breaks down into NOK 2,040.5 million in pension funds and NOK 806 million in savings products.

Total expenses were NOK 174.8 million in 2008, NOK 105.5 million of which were insurance-related expenses. The loss before tax was NOK 133.2 million for 2008. As operations are still in a development phase, the result is in line with expectations.

OBJECTIVES AND STRATEGIES

A goal has been set for a yearly doubling of the business area's assets under management in the period 2008-2010. An increase in the range of products for existing general insurance customers is an important objective for the Group. The Group's substantial customer base represents a unique opportunity to succeed with profitable growth through the cross-sale of products in pensions and savings. The further development of the staff of advisors and advisors in cooperating distribution channels will be a key target area in 2009.

OUTLOOK

In the commercial market, the focus in 2009 will be on the market for conversion from defined benefit schemes to defined contribution schemes and the transfer market for group defined contribution schemes. There will also be a focus on savings and investment for business and commerce.

In the private market, there will be a focus in 2009 on the transfer of IPA funds to the product fund pensions, transfer of paid-up policies, new subscription of individual disability pensions, together with securities funds, other savings products, and new subscription of Individual Pension Schemes (IPS).

:: IN FOCUS

Customer-friendly pension administration

A defined contribution occupational pension has traditionally been an administrative challenge for many companies. Gjensidige has developed a robust IT solution that meets this challenge.

The solution that has been developed is efficient and flexible, and it can be linked to any pay or HR system. Gjensidige recommends the content that should be found in a monthly report from the customer's pay system. When these recommendations are followed, the solution will handle the transparent transfer of members among underlying subsidiaries in a group and function for employees paid by commission. The solution handles disenrolments and enrolments and continuous calculation of the pensionable income from month to month.

In addition, contract administrators in Gjensidige have access to an administrative tool related to the solution. This tool simplifies all follow-up of the company's pension scheme. In addition, the solution facilitates setting up the scheme, reporting all the way down to the member level and making changes in the past. The tool ensures consistent customer service and helps improve the quality of the work that is naturally done by a contract administrator in connection with an ITP scheme. In order to be able to provide good feedback to the company, the solution has also been expanded so as to be able to function as a reporting tool.

At sign on, overviews are displayed of the company's receipts, the distribution between risk premium and savings and the members' transactions and events over optional periods of time.

ONLINE RETAIL BANKING

Gjensidige Bank is a nationwide Internet bank focusing on the private, organisation and agricultural markets in Norway. The bank offers traditional banking products adapted to electronic distribution.

OPERATIONS

Gjensidige Bank was launched in January 2007 and has its head office in Førde, Norway. The bank has a long-term, strategic cooperation with Sparebanken Sogn og Fjordane, which provides both technical banking and staff-related services.

The bank offers a self-service concept with attractive terms and simple customer processes that give good customer experiences on the Internet. Distribution occurs through the Group portal, gjensidige.no, the Group's financial centres and the rest of its distribution system. In addition, the bank has a separate customer centre that sells the bank's products. Through association with the Group's brand, customer base and distribution system, the bank differentiates itself from other players in the market.

The bank has agreements with Tekna, the Confederation of Vocational Unions (YS) and the Norwegian Society of Engineers and Technologists (NITO) relating to the delivery of products to the organisations' members. The bank's products are also included in the Group's loyalty programme.

Products for agriculture were launched in 2008 and are now included as part of the total range of products to the Group's private agricultural customers.

REVIEW OF THE YEAR

In 2008, the bank focused on cost-efficient operations, process development and increasing its number of customers. Various service models have been developed that should improve the utilisation of the Group's distribution system in order to ensure more customers and increased sales of the bank's products.

The marketing has utilised advertisements in national and regional newspapers, magazines and direct marketing, as well as advertising on the Internet and radio.

The bank's organisation agreements have been praised in the media as the best of their kind in Norway. A new organisation agreement with the Norwegian Society of Engineers and Technologists (NITO) was entered into in 2008.

In 2008, the bank recruited new customers to the Group, and in the course of the year it got underway with cross sales of the Group's insurance and savings products. The bank has also launched an offer to the Group's many agricultural customers.

The inflow of new customers has increased steadily throughout the year. At the close of 2008, the bank had 44.413 customers, 23.438 of which are joint customers with Gjensidige Forsikring.

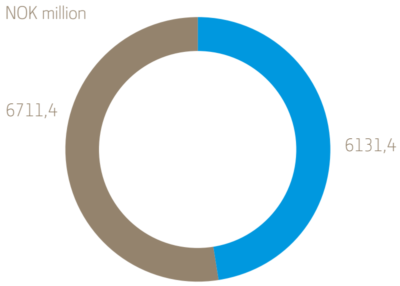
The turmoil in the financial markets in 2008 has given rise to higher financing costs. Through good terms of deposit and aggressive marketing, the bank

Key figures

NOK million	2008	2007
Net interest and credit commission income	45.4	11.3
Other income	11.2	6.1
Operating expenses	(134.8)	(126.5)
Losses on loans / guarantees	(6.8)	(6.7)
Profit / (loss) before tax expense	**(85.1)**	**(115.8)**
Gross lending, addition in the period	3,330.0	3,381.4
Deposits, addition in the period	4,430.3	1,701.1
Gross lending at the end of the period	6,711.4	3,381.4
Deposits at the end of the period	6,131.4	1,701.1
Deposit-to-loan ratio in the period [1]	133.0	50.3
Deposit-to-loan ratio at the end of the period [1]	91.4	50.3
Net interest income in per cent, annualised [2]	0.74	0.71

Definitions:
1 Deposit-to-loan ratio = deposits as a per centage of gross lending
2 Net interest income in per cent, annualised = (Interest income – interest expenses) / average assets under management

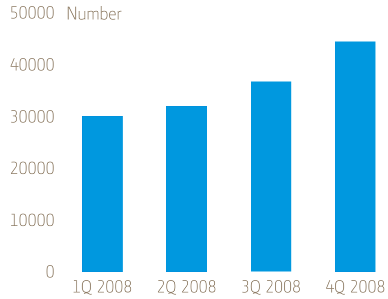
DEPOSITS AND LENDING



Deposits
Lending

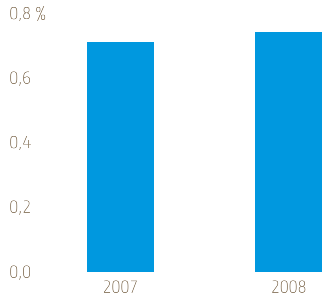
Deposits and lendings at the end of 2008

QUARTERLY DEVELOPMENT IN THE NUMBER OF CUSTOMERS



Development in the number of registered customers. Registered customers include both customers who have registered to become a customer (started the "become-a-customer" process) within the past six months and customers who are making active use of the bank

NET INTERESTS INCOME



Net interest income in per cent = (Interest income less interest expenses) divided by average assets under management

has made itself less dependent on external financing and thereby reduced the impact of the financial turmoil on its results. The deposit-to-loan ratio has increased steadily throughout the year. At the close of 2007, the deposit-to-loan ratio was 50.3 per cent, and it has increased to 91.4 per cent during 2008.

At the beginning of 2008, the bank had an external financial debt of NOK 1,500 million, which had been reduced to NOK 550 million at the close of 2008.

RESULTS

The profit performance in 2008 has been in keeping with the expectations. Net interest and credit commission income totalled NOK 45.4 million for 2008. Net interest measured against average assets under management ended up at 0.74 per cent.

The bank experienced strong growth in 2008. Lending totalled NOK 6.711,4 million and customer deposits totalled NOK 6,131.4 million at year-end. This gives the bank a deposit-to-loan ratio of 91.4 per cent. The lending primarily consists of loans with adjustable interest rates.

The operating expenses in 2008 came to NOK 134.8 million. The loss before tax came to NOK 85.1 million. The bank is in its second year of operation, and losses have consequently been budgeted during this phase.

The capital adequacy was 18.9 per cent at the close of 2008.

OBJECTIVES AND STRATEGIES

The bank shall help strengthen relationships with existing insurance customers in the private and agricultural segment and protect the Group's market shares against competition from bank insurance. The bank shall be profitable on its own and attract new customer groups to the Group. Gjensidige has set a goal of a quarterly growth in its customer portfolio to between five thousand and six thousand customers. Cross sales and utilisation of the Group's ample distribution system will be key factors in order to succeed in this aim.

OUTLOOK

The bank's adopted strategy will continue and be further developed during the coming year. In order to be competitive, there will be a special focus on increasing the number of customers and further increasing the efficiency of the customer processes and increasing our professionalisation through skills development and training. The bank reports capital adequacy according to the standard method and is thereby adapted to the Basel II regulations. The risk management systems will be further developed so as to facilitate a future application for IRB approval, so that the bank can utilise internal risk models to calculate capital adequacy. In order to be granted approval, the bank must document that the bank's risk models, management and control are of sufficient quality for Kredittilsynet (the Financial Supervisory Authority of Norway) to grant its approval. Standardisation and automation of internal processes will be continued.

Recruitment of new employees in step with the bank's growth and development will also be a priority area in 2009.

:: NEWS

Increased distribution power

Through the Private division, Gjensidige has a strong distribution system for private and agricultural customers in Norway. Those customers are met in various channels on the basis of their needs, events and situation. In 2009, the distribution system in the Private division will also be measured in sales of bank products. Therefore, the bank will focus on increasing bank expertise in the distribution system. This gives the bank increased sales power and greater opportunities to utilise Gjensidige's customer base. The customers get a complete range of products in banking, insurance and savings.

In 2009, Gjensidige will continue its efforts to make Gjensidige one of the most customer-oriented and efficient financial groups in Norway, and during 2009 it will build up about 20 financial offices in the biggest Norwegian cities. These offices will have consulting expertise in banking as well as insurance and savings. This will give increased sales power and a broader range of products and services to customers who want personal contact with the bank, e.g. when they want to change banks or in a loan process.

HEALTH

Under the brand name Hjelp24, Gjensidige is the largest and leading player in private health services in Norway. The operations cover the whole treatment chain – from prevention and risk assessment to rehabilitation and vocational reintegration.

OPERATIONS

The business area provides health care services under the brand name Hjelp24 and is organised into four service areas:

Corporate health care services

Hjelp24 HMS is Norway's undisputed largest consulting organisation in the field of HSE with 330 consultants. The business is the only nationwide provider of these services and has a market share of about 20 per cent. Hjelp24 HMS has about 4,700 corporate customers with a total of about 230,000 employees.

Private hospitals and specialist services

Hjelp24 NIMI is a specialist and competence centre in the field of muscular and skeletal complaints and operates a specialist centre in Oslo with its own hospital. The business also provides a unique offer in the Ringerike district for people who are seriously overweight.

Personal security alarm services

Hjelp24 Respons is Norway's largest provider of personal security alarm services and operates a round-the-clock alarm centre with many exciting services, such as a casualty clinic referral service for ten or so municipalities, a health visitor phone and referral to and follow-up of health services for Gjensidige's Norwegian insurance activities.

Working environment

Hjelp 24 Sensus provides working environment surveys and consultancy services related to the development and improvement of the working environment in businesses.

Over 90 per cent of the services provided occur in the corporate market, including public hospitals. The last 10 per cent of turnover is to private customers, primarily in the Oslo area, in the fields of training, lifestyle and treatment through Hjelp24 NIMI's centres at Ullevål Stadium and at Ekeberg.

REVIEW OF THE YEAR

An important focus area in the first half of 2008 was the integration of NIMI's operations, which were acquired in the late autumn of 2007. Efforts have been made to promote various corporate-culture-developing measures, and the integration has gone very well.

In 2008, three other businesses were also acquired and integrated into Hjelp24.

In the second quarter, Fabipartner as, which has about 20 employees, was acquired. Fabipartner works primarily with HSE and the leasing out of offshore health personnel. This acquisition is important both to strengthen Hjelp24's position in the important Stavanger region and also to strengthen the Company's position in the offshore sector.

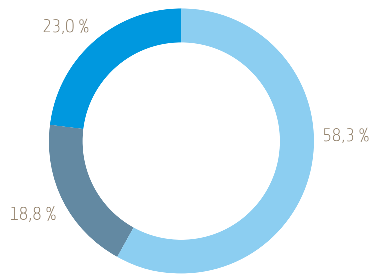
HMT Kompetanser BA, which has five employees, is a local HSE supplier in Førde in Sogn og Fjordane County. The acquisition of the business was

Key figures

NOK million	2008	2007
Operating income	503.9	335.5
Operating expenses	(462.9)	(309.1)
EBITA [1]	**41.0**	**26.4**
Net finance and amortisation	(15.6)	0.4
Profit before tax expense	**25.5**	**26.8**
EBITA-margin in per cent [2]	8.1	7.9

Definitions:
1 EBITA = Earnings before interest, taxes and amortisation
2 EBITA margin in per cent = EBITA / operating income

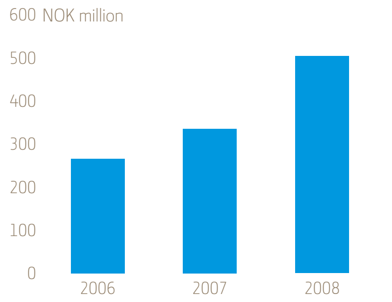
PRODUCT GROUPS



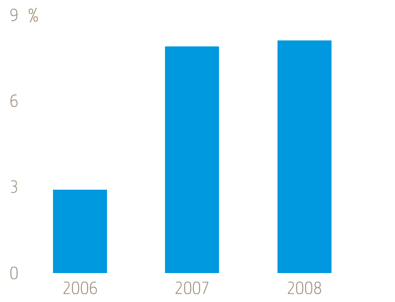
Corporate health care services
Personal security alarm services
Private hospital and specialist services

Based on operating income

OPERATING INCOME



EBITA-MARGIN



EBITA-margin equals earnings before interest, taxes and amortisation divided by operating income

important in order to establish Hjelp24 in a county where it was previously not represented, and Førde is also strategically located in the county.

In the third quarter, the company Sensus as was acquired. This business has six employees and is located in Trondheim, Norway. Over a ten-year period of time, the company has built up a team of specialists in the field of working environment development with an advanced web programme for the implementation of employee surveys.

In the market, several major customer contracts were renegotiated and extended during 2008.

RESULTS

The business area achieved a very good profit and top-line growth in 2008. The operating income came to NOK 503.9 million, equivalent to a growth of 50.2 per cent relative to 2007.

EBITA was NOK 41.0 million, a growth of almost 55.3 per cent relative to 2007.

OBJECTIVES AND STRATEGIES

Health care services are a growth area, and Gjensidige is working with further top-line growth in this area in 2009 and the years ahead. This growth will be achieved through a combination of organic growth and acquisitions. Target areas will include the offshore sector, development of general health services in the major cities and further development of the HSE area in regions where Hjelp24 currently has a very small market share.

In addition, the patient throughput is to be increased through the Hjelp24 NIMI system by channelling customers from the HSE portfolio (230,000 customer employees) and Gjensidige customers (treatment insurance) respectively to NIMI. Increased and improved interaction between the Norwegian insurance activities and Hjelp24 is also very important in order to achieve key objectives.

A financial target for the annual EBITA margin of between six and eight per cent has been set for the business area.

OUTLOOK

In the last five years, the health area has gone through a concentrated consolidation phase with great interest shown by private investors. Increased competition between the major players always entails risk, and the financial crisis may have an impact through reduced demand from customers in general.

The operations in Hjelp24 are skills-intensive, and access to skilled labour is limited and can also have a negative impact on growth.

The health sector is generally not very influenced by business cycles and the demand for health services follows macro trends that all suggest an increased future demand. Hjelp24 was established and has grown rapidly during a period when the authorities have made the framework conditions stricter for the private players and where several private hospitals have gone bankrupt.

If the framework conditions are relaxed again in the future, Hjelp24 may be in a good position for further growth. Hjelp24 has unoccupied hospital capacity that can be adopted in a short time. With effect form 1. January 2010 it is adopted to expand the trade regulations for corporate health services. This means that several industries will be instructed to enter into an agreement with a corporate health service or establish one of their own. With this adoption, Hjelp24 will is in a unique market position for further growth.

The outlook for private health services is considered to be good.

Barn burnt down after lightning strike on a farm in Southern Norway. Large number of animals killed.

Blind violence in a city in the western part of Norway, a young boy exposed to extreme violence. Admitted to a hospital.

Emergency landing with plane in Sweden

Detached house burnt down.

Car collides with lorry, tragic auto accident was a suicide.

Robbed in their own home. Knocked down, bound and threatened.

Support for journalists in difficult court case.

Student robbed at gun and knifepoint on a holiday in South America

We were there! And we are still there for many people

Norwegian tourists on holiday in Bulgaria were victims of robbery and abduction.

Fall from a crane in a ship-yard ended in death with fellow workers witnessing the accident. Survived by a spouse and children.

Security transport robbed in Oslo

Thugs burglarised and ransacked a house and beat up the homeowner with his daughter as a witness.

Fire in a daycare facility.

Driving a car off the road claimed a life and injured several people

On holiday in Spain – held in confinement and raped

Armed robbery of a food store.

Suicide – employee jumped from third floor with colleagues looking on.

Patient tried to strangle the nurse.

The psychological service and the emergency hotline in Hjelp24

Gjensidige has a holistic view of people and wants to give its customers an offer of assistance with both physical and psychological/mental challenges in their lives.

The psychological service and the emergency hotline that are provided by Hjelp24 are examples of this.

Hjelp24 has alarm centres with experienced health personnel that give the customers round-the-clock advice and help on the phone throughout the whole year. In order to meet the customer's need for assistance in major and minor crises, Hjelp24 has been linked to a nationwide network of crisis psychologists. At present, they number 26 persons, all of whom have considerable expertise in handling crises. In addition, Hjelp24 also has hired its own psychologists along with other health personnel with a high level of competence in crisis intervention.

In the daytime, the customers meet in-house advisors or they meet health personnel in the alarm centre by calling a listed 815 number. This first conversation with a "neutral" party can often be all that is needed; at other times further help will be required. The customer is then quickly connected to either a crisis team or a crisis psychologist. The crisis team consists of employees at Hjelp24 with long experience in crisis work, and they are available in the evening, on weekends and at night throughout the year. Some customers have agreed in their contract that they will receive rapid on-the-spot assistance if an accident occurs at the workplace. This is a service that is greatly appreciated because there are few who are well-trained in handling crises out in the various companies, and a crisis always comes suddenly and unexpectedly.

Through Hjelp24, Gjensidige can make this entire chain of health personnel available to its customers.

The offer of psychological services is given to Gjensidige customers with insurances associated with house and home, motor vehicle, leisure time and life and health. If they have experienced traumatic events related to fire, burglary, robbery, assault and battery, traffic accidents resulting in death or serious personal injury, dramatic accidents on the job and in leisure time or death, they will be offered this service when the loss is reported. The customer can then accept this service and receive rapid psychological help at no extra cost without referral from a doctor.

Within 48 hours, the customer will be called up by Hjelp24's health personnel, the situation will be considered, and, if the customer so desires, he/she will be called up by a psychologist to make an appointment for consultation at the psychologist's office. The customer will be given up to ten hours of psychological assistance at no extra cost. All information will be handled confidentially by health personnel who have taken an oath of professional secrecy, and the content of the appointments with the psychologist will remain confidential between the customer and the psychologist.

The insured party and his/her spouse and/or cohabitant or other members of the permanent household will be covered by the contract.

In 2008, a new offer was created through "Treatment Insurance Plus", covering operations and other treatment with a very short waiting period. Through the employer and workers' compensation insurance, the affected party can also be given fast assistance through a psychologist to be reintegrated at work or to function optimally in their normal workday.

ASSET MANAGEMENT

Gjensidige's investment portfolio consists of investments in a number of asset classes, including property, shares, bonds, private equity and hedge funds. The investments are made both in Norway and internationally. At the end of 2008, the investment portfolio amounted to NOK 47,771.8 million.

STRATEGIC AND TACTICAL ALLOCATION

Investments are made primarily to cover the actuarial provisions, but the Group is in a capital situation that allows it to invest based on the maximum return given the Group's risk tolerance for its equity.

The strategic allocation makes provisions for a well-diversified portfolio to achieve the best risk-adjusted return over time. Tactical allocations may deviate from strategic allocations within given degrees of freedom so as to exploit the market opportunities and active management of the various asset classes. The implementation is based on extended use of the external managers as well as some internal management for Nordic equities and tactical allocation. Real estate investments in Norway are made through the wholly-owned property management company Oslo Areal.

THE INVESTMENT PORTFOLIO

The Group's investment portfolio amounted to NOK 47,771.8 million at the close of 2008. The investment portfolio includes all investment funds in the Group with the exception of Gjensidige Bank (GB) and Gjensidige Pensjon og Sparing (GPS).

During the first half of 2008, the entire holdings of short-term investments were sold. At the close of 2008, the exposure to equities consisted primarily of the strategic investment in Storebrand. After the ownership interest increased to 24.33 per cent in the fourth quarter of 2008, the ownership interest is classified as an associated company in the accounts. In addition, the Group has some exposure to equities through ownership interests in various private equity funds.

Gjensidige invests in hedge funds. The exposure to hedge funds was reduced by about 2/3 during the first half of 2008 at the same time as the composition of the funds was significantly altered. At the end of 2008, the exposure consists of funds that support the tactical allocations.

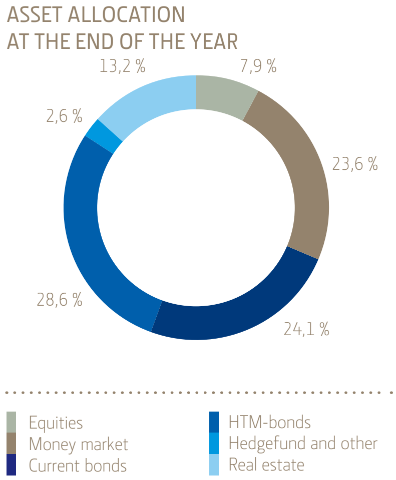
The fixed-income portfolio consists of money market instruments and current bonds as well as bonds held to maturity. The money market portfolio primarily contains interest-bearing papers with short maturities, where the counterparty risk is mainly Norwegian banks and financial institutions, but also with a substantial share of government papers. In the current bond portfolio, around 61 per cent of the assets are in Danish mortgage bonds. Beyond this, international bond funds (investment grade and high yield) account for the main part of the portfolio. Of the bonds held to maturity, around 71.2 per cent have been issued by banks, about half of which are Norwegian.

Key figures

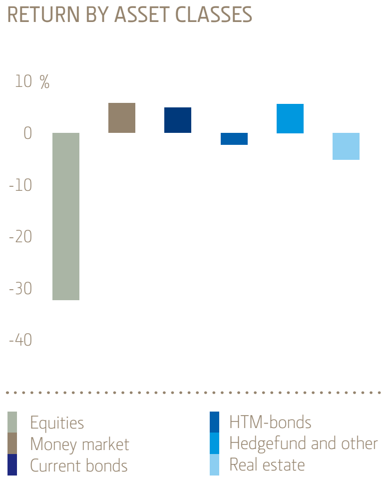
NOK million	1.1.-31.12. 2008	Carrying amount 31.12.2008
Equities	(1,458.7)	3,801.9
Money market	880.1	11,324.3
Bonds held to maturity	516.6	13,710.3
Current bonds	(229.7)	11,550.9
Real estate	350.3	6,324.4
Hedge fund and other financial investments	(85.8)	1,243.0
Other financial items[1]	(207.3)	(183.0)
Management costs	(43.5)	
Financial profit / (loss) on the investm. portf.	**(277.9)**	**47,771.8**
Financial income in GPS and GB	57.7	
Net financial income and expenses from financial assets	**(220.3)**	

Definitions:

1 The item primarily consists of the discounting effects of insurance obligations in Denmark, mismatches between interest rate and inflation adjustments on the liability side in Denmark versus interest rate and inflation hedging, amortisation of the insurance portfolio and currency hedging of Gjensidige Sverige and Gjensidige Baltic. Balance sheet value corresponds to the market value of interest rate and inflation swaps in Denmark.



Gjensidige's investment portfolio split in the various asset classes bye the end of 2008



Return by asset classes 2008

Around 8.1 percent of the hold to maturity portfolio are real interest rate bonds. Freed-up funds from the sale of various assets in 2008, including the ownership interest in Lindorff, were invested in the fixed-income portfolio. During 2008, the fixed-income portfolio has not been exposed to losses resulting from bankruptcies of debtors. As a result of the increasing market turmoil, decreasing liquidity and uncertainty in the credit market, a significant amount of the fixed-income portfolio (roughly NOK 4.5 billion) was reinvested in short-term government papers in the late summer of 2008 so as to stabilise the Company's earnings and ensure good liquidity.

The international part of the investment portfolio is almost fully hedged.

The biggest individual exposures in the portfolio are the shareholding in Storebrand, plus the office properties in Oslo. The property investments are concentrated in office properties in Oslo, but also include shopping centres and office properties in other Norwegian cities. In January 2008, Gjensidige's head office at Sollerud was sold for a little more than NOK 1.4 billion. Property was sold for roughly another NOK 300 million during 2008.

FINANCIAL RETURN ON THE INVESTMENT PORTFOLIO

A weak trend in shares, property and credit entailed that the return on the investment portfolio was considerably lower in 2008 than in the previous year. The financial results for the investment portfolio amounted to NOK -277.9 million in 2008, compared with NOK 2,804 million in 2007, which are equivalent to returns of -0.6 and 6.3 per cent respectively. Adjusted for the impairment loss of the Storebrand investment and the profits from the sales of the head office at Sollerud and Lindorff, the financial return for 2008 was 0.1 per cent.

Given the market turmoil and the fear for the stability of the financial system that characterised the capital markets in 2008, it did not help to be well diversified in the traditional asset classes. Gjensidige's exposure to government papers was too low to achieve an adequate return. The deliveries from the external managers varied considerably in 2008. The weakest were the deliveries in some of the fixed interest mandates, especially mandates with a significant credit element.

:: IN FOCUS

ETHICAL INVESTMENT CRITERIA

Gjensidige has defined a set of ethical criteria that specify the things the companies that are invested in should not be engaged in. Together with other large investors, Gjensidige can help attract attention to companies that do not meet our ethical business requirements, and it can give them an incentive to change their conduct.

The criteria are presented to capital managers who are given management mandates. For all discretionary mandates (i.e. where Gjensidige's funds are managed in a separate portfolio), the criteria are absolute requirements.

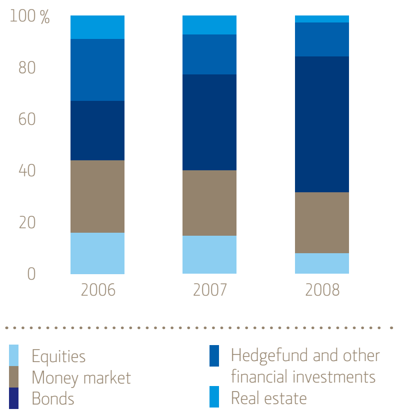
The investment mandates cannot be controlled in the same manner in cases where Gjensidige invests in an existing fund together with other investors. In such cases Gjensidige attempts to use its influence to achieve changes, and sometimes it chooses another manager.

Examples of the criteria include the Convention on the Rights of the Child, workplace discrimination based on gender or race, child labour and a breach of the right to organise or engage in collective wage negotiations.

The environmental conventions focus primarily on the dumping of hazardous waste and responsible transport of the same.

The corruption criteria primarily concern active public sector corruption. In the weapons industry, the production of antipersonnel landmines, cluster bombs and nuclear weapons are excluded.

ASSET ALLOCATION DEVELOPMENT



Asset allocation development at the end of the period

The investment department's limits for active risk taking measured by the relative risk compared to the strategic asset allocation. As a result of the market turmoil, the objective for the financial return at the end of the first half was converted from a relative target relative to a pre-defined benchmark to an absolute target for the return for the second half. At the end of the first half, the tactical management had a positive contribution, whereas the exposure to credit, property, private equity and hedge funds, for example, in the second half contributed – together with an exceptionally difficult liquidity situation in the markets – to the failure to achieve the target for the absolute return for the year.

The results for 2008 were negatively affected by turbulent stock markets and an increase in credit spreads. The Group's investment in Storebrand has yielded a substantial unrealised loss of NOK 1,789.0 million in 2008. Investment was written down by about 45 per cent in 2008. The widening of credit spreads led to weak returns in the money market portfolio, as well as unrealised losses in the bond portfolio. Investments in foreign bond funds in particular contributed negatively.

During 2008, the yield requirements on property investment rose by 0.75 percentage points. This entails a write-down of the real estate investments of about 12 per cent. On the other hand, the Group realised significant gains from the sale of the ownership interests in Lindorff (NOK 935.9 million) and of its head office at Sollerud (NOK 724.4 million). The re-classification of the Storebrand item from available for sale to an associated company resulted in NOK 78.8 million in badwill being taken to income.

The private equity portfolio was written down by about 45 per cent.

THE CAPITAL MARKETS IN 2008

2008 was a very dramatic year in the capital markets with big fluctuations and declines for most asset classes, such as equities, raw materials, property and credit instruments.

As a result of the fall in most of the government rates, government bonds had a satisfactory return in 2008. The sharp decline in the prices of equities, credit instruments, property and raw materials reflects that it became clear in 2008 that not only the USA, but also major parts of the global economy were on the way into a considerably lower GDP growth, which also entailed a reduction for most national economies. This was in contrast to what many had assumed in 2007: a considerable risk of much lower growth in the USA, but without an equivalent decline in other regions. As the size of the increase in lending and the purpose of the loans became know, the problems spread rapidly beyond the borders of the USA. Much of the increase in debt that has occurred in the USA was financed internationally. In addition, a number of other countries, e.g. Iceland and the UK, have also had a rapid increase in lending. A substantial decline in income formation in countries with a high ratio of debt to income quickly develops into a declining financial capacity and bad debts.

In general, the low interest rates in the years prior to 2007 encouraged the emergence of financial instruments, so-called structured products, which geared up investors' income flows through a high degree of debt financing. These instruments can give a good return as long as economic growth is maintained. However, the instruments will result in substantial losses in times of stagnation or decline. Many investors sustained major unforeseen losses in 2008, which in turn affected their capability of investing in other instruments.

During 2008, many formerly reputable and sound institutions were downgraded by the rating agencies as a result of their exposure to credit risk. This included both American as well as European institutions. Asian financial institutions seem to be less affected. The two most publicized collapses were Bear Sterns and Lehman Brothers. The former was rescued when it was acquired by JP Morgan, while the latter went bankrupt. The bankruptcy of Lehman Brothers marked a clear turning point in the capital markets' risk perception. As the fourth largest investment bank in the USA, Lehman Brothers was considered "too big to fail". After the bankruptcy, credit instruments were traded at historically high levels of risk. The financial crisis had become a reality.

During the autumn of 2008, major rescue operations were launched for many banks and other financial institutions in both the USA and Europe. The granting of credit through the banks came more or less to a halt. The Norwegian financial sector was not unaffected by the financial crisis as a result of the sector's dependence on international financing. In some periods, the Norwegian interbank market was completely closed. As the economic development became weaker and raw material prices and freight indices fell, the Norwegian capital markets also followed suit with a significant decline in value.

The unrest in the capital and raw materials markets and the downturn in economic growth resulted in a considerable readjustment of exchange rates for many countries. The US dollar suffered a rapid decline in value at first, followed by a 20 per cent recovery. The Japanese yen rose significantly in value throughout all of 2008. The major changes in raw material prices and exchange rates resulted in major changes in the rate of exchange between countries, which, combined with weak economic growth, resulted in major changes in companies' earnings.

At the close of 2008, it was generally accepted that the global economy is facing major challenges in the coming years with low or negative growth and rapidly increasing unemployment. In order to stimulate the economy, many countries announced that they would implement significant measures to stimulate demand in 2009.

ADDITIONAL INFORMATION

KEY FIGURES

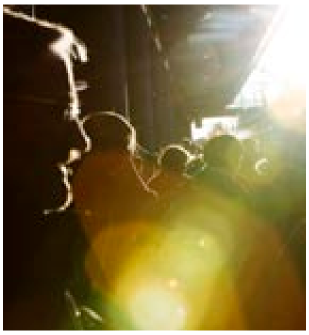
		1.1.-31.12. 2008	1.1.-31.12. 2007
GJENSIDIGE INSURANCE GROUP			
Return on financial assets [1]	%	(0.6)	6.3
Equity	NOK million	19,820.0	20,302.5
Return on equity [2]	%	1.5	15.4
Capital adequacy ratio [3]	%	21.0	26.1
Solvency margin Gjensidige Forsikring [4]	%	658.7	561.3
EQUITY CERTIFICATE			
Equity certificates, at the end of the period [5]	Number	77,200,000	77,200,000
Earnings per equity certificate in the period [6]	NOK	1.57	8.03
Ownership fraction [7]	%	25.0	25.0
GENEREL INSURANCE			
Market shares non-marine insurance Norway (FNH) per Q4 08	%	29.6	31.0
Gross premium written			
Private	NOK million	8,010.6	7,910.6
Commercial	NOK million	5,120.0	5,464.7
Total Norway	NOK million	13,130.6	13,375.3
Other Nordic	NOK million	2,155.5	1,810.4
Baltic	NOK million	657.7	432.6
Eliminations	NOK million	(77.7)	(388 .2)
Total	NOK million	15,866.1	15,230.0
Premiums, net of reinsurance [8]	%	98.0	98.4
Earned premiums, net of reinsurance			
Private	NOK million	7,911.4	7,729.8
Commercial	NOK million	4,909.7	5,072.7
Total Norway	NOK million	12,821.1	12,802.6
Other Nordic	NOK million	2,068.4	1,685.3
Baltic	NOK million	592.4	360.2
Total	NOK million	15,481.9	14,848.0
Loss ratio, net of reinsurance [9]			
Private	%	73.2	74.3
Commercial	%	85.9	85.2
Total Norway	%	78.1	78.7
Other Nordic	%	77.6	81.7
Baltic	%	62.1	63.7
Total	%	77.4	78.6
Cost ratio, net of reinsurance [10]			
Private	%	18.0	18.7
Commercial	%	13.7	13.4
Total Norway	%	16.4	16.6
Other Nordic	%	17.0	21.4
Baltic	%	31.0	31.6
Total	%	17.0	17.5
Combined ratio [11]			
Private	%	91.2	93.0
Commercial	%	99.6	98.6
Total Norway	%	94.4	95.3
Other Nordic	%	94.5	103.1
Baltic	%	93.2	95.4
Total	%	94.4	96.1
Equity			
Other Nordic	NOK million	3,763.0	2,762.7
Baltic	NOK million	445.6	97.2
Return on equity [2]			
Other Nordic	%	1.6	5.0
Baltic	%	11.7	24.0

KEY FIGURES

		1.1.-31.12. 2008	1.1.-31.12. 2007
PENSION AND SAVINGS			
Assets under management (GPF), addition in the period	NOK million	1,443.4	544.0
Assets under management (GIR), addition in the period	NOK million	193.0	425.2
Assets under management (GPF) at the end of the period	NOK million	2,040.5	597.0
Assets under management (GIR) at the end of the period	NOK million	806.0	613.0
Profit margin total in per cent [12]	%	1.7	2.5
Number of customers (pension), addition in the period	Number	17,462	9,833
Number of customers (savings), addition in the period	Number	1,240	3,184
Number of customers (pension), at the end of the period	Number	33,667	16,205
Number of customers (savings), at the end of the period	Number	7,360	6,120
Customers (pension) with insur. agreem. at the end of the per.	Number	28,617	13,126
Customers (savings) with insur. agreem. at the end of the per.	Number	6,028	5,080
Equity at the end of the period [13]	NOK million	390.2	299.0
Return on equity, annualised [2]	%	(38.6)	(45.9)
ONLINE RETAIL BANKING			
Gross lending, addition in the period	NOK million	3,330.0	3,381.4
Deposits, addition in the period	NOK million	4,430.3	1,701.1
Gross lending, at the end of the period	NOK million	6,711.4	3,381.4
Deposits, at the end of the period	NOK million	6,131.4	1,701.1
Deposits-to-loan ratio in the period [14]	%	133.0	50.3
Deposits-to-loan ratio at the end of the period [14]	%	91.4	50.3
Net interest income in per cent, annualised [14]	%	0.74	0.71
Number of registered customers, addition in the period [16]	Number	22,169	22,244
Number of registered customers, at the end of the period [16]	Number	44,413	22,244
Customers with insurance agreements, at the end of the period	Number	23,438	11,516
Equity at the end of the period [13]	NOK million	758.3	602.0
Return on equity, annualised [2]	%	(12.5)	(38.5)
HEALTH CARE SERVICES			
EBITA [17]	NOK million	41.0	26.4
EBITA-margin in per cent [18]	%	8.1	7.9
Equity by the end of the period	NOK million	96.0	78.8
Return on equity, annualised [2]	%	29.1	51.5

1 Net financial income in per cent of average financial assets including property, excluding Gjensidige Bank and Gjensidige Pensjon og Sparing.
2 Profit before tax for the period / average adjusted equity for the period.
3 Net subordinated capital / risk-weighted calculation basis, calculated on the basis of NGAAP for the Group.
4 The solvency margin is calculated at the company level and in accordance with the rules of the Financial Supervisory Authority of Norway.
5 The equity certificate capital was issued in December 2007.
6 The equity certificates' share of the profit or loss for the period / average number of outstanding equity certificates in the period.
7 Class I capital / (class I capital + class II capital). Calculated on the basis of the most recent audited company accounts approved by the General Meeting.
8 Earned premiums, net of reinsurance / gross premiums written (total general insurance operations)
9 Claims incurred, net of reinsurance / earned premiums, net of reinsurance
10 Insurance-related operating expenses / earned premiums, net of reinsurance.
11 Loss ratio, net of reinsurance + cost ratio, net of reinsurance
12 Profit margin total in per cent = (earned premiums – claims + management income for the period) / average assets under management for the period
13 Includes proposed Group contribution.
14 Deposit-to-loan ratio = deposits as a per centage of gross lending.
15 Net interest income in per cent, annualised = (Interest income – interest expenses) / average assets under management.
16 Registered customers include customers who have signed up to be customers during the last six months (started the "become a customer" process) and customers that actively use the bank.
17 EBITA = Earnings before interest, taxes and amortisation
18 EBITA margin in per cent = EBITA / operating income

PERSPECTIVE



THE PEOPLE BEHIND THE NUMBERS

The Gjensidige Group has a need for special expertise in many different professional fields and recruits many professions in addition to economists.

The Group hires different professions, ranging from policemen and lawyers, to physicians, nurses, engineers, car mechanics, auditors and agronomists. For example, health personnel make assessments in connection with injuries, and engineers work with general insurance. Gjensidige also has employees with a graduate degree in Norwegian, who work with language and communication associated with the development of the Internet.

The investments in Denmark, Sweden, and the Baltic States allow for new, exciting job opportunities and has contributed to expand the Group's internal labour market. In 2008 Gjensidige recruited almost 200 new employees, and a total of 3,640 persons were employed by the Group at year-end.

Gjensidige is working to increase the ethnic diversity in the company. The project Culture-Ethnicity-Insurance, which was launched in 2007, was further developed in 2008 in order to start providing customer services in different languages. You will find more information about this project on page 47, Gjensidige and society.

DEVELOPMENT OF SKILLS AND A CORPORATE CULTURE

A common corporate culture in the Group is one of many factors that contribute to further growth. Arranging matters to promote continuous learning and increased exchange of experience is thus a necessary measure.

A new corporate culture is developed by raising our expectations and communicating them to management and employees, who also develop greater responsibility and raise their own expectations. The exchange of knowledge among employees helps promote continuous learning on a daily basis. Involvement and guidance are important elements of this development.

Courses and further education under the direction of the Group shall enable Gjensidige to meet future competency requirements. E-learning ensures consistency and good integration of skills strategies and brand. It also ensures quick updates and good communication between professions and developers.

Education through involvement is an important tool in management training and in development programmes that extend over a period of time. It is based on four principles: involvement, social responsibility, independent thinking and relevance.

MANAGEMENT DEVELOPMENT

Management is a key factor facilitating the translation of strategy into action, and management development is therefore an important part of Gjensidige's organisational development work. Gjensidige has developed a separate management platform, which expresses the organisation's expectations of the management and which is the core of the Group's management development programme.

A management platform is a clarification of the business's perception of what a manager is and its expectations of what he or she does. A manager's management platform consists of a recognition of his/her own strengths and weaknesses and a set of personal core values, combined with experience, professional knowledge and good insight into how he/she can influence and affect other people.

Gjensidige has prepared a multi-step management development programme. The manager and the Group's expectations of its managers is the main focus. Interaction gives managers a chance to reflect upon their own strengths and development. All managers in the Group shall meet regularly throughout the whole project.

The first step in the project is a focus on strategy, corporate culture and management platform. After that, the focus is on change management and the Group's expectations of the manager. In the autumn of 2008, all of the managers of Gjensidige took part in step three of the programme, where the theme was decision-making.

THE EMPLOYEE PROGRAMME

For a long time, the Group has been concerned with employee development, and never before have so many resources been used in the development of our employees as now. Gjensidige is growing internationally as well, and as a step in the development of an international group, emphasis is being placed on early involvement throughout the Group and participation by all managers.

The organisation's efforts and commitment should give the Group a further boost. Great importance is attached to motivation and the ability to work in a Group that regularly undergoes new changes and organisational development. A key measure in this respect is the employee programme. The project helps facilitate a dialogue about common goals and challenges and also wants to inspire all employees to become more aware of their own situation and development.

Part of the purpose of the employee programme is to make the employees more aware of their role and to show how important employees are to Gjensidige. Gjensidige attaches importance to letting employees be responsible for their own role and initiative.

In practice, the programme is implemented at meetings attended by all employees throughout the Group. These meetings are followed up by mini-processes where small groups of employees work to incorporate the management's message and further their own development. In the winter and spring of 2008, meetings were held for all employees.

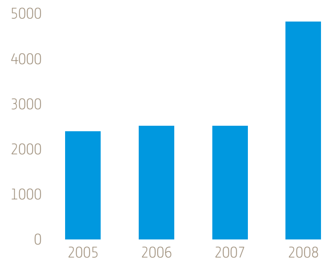
As in the management development programme, an interactive methodology is used in which dialogue, reflection and discussion are encouraged. The group management attends as role models so that they may share their own thoughts and experiences and communicate with the employees.

THE TRAINEE PROGRAMME

Gjensidige has recruited 3-4 trainees annually since 2001. The trainees in Gjensidige have been given a close follow-up, genuine career opportunities, a lot of responsibility and big challenges. They have a large network supporting them in the company, and the trainee programme is well established in the Group.

Each of the trainees has his/her own mentor in the group management and a sponsor selected from among the Group's most capable managers. The programme provides sound insight into Gjensidige's strategy, operations and corporate culture. The trainees shall also function as agents of change internally by challenging the organisation's established truths. During the trainee period of 15-16 months, they are deployed in different areas and regions, where at least one deployment will be with one of the Group's subsidiaries in Copenhagen or Stockholm.

NUMBER OF TRAINING DAYS

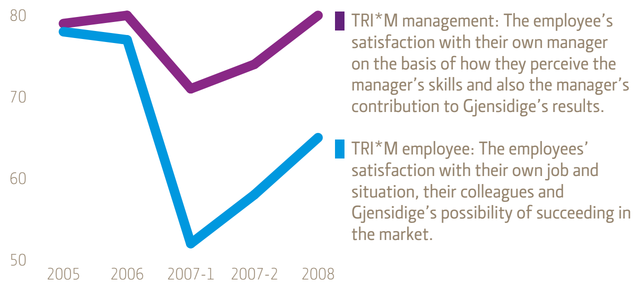


PER KÅRE OLSEN
Director

– Through a close dialogue and cooperation with the commercial division, we will be able to ensure solutions that are good enough given the technology and functionality that we have at our disposal. Holistic thinking in the Group dimension and reuse of functionality and technology help ensure synergy extraction, good management and control, and stable and efficient operations.

«It is important to think holistically and untraditionally in order to help facilitate change processes and to achieve the business goals.»

TRI*M INDEX

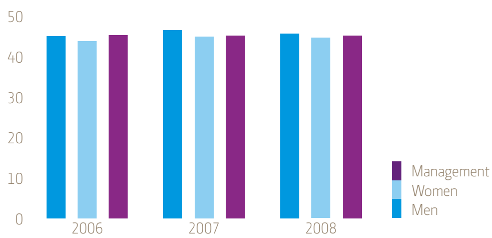


«For me, being a good manager means being committed to your work and to those you work with.»

ANNE MARIE LANDSVERK HOLST
Product Manager

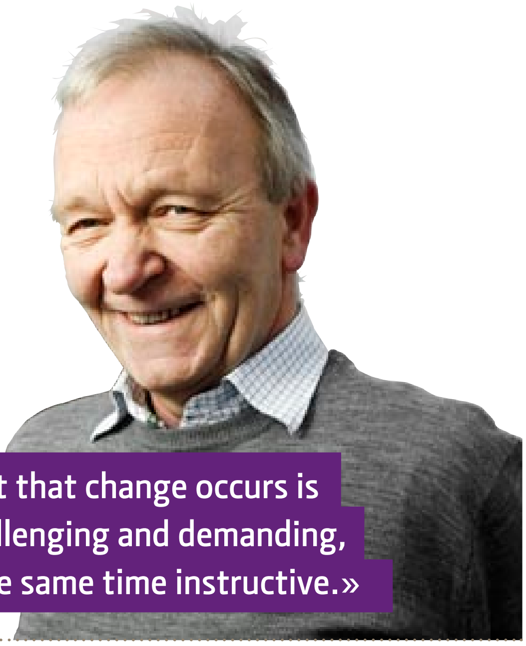
Management development helps me increase people's awareness of me as a person and of my qualifications, of how I am perceived as a manager by my employees and also of how I can develop further to become an even better manager.

AVERAGE EMPLOYEES AGE



FRANK NILSEN
Customer advisor

I have been involved in many changes since I began working in insurance in 1987. Changes enable me to develop my expertise and to develop as a person. Gjensidige has carried out major reorganisations in recent years, and in my opinion a great willingness has been shown by the employees to have them carried out in a good way.



«The fact that change occurs is both challenging and demanding, but at the same time instructive.»

GJENSIDIGE AND SOCIETY

Gjensidige practices social responsibility by safeguarding life, health and property. Support for measures to prevent loss has always played an important role. The Company has been an active contributor to local communities ever since the first mutual fire insurer was established in 1816.

Gjensidige shall offer products and services required by society and also contribute to society through sponsorship activities, cooperation agreements and alliances. Conduct and actions shall be in accordance with the general perception of justice and fairness, and in accordance with our own code of ethics. The core values of being helpful and accessible shall be reflected in everything the Company does.

The Gjensidige Foundation is an independent and democratic charitable foundation that promotes Gjensidige's social responsibility and role in Norwegian society in keeping with the Company's historical foundation. Common to all the causes to which the Gjensidige Foundation has given money is the fact that they benefit many people and make the local community safer.

Gjensidige is a collaborative partner with the Center for Corporate Diversity (CCD). Through its work, CCD helps increase understanding of the significant role that diversity in the broad sense plays for future value creation.

DISTINGUISHED BY HIGH ETHICAL STANDARDS

Ethics and morals are a basic prerequisite for Gjensidige, and our operations shall reflect mutual honesty and respect. Gjensidige's decisions and actions shall be controlled by norms, values and ethical rules and be in accordance with the general interpretation of the law and the position of Gjensidige as a substantial contributor to society.

All of the activities at Gjensidige shall bear scrutiny. Gjensidige's operations are dependent on trust from all quarters, and it is expected that employees and elected representatives act with care, integrity and respect, and in accordance with the norms, rules and laws that apply in society.

Every year, the Company uses a great deal of resources on education efforts, e.g. to uncover insurance fraud. The company has noted that fewer people consider adding a little extra to an insurance claim as fraud. This indicates that the educational efforts focusing on insurance fraud must continue and that Gjensidige must take its share of the responsibility to do something about this.

Gjensidige has conducted social surveys in the general population and business community over the last six years. In the surveys, the Company studies a number of issues that are relevant to the Group, such as insurance fraud, corruption and people's worries about losses and conduct related to loss prevention. Gjensidige can thus follow developments over time in important areas.

ODD A. RØD
Technical Director, fire

As a player in the public debate, Gjensidige plays an active role in the efforts to prevent loss. We want to do our best to ensure that laws and regulations are formulated in the best way possible to safeguard assets.

«In the preventive work, it is important that we, the authorities and other organisations all pull in the same direction.»

SPONSOR

Gjensidige is the main sponsor of the Norwegian Handball Association (NHF) and the women's national handball team. The agreement with the Norwegian Handball Association was entered into in 1993 and was last renegotiated in the summer of 2008 for a term lasting until the Olympics in London in 2012. As the flagship for team sports in Norway, and as fantastic sports ambassadors, the handball girls give Gjensidige extensive media exposure. The handball girls have won several championships and titles throughout the years, most recently an Olympic gold medal in the Beijing Olympics in 2008 and a European Championship gold medal in December 2008.

Gjensidige has made a significant contribution to the recruitment to handball through the establishment of the Gjensidige Handball School in cooperation with the Norwegian Handball Association in 2007. The object of the Gjensidige Handball School is to promote recruitment and activities for children and young people, and the schools shall be open to children between the ages of six and thirteen.

CONTRIBUTION TO SOCIETY

As part of the effort to safeguard life, health and property, the Company has a number of specific customer-oriented and in-house projects.

Fire protection for those who have the highest fire risk

Gjensidige took an initiative to safeguard those who have the highest fire risk in Oslo as early as 1998. Persons over the age of 67 have a risk of dying in a house fire that is three times greater than the rest of the population.

Gjensidige has established cooperation with the Oslo Fire and Rescue Department, the Home Care Service and the Town Hall to safeguard those who need assistance from the Home Care Service. There is reason to believe that those who need assistance from the Home Care Service have an even greater fire risk than persons over the age of 67 who do not need that kind of assistance.

Society is planning for the elderly to live at home longer, and hence Gjensidige believes that it is the responsibility of society to provide them with satisfactory fire safety. Efforts are currently underway to make this a nationwide measure.

Traffic safety

Gjensidige, which is the largest motor insurance company in Norway, is working actively to promote traffic safety as a measure to help prevent loss. In this work, the Company is focusing on assessing the effects of different measures.

For the last three years, Gjensidige has arranged the conference "Den trygge bilen" (The safe car), where the effects of modern technology in cars has been the main theme. In addition, Gjensidige has started the Karmøy project, where young people make use of new technology by driving around with "speed alerts" in their car. Traffic researcher Tore Vaaje has represented Gjensidige in this project.

Customer service in English

Gjensidige is the only Norwegian insurance company that offers services in English to its private customers. In the same way as the Norwegian society, Gjensidige's customer base is also distinguished by increased diversity of cultural background and native language.

The arrangement was introduced after a pilot period, which showed that there is great demand for assistance in English from customers throughout the whole country. A pilot project is underway, which serves customers now in twelve different languages. In addition to English, the languages that are being tested are French, Swedish, Arabic, Urdu, Punjabi, Hindi, Farsi, Albanian, Serbian, Bosnian and Croatian.

SUSTAINABILITY

Gjensidige's core operations will be directly affected by climate change through the trend in claims. It is therefore natural that Gjensidige play an active role in reducing greenhouse gas emissions, preventing the consequences of the climate change and helping our customers make good environmental choices.

TAKING CLIMATE CHANGE SERIOUSLY

Gjensidige's goal is to provide security in the future as well. As an insurance company, Gjensidige plays an important role by contributing to greater knowledge on the effects of climate change.

It is important to understand the consequences of climate changes on properites, businesses and municipalities and how a change in the trend in claims will affect Gjensidige's core operations and the consequences for our customers. Therefore, Gjensidige has cooperated in recent years with research institutions in order to find out the impact that climate change will have on homes and property in Norway.

REDUCING ENVIRONMENTAL IMPACT

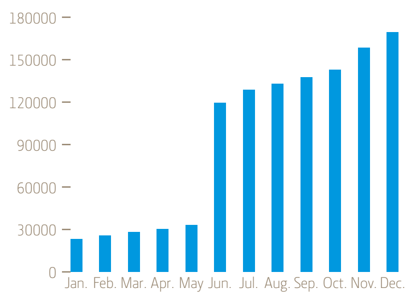
Gjensidige takes responsibility for reducing the environmental impact of its own office operations. The climate accounts show that the most important areas of focus for Gjensidige are reducing energy consumption in our office buildings, replacing a number of air and automobile trips with the use of video conferences and reducing the environmental impact of our company cars.

Video conferences have been in use for a number of years at Gjensidige. In the spring of 2008, the solution for video conferences was improved, and the user threshold was lowered. Surveys of use show a rapid growth in the use of video conferences after the introduction of a new solution.

Gjensidige is now purchasing carbon offsets, so the Norwegian insurance business is carbon neutral.

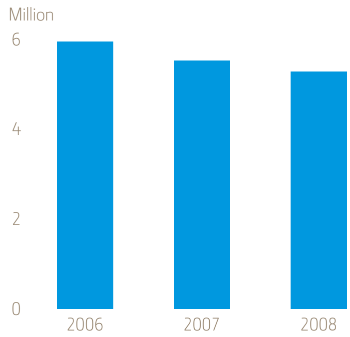
In the last decade, energy economizing has been a priority area for Gjensidige's office operations. Efforts are being made continuously to reduce the energy consumption in our office buildings.

NUMBER OF E-DOCUMENTS IN 2008



Trend in the number of customers which has accepted to receive their insurance information by e-mai

PAPER CONSUMPTION



Trend in internal paper consumtion at the Groups headquarter at Lysaker

«Focusing on both climate and the society simultaneously is a win-win situation.»

ELISABETH MEZE
Climate Researcher

It is not just human-generated climate changes that make us vulnerable to extreme climate situations; it is the social development itself that in many cases increases our vulnerability. It is impossible to solve all climate problems at once, but if each of us takes a number of small steps, the road becomes shorter and easier to traverse.

In the autumn of 2008, Gjensidige's head office was environmentally certified. The certifying authority's assessment is that Gjensidige maintains a high standard with regard to practical environmental management in both the indoor and external environments. Gjensidige is working on environmental certification of other office buildings.

Gjensidige is a major consumer of paper and is constantly working to reduce its paper consumption internally and in dealing with its customers. The most important measure is to reduce the scope of insurance documents that are sent out to our customers, and Gjensidige is working systematically to obtain the consent of its customers for e-documents, and has obtained a rapid increase in the number of users.

This reduces the volume of paper and also gives the customer a better overview of banking and insurance documents

Internal consumption of paper has been reduced considerably during the year, largely because of the Uniflow system, which was introduced in 2008 for the management of all copying and printing processes and has resulted in major savings in paper volume.

THE WORK ON CLIMATE CHANGE AT THE INTERNATIONAL LEVEL

Gjensidig has been involved in climate research for a long time; already in 2001 we initiated a project to study the impact of climate change on the insurance industry. By surveying the vulnerability resulting from previous weather events and modelling the ways in which climate change can change the claims situation in the coming years, it will be possible to make customised recommendations to our customers in order to prevent future losses. The climate models that estimate regional climate changes will be regularly updated in cooperation with the Norwegian Computing Centre and the Norwegian Meteorological Institute.

In 2008, Gjensidige was granted support for a four-year EU project under EC FP7 "People Industry and Academia Partnerships and Pathways scheme" together with the London School of Economics, the Norwegian Computing Centre and Lloyds London. The project Climate Change and the Insurance Industry (CCII) will bring statisticians and insurance and climate experts together to develop a methodological basis for the emerging field of climate change insurance risk so that the insurance industry can adapt in response to expected weather and climate risks.

CCII will access insurance data from partners and agencies as well as a huge amount of weather and climate data to develop models and methods of real relevance to decision-making in the insurance industry and to inform government and regulators.

MANAGEMENT

RISK AND CAPITAL MANAGEMENT

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

As a financial group with core business operations in general insurance, risk and risk management are a natural and critical part of Gjensidige's operations.

CAPITAL MANAGEMENT

Managing risk through monitoring, quantification, management and control is essential for an insurance company. The insurance company must have adequate capital to bear risk, and the Company's financial strength should therefore be an important factor for customers. On the other hand, equity is expensive, and so it is also important to keep the costs associated with capital as low as possible. A key element of capital management in the Gjensidige Group is to balance these two aspects. In December 2008, the Board of Directors of Gjensidige Forsikring approved a special capital management policy that covers capitalisation, capital structure and the use of capital as a management tool for the Group.

The amount of capital that is required can be determined on the basis of three different perspectives:

- Statutory requirements from regulatory authorities
- Requirements to maintain a targeted rating from rating companies
- Requirements based on internal risk models

Regardless of which of the above-mentioned perspectives is taken, Gjensidige is very well-capitalised.

In order to avoid charging the insurance business an excessive capital cost, only the capital that is required based on the most binding of these three perspectives is allocated. The remaining capital is kept either as a buffer for further capital requirements in its insurance business (excess capital) or for strategic purposes, including capital tied up in the Group's ventures in banking, pensions and savings.

The rating company Standard & Poor's also rates the Group as very strongly capitalised and assigned Gjensidige Forsikring BA an 'A' rating with stable outlook as late as September 2008. Gjensidige has had this rating since 1999. In its assessment, Standard & Poor's also emphasises the Company's strong market position and good insurance profits over a period of many years.

The internal capital requirement in the insurance operations is calculated on the basis of Gjensidige's proprietary simulation model. The model is an advanced stochastic simulation model of Gjensidige's insurance and investment opera-

tions. In December 2008, the Board of Directors approved that the internal capital requirements should be calculated as necessary capital in order to tolerate the actual scenario corresponding to the 99.97 per cent worst outcome (or the 3/10,000 years' scenario). This roughly corresponds to a long-term requirement for achieving an AA rating, which is in line with what many other general insurance companies have chosen. In connection with this, both capital requirements and available capital are measured on the basis of a market value consideration of both assets and liabilities. The sample space is normalised for expected trends so that it is the deviation from the expected trend in the market value of assets minus liabilities that determines the capital requirements. This definition of risk tolerance is a change relative to the one that has been previously employed by Gjensidige. The model is used to measure the overall impact of several different types of risk and how this capital requirement can be allocated to different parts of the business according to the contributions of each individual area or source of risk to the overall risk.

The internal risk model is essential to the preparation of the Group's reinsurance programme and the determination of its asset allocation. Based on the capital cost perspective and an estimation of economic value creation, the various asset allocations and reinsurance alternatives are analysed in a consistent manner according to a risk-based and economic perspective.

The capital requirements that have been calculated for the insurance operations are allocated to the individual products based on their contribution to the overall risk. This forms the basis for the measurement of profitability above and beyond the purely actuarial results so that financial income and capital costs are also taken into consideration in the measurement of profitability. This is performed on the basis of a long-term perspective over a complete cycle in the insurance market. The profitability targets for individual years in the budget will also be influenced by the current market situation. The same procedure is also employed in the internal performance reports for the different business areas within insurance.

The capital management department is part of the department for strategy, finance and business development, which is managed by the deputy chief executive officer. However, the work associated with capital management involves a number of functions, such as actuarial calculations, reinsurance, investment, product departments, and the investment and accounting function. These functions have also participated in preparation of the Group's internal models.

Additional information and figures concerning risk and capitalisation can be found in note 3 to the annual accounts.

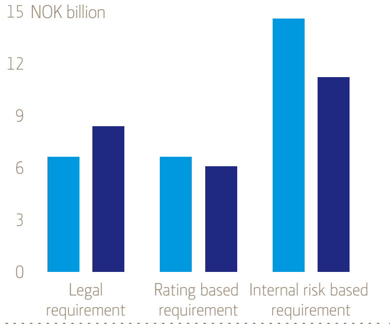
INVESTMENT STRATEGY

The investment strategy for the Group and for the individual subsidiaries is approved annually by the Board of Directors of Gjensidige Forsikring and the boards of directors of the individual subsidiaries respectively. The capital management department is responsible for the preparation of the decision-making basis for these approvals. The investment strategy should give the best possible balance between the expected return and risk based on the needs of the insurance operations to balance expected future payments with cash flows from investments, while other funds are invested to optimise the return relative to risk. In this balancing, considerable emphasis is also given to the liquidity and other risk characteristics of the assets. In addition to approving the scope of the asset allocation, the Board of Directors also approves the scope of liquidity and exposure to bonds and foreign exchange, and the scope of regular risk taking depending on the profit performance (dynamic risk management). In addition to guaranteeing the insurance obligations, the comprehensive objective for the investments is to achieve an excess return above a money market rate with little risk.

In addition, the Board of Directors of Gjensidige Forsikring has approved a capital management policy that describes the comprehensive guidelines that apply to the management, including organisation and responsibility, reporting to the Board of Directors and the management and perpetuation of the independent control. This also includes the design of stress tests and criteria for the use of derivatives and a list of instruments approved for use in management.

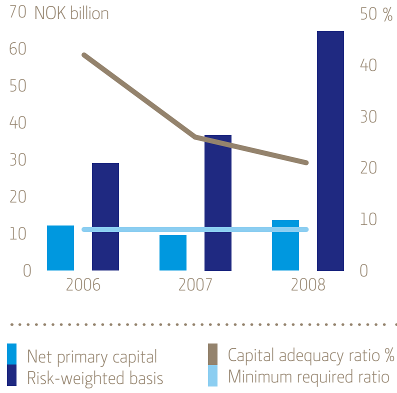
The investment department uses the investment strategy and capital management policy and is responsible for investing and for making adjustments based on market view and the defined limits and restrictions. This means selecting the best actual asset allocation at any given time (tactical asset allocation) and deciding which managers are to be used and how their management mandates should be formulated. As part of the dynamic risk management, the trend in financial income is measured against pre-defined minimum levels, and the risk in the total allocation is reduced if the financial trend is significantly weaker than forecast. The objective of this is to help promote stability in the financial income and the return on equity and thereby increased security so as to be able to pay dividends.

CAPITAL SURPLUS
FROM DIFFERENT PERSPECTIVES



The trend in the excess capital on the basis of the statutory (the Group's capital adequacy), rating-based (necessary capital for an 'A' rating) and risk-based perspective from 2007 to 2008.

CAPITAL ADEQUACY



The trend at the Group level for the capital adequacy rules (the BIS rules)

In addition to dynamic risk management, absolute risk monitoring is performed by means of stress testing. This entails the calculation of loss – also taking into consideration insurance risk – given a negative market scenario relative to the overfunding of the Group in relation to statutory capital requirements. Gjensidige's financial strength gives a high margin relative to this requirement, even using a conservatively estimated market scenario.

STATUTORY CAPITAL REQUIREMENTS AND PREPARATION FOR FUTURE CHANGES

All financial institutions, including Gjensidige Forsikring and those of its subsidiaries that are financial institutions, must meet certain statutory capital requirements. All of the companies in the Group have met these requirements throughout 2008.

There is an ongoing Solvency II project under the direction of the EU, and this project will result in a completely new standard for capital adequacy and regulation of European insurance companies. Solvency II will help improve the quantification of risk and capital requirements for insurance companies, and it will strengthen risk management in general. The new regulations, which are expected to enter into force in 2012, will give the companies a greater incentive to measure and manage all risks in a consistent manner. Gjensidige and its subsidiaries are actively following the developments and have, for example, participated in the quantitative consequence calculations and conducted a preliminary study in 2008 to determine how the Group ought to prepare itself in order to meet the new requirements. The conclusion from the preliminary study is that Gjensidige is well-positioned to meet the new requirements. Solvency II will also entail new requirements for the way in which risk management is organised and performed as well as reporting requirements to both the supervisory authorities and external entities. This trend can also be observed in the credit rating companies' increased focus on enterprisewide risk management when ratings are to be assigned.

As a step in this development, Kredittilsynet (the Financial Supervisory Authority of Norway) has developed a new framework for risk-based supervision, including a stress test model. In Denmark, an individual capital adequacy test was introduced in 2008, which Gjensidige in Denmark used in its reporting for the first time in 2008. Gjensidige's Swedish subsidiaries report according to the Swedish "traffic light" model.

:: IN FOCUS

Trend in capital requirements and equity

The Group has selected capital adequacy as a statutory perspective because this has been the most binding of the statutory requirements. For the internal, risk-based perspective, the revised risk tolerance has also been used for 2008.

From a statutory and rating-based perspective, the subsidiaries outside of the insurance sector are also included in the calculation of capital requirements, whereas the internal requirement is only calculated for the general insurance operations. In this perspective then, equity is actually used as a capital requirement for the subsidiaries outside the general insurance operations (primarily Gjensidige Pensjon og Sparing, Gjensidige Bank and Hjelp 24 NIMI).

The graph above to the left shows that the trend in the capital situation has varied depending on the perspective that is selected. The risk-based perspective gives reduced overfunding primarily based on the drop in the market value of the Storebrand holding, increased volatility in the financial markets and declining interest rates that have increased the current value of the actuarial provisions. The Storebrand holding is also the main explanation for the drop in overfunding based on the rating model.

The capital adequacy (the graph above to the right) is calculated as the quotient of the net primary capital and the risk-weighted basis, and the minimum requirement is eight per cent. For the purposes of capital adequacy, the stake in Storebrand was consolidated after the item was reclassified as an associated company. For 2008, this entailed an increase in both primary capital and the risk-weighted balance. The capital adequacy in per cent of risk-weighted balance has been reduced, whereas the overfunding in NOK million has increased.

GJENSIDIGE'S EQUITY CERTIFICATES

Gjensidige's equity certificates will give investors an ownership interest in the largest Norwegian-based company for general insurance and insurances of the person. An equity certificate is a negotiable security with characteristics that are familiar from shares.

OWNERSHIP FRACTION

In 2007, Gjensidige reclassified 25 per cent of its customer-managed capital as equity certificate capital. This entails that 25 per cent of the Company is owned by the equity certificate holders, while 75 per cent of the Company's capital is controlled by the Norwegian customers for general insurance and insurances of the person. The Gjensidige Foundation is currently sole owner of the equity certificates.

Gjensidige's two equity classes are:

- Equity attributable to the equity certificate holders, Class I-capital
- Equity attributable to the customer-managed capital, Class II-capital

The ownership ratio between the two groups is referred to as the ownership fraction. The ownership fraction specifies the percentage of the capital that is owned by the equity certificate holders, and it amounts to the ratio between Class I-capital and the sum total of Class I and Class II-capital. The calculation is made based on the most recent audited company accounts that are approved by the General Meeting.

The ownership fraction may change over time, due, for example, to the following:

- Capital increase through the issuance of new equity certificates
- Merger with another mutual company
- Buyback of equity certificates
- Loss for the year

RIGHT TO DIVIDENDS

In the same manner as shares, the equity certificates entitle the holders to a proportionate share of the Company's profit for the year corresponding to the ownership fraction. The equity certificate holders' share of the profit for the year will be distributed as dividends, if this is approved, or allocated to the equity certificate holders' equalisation fund.

The size of the dividend will be proposed by the Board of Directors and will be in accordance with Gjensidige's dividend policy. Gjensidige's aim is to distribute between 50 and 80 per cent of the profit after tax as dividends. The dividends will be divided between the equity certificate holders and the insurance customers according to the ownership fraction.

BETTER PROTECTION OF THE CAPITAL

If Gjensidige realises negative earnings for the year, the loss will be charged primarily to the customer-managed capital. This is because the loss is distributed proportionately between the two equity classes within the three main capital groups (see figure below).

If there is a loss, it will first be divided proportionately between Class I capital with the lowest priority (equalisation fond and other equity attributable to Class I) and Class II capital with the lowest priority (retained earnings and other equity attributable to Class II). If this is not sufficient to cover the loss, the remaining loss will be divided proportionately among the next priority class(es) until the loss has been covered.

EQUITY CAPITAL CLASSES

	EQUITY CERTIFICATE CAPITAL (CLASS I-CAPITAL)	COSTUMER MANAGED CAPITAL (CLASS II-CAPITAL)
MAIN EQUITY GROUPS (Priority)	Face value equity certificate capital	
	Premium reserve	Compensation fund
	Equalisation fund Other equity attributable to class I	Retained equity Other equity attributable to class II

Since losses are not distributed between the two capital classes in accordance with the ownership fraction, it will result in a change in the ownership fraction. To counteract this effect, the articles of association contain provisions allowing the customer-managed capital to rebuild its ownership interest through letting all or part of its share of the annual dividends remain in the Company, limited to a maximum period of three years.

RIGHT TO ATTEND THE GENERAL MEETING

The equity certificate holders are entitled to attend the General Meeting and will control 25 per cent of the votes at the General Meeting at any given time. Each of the equity certificates has one vote. The voting share of the equity certificate holders will be distributed proportionately among the equity certificate holders who attend and vote at the General Meeting, so that they collectively represent 25 per cent of the votes.

NO DILUTION PROBLEMS

Unlike the case with traditional primary capital certificates, there will not be any financial dilution of the customer-managed company capital or of the equity certificate holders when equity certificate capital is increased or dividends are paid.

In the event of capital increases, the premium will be distributed proportionately between the two equity classes (the premium reserve and the compensation fund) and not allocated exclusively to the equity certificate capital. This means that changes in the ownership fraction will reflect the economic realities of the transaction.

Dividends will be paid to both equity classes according to the ownership fraction. This allows us to avoid that one of the equity classes (the customer-managed capital) is able to "buy" interests in the Company at book value by letting dividends remain in the Company. There is one exception to this rule: In loss situations the customer-managed capital is charged for a relatively greater share of the loss for the year than indicated by its ownership fraction. As described above, the articles of association permit the customer-managed capital to retain all or part of its dividends in the Company for a maximum period of three years in order to reestablish the ownership fraction at the same level as before the loss for the year.

:: IN FOCUS

Share-like securities

The equity certificates have been issued in accordance with the Primary Capital Certificate Regulations. The equity certificates have been structured through provisions in the articles of association so that they have the same characteristics as shares to the greatest extent possible as permitted by the law. The equity certificates deviate from shares in a few significant areas due to the solutions provided in the legislation.

- The equity certificate capital has better protection than share capital in a loss situation. The order of priority for the write-down of capital entails that any losses will first be charged to the customer-managed capital and the equity owners' equalisation fund. The loss will be charged on a pro rata basis between these two capital elements, before any other capital elements must be charged.
- The equity certificate holders will have 25 per cent of the votes at the General Meeting, regardless of their ownership interest. This means that the equity certificate holders may have a greater or lesser share of the votes at the General Meeting than indicated by their ownership interest.

In NOU 2009:2, the Banking Law Commission has proposed a regulation for the current primary capital certificates, which is in accordance with Gjensidige's thinking concerning the interaction between the ownership interest capital and the Company's basic capital (other equity).

CORPORATE GOVERNANCE

Gjensidige Forsikring is a mutual company that has issued equity certificates (primary capital certificate) that are assumed to be listed on the stock exchange. The Board of Directors has therefore decided to comply with the "Norwegian Code of Practice for Corporate Governance" applicable at any given time to the extent it is appropriate for a mutual insurance company.

Gjensidige Forsikring has two owner groups – customers and equity certificate holders. The customers cannot transfer their "ownership interest" to others. Their rights cease as soon as the customer relationship is terminated. The equity certificates are freely negotiable. A relative ownership interest in the Company and its value creation is tied to the equity certificate in the same way as for a share. The customers have a total of 75 per cent of the votes at the General Meeting, whereas the equity certificate holders have a total of 25 per cent of the votes. At present, equity certificate holders also have 25 per cent of the financial rights in the Company.

The equity certificates are owned by the Gjensidige Foundation – a charitable foundation that focuses on security and health. The foundation is required to sell the equity certificates in accordance with instructions from Gjensidige Forsikring. The plan is to sell them in combination with a stock exchange listing of the certificates on Oslo Børs (the Oslo Stock Exchange) or in some other way as part of a structural solution.

The General Meeting is the supreme body in Gjensidige Forsikring. The structure of the bodies under the General Meeting mirrors the structure of financial institutions in Norway with a Supervisory board, a Board of Directors with subcommittees, a Control committee and a Nomination committee.

In Gjensidige, the customers have certain rights in the Company, the most important being that the customers with a permanent connection to Norway have rights related to the control of the Group and that they can receive dividends in keeping with the rules approved by the General Meeting. The customers have these rights by virtue of being customers, and the rights lapse as soon as the customer relationship is terminated. Thus, there are no deposit requirements of any kind, and the customers do not assume any liability beyond the obligations they have as customers. The rights as a customer cannot be transferred or otherwise administered legally. Each customer has one vote regardless of the size of the customer portfolio, whereas any dividends that are distributed among the customers will be in proportion to the size of the customer portfolio.

To the right on the next page is an illustration of the management structure. It is the Board of Directors that has and exercises responsibility for ensuring that the Company's corporate governance is in accordance with the current "Norwegian Code of Practice for Corporate Governance" at any given time

CORE VALUES AND ETHICAL GUIDELINES

The business has a set of core values based on the international cooperative society principles, but the organisation and arrangement of the operations are adapted to generally accepted corporate governance principles in the equity market. The equity certificate holders and the customers in their capacity as owners have a common economic and rational platform for jointly conducting the business.

Gjensidige defines ethics and reputation as a basic premise for its operations, and the operations shall reflect mutual honesty and respect. Decisions and actions shall be controlled by norms, values and ethical rules that are in accordance with the general interpretation of the law and the position of Gjensidige as a significant contributor to society and a general insurance company.

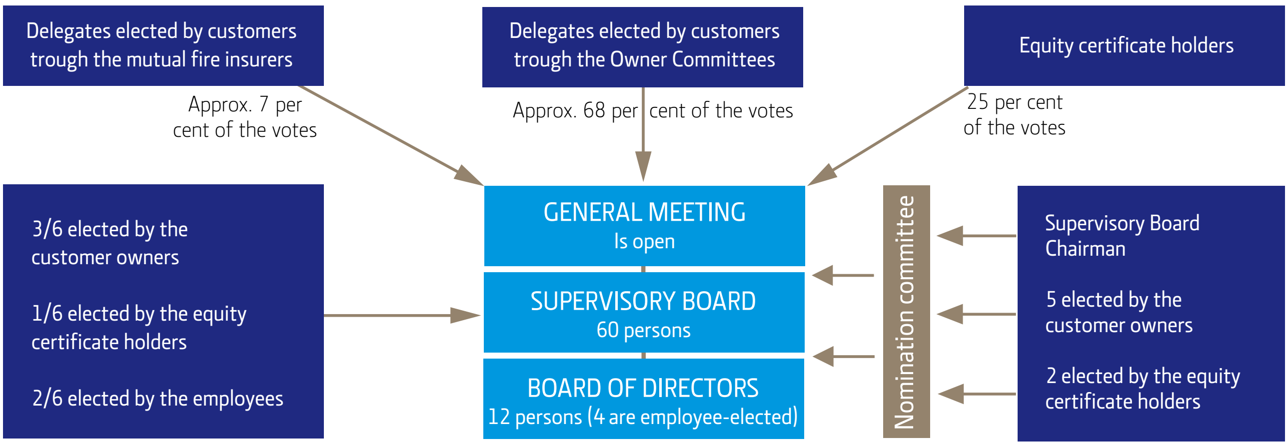
Gjensidige's operations are dependent on trust from all quarters. Trust is not something that can be decided on; it must be earned. It is expected that employees and elected representatives will behave with care, integrity and respect. All of the activities at Gjensidige shall bear scrutiny.

OPERATIONS

The Company's objectives are established in the articles of association, which are accessible on the Group's web site, www.gjensidige.com. The primary objective is to meet the customers' security needs by offering competitive insurance products and other services that are naturally related to those products. In accordance with the articles of association, the Company may own companies that are engaged in operations involving general insurance, life insurance, banking, financing and securities, plus other companies in accordance with the Act on Financing Activity and Financial Institutions or the Insurance Act, or other companies that are naturally associated with them. According to the articles of association, the Supervisory board determines, and has determined, guidelines for the Company's operations, and the Board of Directors determines, and has determined, the strategy for achieving the Company's goals. For more information, cf. page 67.

EQUITY AND DIVIDENDS

The Company has two classes of equity: Class I-capital (equity certificate capital) and Class II-capital (other equity). In Official Norwegian Report NOU 2009:2, the Banking Law Commission has proposed a regulation that is in



accordance with the Company's thinking about the interaction between ownership interest capital and the Company's basic capital (other equity). For more detailed information about these matters, cf. this report.

The Company's ownership fraction is the ratio between Class I capital and the sum total of Class I and Class II capital according to the most recent audited company accounts approved by the General Meeting. The Board of Directors bases its annual dividend proposal on the Company's need to retain capital in light of the Company's capital situation and imminent plans. The dividend that is approved for distribution is divided in accordance with the articles of association among the customers and the equity certificate holders according to the ownership fraction. The internal distribution of the dividends to the customers is distributed among the customers in accordance with the rules and principles determined by the General Meeting. The Board of Directors has formulated a dividend policy. At present, no authority has been granted to the Board of Directors with regard to a capital increase or purchase of the Group's own equity certificates.

For more information about the Company's equity and equity policy, cf. page 45.

EQUAL TREATMENT

Financially, the capital classes are treated equally, but in the event of liquidation, the equity certificate holders (Class I) will have priority (better security) over the other equity (Class II). The organisational rights are currently distributed equally in proportion to the share of capital in the Company. However, in the event of new issues, the equity certificate holders' organisational rights may be diluted. The Class II capital is less well-secured than the Class I capital, and that is the grounds for a possible subsequent unequal division of the organisational rights.

Board members and executive management must give notice if they have any direct or indirect material interest in an agreement before it is entered into by the Company. Normally, such agreements will not be accepted, and no such agreements exist to the best knowledge of the Board of Directors.

FREE TRANSFERABILITY

The equity certificates are freely transferable in accordance with the articles of association. The customers' rights cannot be assigned or otherwise administered legally. They cease to exist when the customer relationship ends.

GENERAL MEETING

The General Meeting is open and accessible to the equity certificate holders (who have a total of 25 per cent of the votes, but internally so that one certificate has one vote), whereas the customers elect delegates (who have a total of 75 per cent of the votes). The General Meeting is organised in keeping with the recommendation, e.g. with a three week notice of meetings and with an accessible agenda that makes it possible to take a position on the matters that are raised. The deadline for equity certificate holders' registration is based on practical considerations for the arrangement of the General Meeting. The equity certificate holders may be represented by proxy.

The customers' delegates are elected by five so-called owner committees, one for each of the five regions: Øst, Innlandet, Syd, Vest and Nord (Eastern, Central, Southern, Western and Northern Norway respectively). Mutual fire insurers represent the customers in their geographic regions. The policyholders' owner committees are elected by open, electronic elections. About one million customers have voting rights. These elections are held in the autumn. Participation in the election is low, and the Company is seeking to increase this participation.

NOMINATION COMMITTEE

Gjensidige has an active Nomination committee. The chairman of the Supervisory board is the chairman of the Nomination committee and is elected by the General Meeting. The equity certificate holders are ensured representation on the Nomination committee. They are elected by the equity certificate holders at the General Meeting. In addition, other stakeholders in the Company are represented. All of the members are independent of the Board of Directors and the other executive management.

No one can serve as the Supervisory board chairman – and thus the chairman of the Nomination committee – for more than six years.

In Gjensidige, the Nomination committee evaluates the external auditor and nominates auditor candidates for election. In Gjensidige's view, the Board of Directors itself, or the audit committee (members of the Board of Directors), cannot nominate candidates for the election of an external auditor. The auditor has a control function in relation to the Board of Directors, so the Board of Directors, or part of the Board of Directors, cannot make preparations for or nominate candidates for the election of an external auditor. This is in keeping with the recommendation, which is of the opinion that it is the

Board of Directors' audit committee that shall submit these nominations.

SUPERVISORY BOARD AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The Supervisory board and Board of Directors have a diversified composition, and the majority are independent of any special interests (direct, indirect or through employment) in the Company. In financial institutions, the law requires that the Board of Directors be elected by the Supervisory board. The board's chairman and deputy chairman are elected by the Supervisory board. No member of the day-to-day management is a member of the Board of Directors. Board members are elected for two-year terms.

Cf. a more detailed presentation of the board members and the group management in the annual report.

The Company does not have any "principal shareholders", and the customers' organisational rights are distributed among many units that function independently of each other. When the equity certificates are listed on the stock exchange, the new ownership interests will be given an opportunity to elect their own representatives into the management structure. The Gjensidige Foundation, which currently owns all of the equity certificates, will not exercise its organisational rights as owner of the equity certificates.

THE WORK OF THE BOARD

The work of the Board of Directors follows a fixed annual plan and is conducted in accordance with established rules of procedure. The Board of Directors holds physical meetings regularly, and they have agreed in advance on 11 meetings each year. Additional meetings may be held depending of the matters to be considered and the situation. These meetings may be held as telephone meetings.

The Board of Directors has established two working committees: a remuneration committee that is chaired by the Chairman of the Board and an audit committee that is chaired by the deputy chairman. The composition and work of the committees are organised in accordance with the recommendation with one exception. The audit committee does not submit nominations for the election of an external auditor. The Norwegian recommendation proposes that the audit committee should nominate auditor candidates. In Gjensidige's opinion, as mentioned under the heading "Nomination Committee", this is wrong in principle. Cf. the above section.

The Board of Directors has prepared an instruction for the CEO and performs an annual self-evaluation.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is concerned about risk management and internal control, and this is included in the Board's planned work. This is described in greater detail in several other places in this annual report, and reference is made to these places, cf. pages 51-53 and 59.

Financial institutions are required to have their own elected control committee. The control committee is independent of the Board of Directors and administration and meets regularly. It ensures that the Company complies with the current laws, regulations and other rules laid down by the authorities, the Company's articles of association and resolutions by decision-making bodies. The committee has full access to the supervision of the operations and is composed of three members.

REMUNERATION OF THE GROUP BOARD OF DIRECTORS

Cf. note 19 on page 135 in the annual report.

No one on the Board of Directors has any special duties for the Company, but the board members participate, together with other elected representatives in Gjensidige, in special working groups appointed by the Board of Directors to study various questions posed by the owners, including the organisation of ownership and dividends to customers. Remuneration is provided for this in accordance with the principles and rates determined by the supervisory board. This remuneration is not performance-related. None of the board members have options.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

Cf. note 19 on page 135 in the annual report.

INFORMATION AND COMMUNICATION

Gjensidige has gathered all relevant information about the Group at www.gjensidige.com. This is the most important tool for providing information that is identical and relevant. The Company has established a separate IR function, which has a prominent position in the central management and a goal of ensuring that the information work is always in accordance with the best practice.

CORPORATE TAKEOVERS

Gjensidige is a mutual insurance company and can therefore not be acquired or bought up without its own involvement. The equity certificates comply with the rules in the Primary Capital Certificate Regulations. The Company has therefore not prepared any main principles for use in connection with possible takeover offers.

AUDITOR

The Board of Directors confirms that the auditor's role, work, follow-up and control of the operations are in accordance with the recommendation.

MANAGEMENT MODEL AND INTERNAL AUDITING

The premises for operational management are based on the Group's vision and strategy. The overall goals and strategies are used to prepare business plans for the various business areas.

As an integral part of this, risk management processes are implemented at every level of the organisation. These are communicated and anchored internally.

OPERATIONAL MANAGEMENT

Personal scorecards have been prepared for the Company's employees, which set out key performance indicators, deliveries and actions that impact on the Group's earnings and value creation. Budgets, various financial and non-financial measurement criteria, powers of authority and trend analyses are also used in the management of the Group.

Return on equity is the Company's key profitability measure. Equity and return requirements have been assigned to various parts of the business.

Internal reports are prepared for the Board of Directors and management each month. These reports cover both financial and non-financial measurement criteria, and provide a basis for decisions on actions and responsibilities to ensure that targets are met.

The CEO holds regular performance review meetings with the managers who report to him, where the focus is on future measures to safeguard results and performance.

External reports are prepared and approved quarterly by the Board of Directors in accordance with IFRS and regulations issued by Kredittilsynet (the Financial Supervisory Authority of Norway).

COMPLIANCE

The Board has approved a compliance policy which defines the main principles of the compliance responsibility and the compliance function organisation.

The compliance function is an independent function which identifies, evaluates, gives advice on, monitors and reports on the Group's compliance risk. In all business areas and support units, as well as in the subsidiaries, compliance officers have been appointed.

The Group Compliance Officer (GCO) is responsible of the Group's overall control with and reporting of the Group compliance risk as well as any violation of regulations the Group is subject to. The head of Group Compliance reports to the CEO and the Board of Directors.

INTERNAL AUDITING

Group Auditing is an objective supervisory function, which, on behalf of the Board of Directors and senior management, reviews and assesses whether adequate, effective and appropriate management and controls have been established and implemented in the Group. The unit is also responsible for investigating any internal irregularities.

Group Auditing reports to the Board of Directors, attends Board meetings, and submits reports on risk management and internal controls. The audit reports are also presented to the control committee and the external auditor.The Board of Directors approves Group Auditing's resources and annual plans.

BOARD OF DIRECTORS

The Board of Directors has twelve members, of which four are elected by and amongst the employees. The chairman and deputy chairman are elected by the Supervisory Board. The composition of the Board of Directors shall be in accordance with the general requirements (expertise, gender and location) stated in the Company's articles of association.

INGE K. HANSEN
Chairman

Mr. Hansen was appointed Chairman of the Board of Directors of Gjensidige in 2008. He is now an advisor and has previously held positions such as senior manager of Statoil and CEO of Aker Kværner. Mr. Hansen is Chairman of the Board of Avinor AS, NorSun AS, NorWind AS and the Norwegian School of Management, and board member of Hydro and Jiffy. Mr. Hansen is a graduate from the Norwegian School of Economics and Business Administration (NHH).

RANDI B. SÆTERSHAGEN
Deputy chairman

Ms. Sætershagen was appointed to Gjensidige's Board of Directors in 2005. Ms. Sætershagen is now an advisor and has previously held positions as general manager of Swix Sport AS, marketing director of Norsk Tipping AS, Norske Skog Flooring AS and Moelven Brug. Ms. Sætershagen holds a master's degree in business and economics from the Norwegian School of Management (BI), and has 20 years of experience as manager in several companies both nationally and internationally. She is the Chairman of the Board of Pure Norwegian AS and Kunnskapsparken Hedmark AS, and member of the Board of Elsikkerhet Norge AS.

KAREN MARIE HJELMESETER
Board member

Ms. Hjelmeseter was appointed to Gjensidige's Board of Directors in 2008. She has a farm and also works part-time for Sogndal municipality. Ms. Hjelmeseter has previously been a local government politician and Chairman of the municipal council. She is Chairman of the Board of Alarmsentralen in Sogn og Fjordane IKS, Taxi Transport Service Sogn og Fjordane AS and Sogn og Fjordane Art Museum, and she is member of the Board of Sognekraft AS.

MARIANNE LIE
Board member

Ms. Lie was appointed to Gjensidige's Board of Directors in 2007. Until February 1st 2008, she was the managing director of the Norwegian Shipowners' Association. In addition, she holds several other board positions, including membership on the Board of Kverneland ASA, Arendals Fossekompani ASA, Fortum Corporation Oyj in Finland, ISCO Group AS and Cosmos Markets ASA, and is Chairman of the Board of Punkt Ø AS.

CATO LITANGEN
Board member

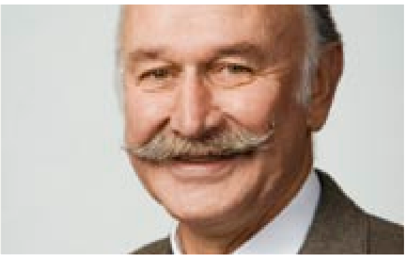
Mr. Litangen was appointed to Gjensidige's Board of Directors in 2007. Litangen has a bachelor's degree (cand.mag.) in the social sciences. He has management experience from the consulting business in the fields of communications and business development. For the last six years he has particularly focused on project management for organisations involved in international development cooperation. Litangen runs his own business.

TOR ØWRE
Board member

Mr. Øwre was appointed to Gjensidige's Board of Directors in 2003. He has professional experience in management, sales, system engineering and programming, including serving as senior manager at IBM. Mr. Øwre is also a board member of Polarporten AS. He is a graduate of the Norwegian School of Business Administration and the North Norwegian Leadership Institute (NNL).

Alternate members for Hansen, Hjelmeseter, Lie, Litangen, Sætershagen and Øwre

1. Valborg Lippestad
2. Trine Vekseth



HANS ELLEF WETTRE
Board member

Mr. Wettre was appointed to Gjensidige's Board of Directors in 2005 to represent the interests of Norges Bondelag. He is a farmer, and project manager in the Norwegian Farmers' Union.

Personal alternate member for Wettre
Harald Milli

GUNNHILD H. ANDERSEN
Board member

Ms. Andersen was appointed to Gjensidige's Board of Directors as an employee representative in 2008. She is a customer adviser in Gjensidige, and an employee representative in the Finance Sector Union.

KJETIL KRISTENSEN
Board member

Mr. Kristensen was appointed to the Board of Directors of Gjensidige as an employee representative in 2008. He is a senior customer adviser in Gjensidige. Mr. Kristensen is also the senior employee representative for the Private Division and is member of the executive committee of the Finance Sector Union of Norway.

HANS-ERIK F. ANDERSSON
Board member

Mr. Andersson was appointed to the Board of Directors of Gjensidige in 2008. Mr. Andersson is currently an advisor and has previously been managing director of Skandia Insurance Company Ltd, the Nordic manager for Marsh & McLennan and Executive Director of Mercantile & General Re. He is a member of the Financial Markets Advisory Committee in Sweden. Mr. Andersson is Chairman of the Board of Semcon AB, Erik Penser Bankaktiebolag and Canvisa AB, and a board member of Cision AB.

Personal alternate member for Andersson
John Ove Ottestad

MARIANNE BØ ENGEBRETSEN
Board member

Ms. Engebretsen was appointed to Gjensidige's Board of Directors as an employee representative in 2007. She is the business and administration manager of Sikkerhetsbutikken, Gjensidige's safety shop, and has previously worked with marketing and product development in Gjensidige. She is deputy chairman of the Board of Nittedal Boligbyggelag, and member of the control committee of The Norwegian Federation of Co-operative Housing Associations. Ms. Engebretsen holds a bachelor's degree in market communications.

GUNNAR MJÅTVEDT
Board member

Mr. Mjåtvedt was appointed as an employee representative to the Board of Directors of Gjensidige in 2007. He is Gjensidige's senior employee representative. Mr. Mjåtvedt's background is in sales and management, and he has nearly 20 years experience in the insurance sector.

Alternate members for Andersen, Engebretsen, Kristensen and Mjåtvedt
1. Ingvild Sollie Andersen
2. Christian Kristensen

GROUP MANAGEMENT

Gjensidige's senior management of eight persons has an average of 14 years of experience in the industry. Five of these senior managers have been in the group management for the last eight years. In this period, Gjensidige has evolved into a financial group with operations in Norway, Sweden, Denmark and the Baltic States.

1 2 3 4

1 HELGE L. BAASTAD
Group CEO

Mr. Baastad was appointed CEO of the Group in 2003. He joined Gjensidige in 1998 as executive director of Gjensidige Forsikring and has held various executive positions within the Group, including executive vice president of Gjensidige Forsikring. Mr. Baastad has been a member of the senior management since 2001. Before joining Gjensidige, he held various executive positions at Jordan AS from 1987 to 1998 and at Denofa og Lilleborg Fabrikker, a unit of Orkla ASA, from 1984 to 1987. Mr. Baastad holds the title of several board positions, including the Norwegian Financial Services Association (FNH) and Jordan. Additionally he is Chairman of the Board of Gjensidige Bank Holding AS, Gjensidige Pensjon og Sparing Holding AS and Gjensidige Pensjonsforsikring AS. Mr. Baastad is a graduate of the Norwegian School of Economics and Business Administration (NHH).

2 TOR M. LØNNUM
Group CFO

Mr. Lønnum was appointed Group CFO in 2004. Mr. Lønnum joined Gjensidige in 1999 and has held various executive positions within the Group, including executive director of strategy and group development. He has been a member of the senior management since 2001. Before joining Gjensidige, he held various executive positions, including CFO of Skipper Electronics AS from 1991 to 1993 and was manager at KPMG from 1996 to 1999. Mr. Lønnum is also a board member of Gjensidige Pensjon og Sparing Holding AS and Chairman of the Board of Glitne Invest AS. Mr. Lønnum is a state authorised public accountant from the Norwegian School of Economics and Business Administration (NHH), and holds a degree in accounting from the Norwegian School of Management as well as an executive MBA from the University of Bristol and Ecole Nationale des Ponts et Chaussées.

3 BJØRN WALLE
Executive Vice President, Commercial

Mr. Walle was appointed executive vice president, commercial, in 2008. He has been part of the senior management since he joined Gjensidige in 2003 as Executive Vice President for Region South. Before joining the Company, Mr. Walle held various executive positions within the private and public sector since 1983, including chief officer of the county of Vestfold from 1988 to 1993 and managing director of Sparebanken NOR/ Gjensidige NOR Sparebank from1998 to 2000. Walle is also Chairman of the Board of Larvik Næringsforening and Bergene-Holm AS in addition to his position as board member of Sykehuset i Vestfold and in Såkorn Invest SØR. Mr. Walle is a graduate of the Norwegian School of Economics and Business Administration (NHH).

4 BJØRN ASP
Executive Vice President, Pension and Savings

Mr. Asp was appointed executive vice president, pension and savings, in 2005. Mr. Asp joined Gjensidige in 1982 and has held various executive positions within the Group. He has been a member of the senior manage-

5 6 7 8

ment since 2001. Mr. Asp is currently a board member of Viking Venture, Steinkjer Næringsselskap and Marine Vekst. Mr. Asp holds a degree in economics from Handelsakademiet.

5 ERICA BLAKSTAD

Executive Vice President, Product/ Underwriting General Insurance Norway

Ms. Blakstad was appointed executive vice president , product/ underwriting general insurance Norway in 2007. Ms. Blakstad joined Gjensidige in 2004. She has been a member of the senior management since 2006 when she was appointed executive vice president of Gjensidige's corporate clients business. She has previously held various executive positions at Storebrand and If. Ms. Blakstad holds a law degree.

6 PETTER BØHLER

Executive Vice President, International General Insurance

Mr. Bøhler was appointed executive vice president, international general insurance, in 2007. Mr. Bøhler joined Gjensidige in 1998 and has been a member of the senior management since 2004. He has held various executive positions within the Group. Before joining Gjensidige, Mr. Bøhler held various executive positions at Samvirke Forsikring from 1989 to 1998. Mr. Bøhler holds directorships in various Group companies as well as central positions in the Norwegian Financial Services Association. Mr. Bøhler holds a bachelor's degree in statistics from the University of Oslo.

7 TROND DELBEKK

Executive Vice President, Private

Mr. Delbekk was appointed executive vice president, private, in 2008. He joined Gjensidige in 1997 and has held various executive positions within the Group. Mr. Delbekk has been a member of the senior management since 2001. Before joining Gjensidige, he held various executive positions including executive director and director in the banking and insurance departments at Nordea and at Sparebanken NOR. Mr. Delbekk is Chairman of the Board of Hjelp24 NIMI AS and Fredrikstad Stadion AS, and member of the Board of Integrasjonspartner AS. Mr. Delbekk holds a bachelor's degree in economics as well as a master of management degree from the Norwegian School of Management (BI).

8 JØRGEN RINGDAL

Executive Vice President, Group Staff and General Services

Mr. Ringdal was appointed executive vice president, group staff and general services, in 2006. Mr. Ringdal has been a member of the senior management since he joined Gjensidige in 1996 as executive vice president for economics and finance. Before joining Gjensidige, he held various executive positions, including assistant chief auditor at Norges Bank (the central bank) from 1989 to 1992, and was a manager at KPMG from 1993 to 1996. Mr. Ringdal is Chairman of the Board of Gjensidige Pensjonskasse and a member of the Board of Gjensidige Bank Holding AS. Mr. Ringdal is a state authorised public accountant and holds an MBA from the Norwegian School of Economics and Business Administration (NHH).

SUPERVISORY BOARD, CONTROL COMMITTEE AND NOMINATION COMMITTEE

SUPERVISORY BOARD

Chairman Kirsten Indgjerd Værdal
Deputy chairman Trond Bakke

MEMBERS FROM EQUITY CERTIFICATE HOLDERS AND FIRE MUTUALS

East
Trond Andersen
Anne Lovise Eriksen, personal alternate member
Marit Frogner
Sissel Monsvold, personal alternate member
Marthe Sondov
Jarle Øien, personal alternate member

Inland
Trond Bakke
Hans Løvehaug, personal alternate member
Bjørn Iversen
Arne Mohn, personal alternate member
Tone Merete Lauten Skaar
Ole Helmer Enlien Bjørlien, personal alternate member

South
Terje Borsheim
Tone Standal, personal alternate member
Ivar Kvinlaug
Karl Tore Pedersen, personal alternate member
Ingunn Vik
Hanne S. Fretheim, personal alternate member

West
Anne Lise Hessen Følsvik
Kristian Westad, personal alternate member
Magny Husetuft Myklebust
Per Hilleren, personal alternate member
Tone Marie Ramsli
Øystein Johan Kilane, personal alternate member
Ragnhild Skjerveggen
Ingun M. Leikvoll, personal alternate member

North
Gisle Loso
Per Martin Haugen, personal alternate member
Kirsten Indgjerd Værdal
Liv Kjeldstad Sundal, personal alternate member
Jon Øverås
Ragnhild Aslaksen, personal alternate member

Fire mutuals
Gunn Ellen Dybvik,
Eidsberg Gjensidige Brannkasse
Astrid Myro Rust,
Gjensidige Hallingdal, personal alternate member
Ola Skålvik, Halsa Gjensidige Brannkasse
Lars Muribø, Indre Sunnmøre Gjensidige Branntrygdelag, personal alternate member

MEMBERS FROM PARTNER ORGANISATIONS

Norwegian Automobile Association (NAF)
Jarl E. Jakobsen
Günter Lackmann, personal alternate member
Svein Rasen
Tore Pettersen, personal alternate member
Magne Revheim
Kjersti Løge, personal alternate member
Odd Samuelsen
Astrid Hogseth, personal alternate member

Norwegian Farmers' Union
Åse Ingebjørg Homme
Arna Høyland, personal alternate member
Berit Hundåla
Hans Edvard Torp, personal alternate member
Eli Reistad
Erik Hørlück Berg, personal alternate member
Harald Velsand
Veronica Andersen, personal alternate member

NITO
Erik Prytz
Odd Brede Gundersen, personal alternate member

Norwegian Farmers' and Smallholders' Union
Vegard Vigdenes
John Petter Løvstad, personal alternate member

Confederation of Vocational Unions (YS)
Tore Holme
Bjørn Tore Stølen, personal alternate member
Tore Eugen Kvalheim
Wenche Paulsrud, personal alternate member

EMPLOYEE-ELECTED MEMBERS

Jon Aniksdal
Thor Gunnar Austin
Kari Balke
Ottar Bergsrønning
Ellen Enger
Morten Eriksen
Lars Foyn
Anne Morken Hassel
Harry Helmersen
Berit Jonassen
Harald Kilvær
Karl-Erling Nordlund
Tore Vågsmyr
Roger Warud
Hanne Årstadvold

Alternate members
1. Per Kåre Clausen
2. Børge Rydningen
3. Siv Dammyr
4. Knut Bertil Øygard,
5. Frank Nilsen

NOMINATION COMMITTEE

Kirsten Indgjerd Værdal, chairman
Håvard Hynne
Anne Marie Storli, personal alternate member
Clara Eline Faraasen
Hege Pedersen, personal alternate member
Ivar Kvinlaug
Bente R. Tangen, personal alternate member
Gøril Guddal
Sjur Aarestrup, personal alternate member
Arne-Julius Maske
Karin Hovde, personal alternate member
Iwar Arnstad, fire mutuals
Halvor Ulven, personal alternate member

Representatives for the employees' members of the supervisory board who participate in the nomination committee's work on the nomination of a chairman and a deputy chairman of the Board of Directors, etc.
Harald Kilvær
Roger Warud
Ellen Kristin Enge, alternate member

CONTROL COMMITTEE

Marit Tønsberg, chairman
Snorre Inge Roald, deputy chairman
Tove Melgård

Alternate member
Joar Kavli

Two members from the equity certificate holders and one member from the employees take their seats on the supervisory board from the time when the equity certificates are listed on Oslo Børs.

This applies to the following:
Leif Frode Onarheim
Anton Ernst Tronstad, alternate member
Marte Kvaalen
Per Kåre Clausen

RESULTS

REPORT OF THE BOARD OF DIRECTORS

The Group's general insurance operations reported good results throughout 2008, and both the cost ratio and loss ratio improved over the previous year. Gjensidige's efforts in Online retail banking and health care services also showed positive results for the year. The financial results were affected by a turbulent situation in the capital market and a substantial write-down of the holdings in Storebrand, while the implemented risk-reduction measures have had a positive effect. The financial crisis has also had a negative effect on the growth rate in the pension and savings operations. The combination of good performance and great financial flexibility gives Gjensidige many opportunities for further growth and development.

The Group achieved a profit before tax of NOK 307.2 million. The combined ratio for the general insurance operations was 94.4 per cent, whereas there was a financial loss of 0.6 per cent in the Group's investment portfolio. The Board of Directors recommends that no dividend be paid in 2008.

OPERATIONS

Gjensidige Forsikring BA, hereafter referred to as Gjensidige, has its head office in Oslo. The objects of the business are to meet the security needs of its policyholders by offering competitive insurance products and other related services. Gjensidige's core business operations are general insurance and accident and health insurances, and over 80 per cent of this business is associated with Norway. The Company is the largest Norwegian-owned general insurance company in the Norwegian, Danish, Swedish and Baltic insurance markets. In the private market, the Group offers insurance products related to the motor, property, accident and health, agricultural and other sectors, such as travel and leisure time. In the commercial market, the Group offers insurance products related to motor, property, accident and health, liability and marine / cargo. In Norway, Gjensidige also offers products in pensions and savings, as well as banking services for private individuals. Furthermore, the Group offers insurance-based health care services under the trademark Hjelp24. Hjelp24 offers products in work environment surveying, corporate health care services, personal security alarm services, operations at private hospitals and certain specialist services.

Strategy and financial targets

Gjensidige's comprehensive goal is to be a profitable and leading general insurance company in the Norwegian market. Norwegian general insurance and accident and health insurances are the Group's core business operations. The combination of a high market share, long experience and considerable knowledge in general insurance and accident and health insurances have helped ensure that the Norwegian insurance activities have reported profits. Other target areas – banking, pensions, savings and health care services in Norway and general insurance in the Nordic countries and the Baltic States – should primarily support the core operations by offering relation-building products and services together with economies of scale.

In order to further develop the core business operations, priority is given to being able to offer the customers a broad range of products in general insurance and accident and health insurances. Gjensidige is currently a complete supplier of these products to Norwegian private and commercial customers.

A further development and expansion of the loyalty programmes is important in order to broaden the depth and breadth of existing customer relations. This helps increase the number of satisfied customers and reduce the loss of business and supports various measures to sell banking, pension and savings products to insurance customers.

Gjensidige's distribution channels and customer services were previously organised in five geographical regions in Norway with approximately equal organisational structure and / or content. Altered customer behaviour, a need for improvement in skills and a need for further efficiency improvements in customer communications led to the reorganisation of the distribution in 2008. All customer service in Norway in insurance, pensions, savings and banking services is now aggregated in two divisions, Private and Commercial. The main purpose of the reorganisation is to further strengthen and improve the Company's customer services in both sales and claims settlements, which will provide a basis for increased effectiveness and more satisfied customers in the Norwegian market in the coming years.

Variation and breadth in the distribution system shall be maintained in order to be able to meet the various customer groups' desires and to be able to better handle new sales, renewals and cross-sales activities. The Group invests substantial funds in the development of technology-based and more efficient distribution channels, e.g. telephone-based sales and customer centres and an Integrated Internet portal. New sales activities will be conducted through these distribution channels to a greater extent than before.

Up to 2008, the Group has had a target of an average combined ratio of 97 per cent for the Norwegian general insurance operations. In connection with the Board of Directors' evaluation of strategy and financial targets in 2008, the target for the combined ratio for the total general insurance operations was reduced from the current target of 97 per cent to between 90 and 93 per cent as from 2011. This requires a close follow-up of both the insurance risk that Gjensidige assumes and of the premium level. At the same time, it is a target that the claims costs be reduced by NOK 400 to 500 million (adjusted for inflation) starting in 2011 and that the operating expenses be reduced by NOK 300 to 400 million (adjusted for inflation) starting at the same time. Therefore, projects have been launched in both claims settlement, purchasing and rating together with measures to further improve the efficiency of the staff and support functions. Introduction of new technology and new service concept solutions are meant to be able to support the efficiency improvement aims. An important consequence of the performance indicators is that the Group will give greater priority to profitability than to increased market shares.

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

In the long run, the growth in general insurance in the Nordic countries and the Baltic States shall give economies of scale in the form of synergies that will ensure long-term returns and competitiveness through access to new customers and greater risk diversification. Cost synergies may be realised in particular in the areas of reinsurance, development and management of the insurance products that are offered, common underwriting guidelines, more efficient capital allocation and common ICT solutions. There is also a clear potential for synergies on the income side. The Danish subsidiary, KommuneForsikring, has leading expertise in insurance solutions for the municipal sector, for example, which will be a valuable platform for the development of corresponding offers in the other Nordic countries. Starting in 2008, KommuneForsikring offers its products to municipalities and municipal operations throughout the whole Scandinavian market. In addition, Gjensidige's expertise in the development of multi-distribution channels is an important competitive advantage that shall be utilised in the other markets. In addition to organic growth, Gjensidige will also seek growth through acquisition of general insurance companies in the relevant markets, provided the transactions satisfy the Group's long-term required rate of return of 15 per cent before tax.

The capital management is based on the Group's internal risk-based capital model and should ensure that the cost of capital is taken into consideration when making decisions on the allocation of capital. This allows Gjensidige to evaluate the relationship between risk in the investment and the insurance operations while ensuring that the pricing of the insurance products reflects the cost of capital and the long-term profitability requirements.

Gjensidige is and shall be a workplace that attracts, challenges and develops motivated and competent employees and managers. This is achieved through a strong focus on management and employee development, the development of good and fair reward models and a systematic effort to develop skills within the organisation.

To ensure access to capital to finance future growth and development, Gjensidige decided in the autumn of 2007 to issue equity certificates through reclassification of 25 per cent of the equity as equity certificate capital. According to the plan, the equity certificates were to be listed on the Oslo Børs (the Oslo Stock Exchange), but as a result of the financial crisis, the listing has been indefinitely postponed. The purpose of issuing listed equity certificates is to give the Group greater freedom of action and opportunities to participate in the structural changes that affect the financial industry in the Nordic region. A future stock exchange listing of the equity certificates will give the Company an equity instrument that can be used for possible acquisitions or otherwise as a means of financing the Company's strategy of geographical and product growth, in addition to placing a value on Gjensidige.

Market position

Gjensidige was the leading non-marine general insurance player in Norway in 2008 with a market share of 29.6 per cent in an overall market of NOK 38,803 million. (Source: Norwegian Financial Services Association, FNH.) Compared with 2007, the Company's market share declined by 1.4 percentage points. This change is primarily due to increasing competition from established financial groups with a new and broader range of products together with foreign insurance players.

In the private segment, which also includes agricultural insurance products, the Company had a market share of 28.6 per cent. In the agricultural market considered in isolation, our market share was 73.2 per cent in an overall market of NOK 1,108 million. The market share in the commercial segment was 31.8 per cent at the end of the year. More detailed information about the market shares for the business areas is given in the description of the respective business areas in the annual report.

Gjensidige conducts annual surveys of customer satisfaction and how they experience the service they are provided. The surveys show that Gjensidige is the insurance company in the market with the best overall rating by both the private and commercial segments. Both customer satisfaction and customer loyalty have improved in the past seven years, which is also confirmed by outside surveys. In 2008, Gjensidige has begun surveying the satisfaction of the various channels in the private market. This gives regular feedback throughout the year about how the service is performing, regardless of channel and form of contact.

Overall, the satisfaction of the private customers and their loyalty to Gjensidige have been stable and high in recent years. The surveys also show that both the loyalty programme customers and customers who have entered into agreements through their employers and affinity groups are clearly more satisfied than customers who are not members of the loyalty programme or who do not have organisation agreements.

Customer satisfaction in the commercial segment is very good and higher in 2008 than in the previous three years. The surveys show that customer satisfaction is highest among the largest customers, and higher among the customers who have a direct relationship with Gjensidige rather than a broker.

The surveys also show good results for Gjensidige Bank and Gjensidige Pensjon og Sparing. Nearly two out of ten persons mention Gjensidige Bank when asked which banks they are familiar with in the Norwegian market. Very many also mention Gjensidige as a preferred provider in the areas of life and pension insurance. The good results have been achieved through a combination of a strong brand and successful marketing of the new businesses.

Distribution

Gjensidige has about one million customers in Norway. The private customers are served through a variety of distribution channels, such as local offices, private and commercial market call centres, and the Internet, while the commercial customers are served by telephone and through permanent local contacts. The 500 biggest commercial players are served by a separate organisational unit together with customers through the system of brokers. The distribution of the roles among the various channels has been changed and clarified, which has entailed a reduction in the number of local offices during recent years as well as the establishment of sales centres to improve the efficiency of new sales.

The customers are now offered products and services through one point of contact, which greatly improves the possibility of increased sale of a broader range of products, which also include banking, life insurance and savings products. It is expected that the reorganisation to two divisions will give improved customer experiences and increased market power.

The focus on good, efficient sales solutions through the Internet has been maintained. Gjensidige.no is a complete financial portal for insurance, banking, pensions and savings. The customers gain access to and information about products and services in one place through "My Page". For insurance, most claims can be reported electronically through the Internet.

During the year, new user functionality was implemented for the private customers at gjensidige.no. The portal gives the customers an opportunity to calculate the price of car insurance, home and contents insurance, travel insurance and holiday home insurance and to purchase these products online. Customers can perform a simple needs assessment themselves. Customers who have questions or problems can use the "call back" service and be immediately called by a customer adviser when the customer centre is open. A total of 4.9 million users visited gjensidige.no in 2008, an increase of 113 per cent over 2007. Sales through the Internet increased by 12 per cent from 2007 to 2008. Continued strong growth in this distribution channel is anticipated, and the content of the portal will be further developed in 2009. Likewise, the Næringsnett website will be developed as an electronic interaction channel to the business customers in keeping with the customers' wants and needs.

In the Danish insurance market distribution in the private market is primarily through direct telephone sales. In addition, Fair Forsikring entered into a five-year strategic agreement with the Danish FDB Forsikring in 2008 about offering insurance to FDB's 1.6 million members, who are mainly members of Coop Danmark. The agreement represents a new target area in the Danish private market with the use of alliance partners in order to gain access to a larger group of customers. In the Danish commercial market and the Nordic municipal market, distribution takes place primarily through insurance brokers.

In the Swedish market most of the operations are in the private market and the distribution in this market is through a separate sales organisation, partners and the Internet. Through the acquisition of Gjensidige Sverige (formerly Tennant), Gjensidige has also positioned itself for the delivery of products adapted to the individual distribution channels ("White Label") both in Norway and in the rest of the Nordic region. The distribution takes place through strategic partners who sell the products under their own or Tennant's trade name.

In the Baltic market, the distribution takes place through local offices, agents, partners and insurance brokers.

YEAR 2008

Important events

Gjensidige's customer services in Norway were aggregated into two divisions, Private and Commercial. The goal is to further strengthen and improve the Company's customer services in both sales and claims settlements.

In order to strengthen the Group's position in the Baltic States, Gjensidige Baltic acquired the Lithuanian insurance company Reso Europa in 2008. Although the Company's head office is in Lithuania, it also has some operations in Latvia and Poland.

In 2008, Gjensidige achieved substantial profits from the sale of property and shares. In January, the head office building at Sollerud in Oslo was sold to KLP Eiendom. The sales agreement contains a leaseback agreement for a period of at least six years with a perpetual right to extend the agreement. The Group realised a capital gain of NOK 724.4 million through the sale and leaseback arrangement. In July, Gjensidige sold its remaining stake in Lindorff. The sale resulted in an accounting profit of NOK 935.9 million. Altogether, the Group realised capital gains of NOK 2,075 million in connection with the sale of the shares in Lindorff in 2003 and 2008.

During 2008, Gjensidige has increased its stake in Storebrand ASA. At year-end, Gjensidige owned 24.33 per cent of the shares in the company and has a licence to own up to 25 per cent.

Gjensidige has a long history in life and pension insurance operations, first directly through Gjensidige Livsforsikring, later through Gjensidige NOR Spareforsikring, and indirectly in Vital through the stake in DnB NOR. In 2006, Gjensidige started separate pension insurance operations in Gjensidige Pensjon og Sparing, and that same year the Group acquired the first shareholding in Storebrand. The purchases of shares in the last two years reflect Gjensidige's belief in the life insurance market in general and the underlying value of Storebrand in particular. The stake in Storebrand is assessed as a long-term strategic investment, and together with Gjensidige's own investment in the pension market gives the Group a substantial exposure in the Norwegian and Swedish life insurance markets.

In October 2007, the general meeting decided to amend Gjensidige's articles of association so that they opened up for individual dividends to the Norwegian general insurance customers. After issuing equity certificates in December 2007, the Norwegian general insurance customers hold 75 per cent of the financial interests in the Company, while the equity certificate holders (currently the Gjensidige Foundation as the sole owner) hold 25 per cent. In 2008, the general meeting decided for the first time to pay dividends to customers and equity certificate holders. A total of NOK 1,021.5 million was allocated in dividends for the financial year 2007, of which NOK 766.1 million was allocated to the customers. Since this was the first time that the customers were paid a dividend, extensive marketing campaigns were conducted in 2008 with information about the dividend. Both the campaigns and the customer dividend were well received in the market.

Changes in the regulatory framework

Up until and including 2007, Gjensidige was exempt from tax on income and net wealth attributed to fire and livestock insurance. In 2008, the authorities waived the tax exemption for mutual fire and livestock insurance companies with tax consequences starting the same year. As a result of this change, the average effective tax rate for the Group is expected to increase from 16-18 per cent up to 22-24 per cent.

COMMENTS ON THE ANNUAL ACCOUNTS

Gjensidige reports consolidated financial information in accordance with the International Financial Reporting Standards (IFRS).

In accordance with the requirements of the Norwegian accounting legislation, the Board of Directors confirms that the prerequisites have been met for preparation of the financial statements under the assumption that the Company will continue as a going concern and that the annual financial statements have been prepared under this assumption.

Profit / (loss)

The Group reported a consolidated underwriting result for the general insurance operations of NOK 859.8 million in 2008, compared with NOK 552.6 million in 2007. The Group's profit after tax was NOK 486.3 million, compared with NOK 2,479.0 million in 2007. The profit for the year corresponds to a return on equity before tax of 1.5 per cent compared with 15.4 per cent in 2007. The combined ratio was 94.4 per cent, compared with 96.1 per cent in 2007. The underlying insurance operations report good results, whereas the results of the Group's investment activities were greatly affected by the financial crisis, including the performance of the investment in Storebrand.

Premiums

Gross premiums written were NOK 17,428.6 million in 2008 compared with NOK 15,726.5 million in 2007, corresponding to an increase of 10.8 per cent. Part of this increase is attributed to the fact that Gjensidige Sverige (formerly Tennant) was consolidated from August 2007, and in addition Reso Europa was consolidated from June 2008. Overall, the general insurance operations outside Norway contributed to gross premiums written of NOK 2,813.2 million in 2008, compared with NOK 2,243.0 million in 2007. In addition, the Pension and savings segment has increased gross premiums written by NOK 1,066.2 million, from NOK 496.4 million in 2007 to NOK 1,562.6 million in 2008.

Earned premiums, net of reinsurance, amounted to NOK 15,539.9 million, compared with NOK 14,875.9 million in 2007, an increase of 4.5 per cent. The performance in the various segments is described in greater detail later in this report.

THIS IS GJENSIDIGE
OPERATIONS
PERSPECTIVE
GOVERNANCE
RESULTS

Claims

Claims incurred, net of reinsurance, amounted to NOK 12,015.1 million, an increase of 2.7 per cent compared with NOK 11,695.8 million in 2007. The loss ratio decreased by 1.3 percentage points compared with 2007 and ended up at 77.3 per cent. The claims in 2008 were affected by several major losses in Commercial. Premium measures have been implemented to counteract this effect. There have also been greater losses for insurance to private households in connection with fires than would be expected on the basis of empirical data. The comparison figures for 2007 were also affected by several major fires and other major losses in commercial insurance.

The Group reported losses / gains for previous insurance years. In 2008, there was a net run-off gain of NOK 417.3 million, 2.7 per cent of earned premiums, net of reinsurance. The corresponding figures in 2007 were NOK 51.8 million (gain) and 0.3 per cent respectively.

Both in 2008 and 2007, an effort has been made to develop the settlement processes further. The goal is to improve the level of customer satisfaction and reduce the Company's total claims payments at the same time. This will be achieved, for example, by contacting customers more quickly after a loss or injury has occurred, while reducing the processing time significantly through improved internal processes. Already starting in 2007 most claims could be reported electronically.

Operating expenses

Insurance-related operating expenses relative to earned premiums, net of reinsurance (the cost ratio) were 17.7 per cent in 2008, compared with 18.0 per cent for the previous year. The insurance-related operating expenses amounted to NOK 2,743.1 million, compared with NOK 2,684.3 million in 2007, an increase of 2.2 per cent. This cost increase is low in connection with earned premiums growth, net of reinsurance, of almost 4.5 per cent. The insurance-related operating expenses in 2007 were positively affected by a non-recurring effect of NOK 35.0 million related to a reversal of provisions for expected losses on a reinsurance contract. Adjusted for this item, the total insurance-related operating expenses in the Group only increased by NOK 23.8 million from 2007 to 2008.

No research and development expenses have been charged to Gjensidige's consolidated financial statements in 2008. No such expenses were capitalised during the financial year either. However, the parent company has established a collaboration with the Norwegian Computing Centre and SFI (Statistics for Innovation), where projects are implemented in climate and price elasticity.

Net income and expenses from financial assets

The Group's net financial income was negative and amounted to negative NOK 220.3 million in 2008, compared with a positive net financial income of NOK 2,820.3 million in the previous year. The net financial income for 2008 includes a realised gain of NOK 724.4 million and NOK 935.9 million related to the sale of the head office at Sollerud in Oslo and the remaining stake in Lindorff respectively.

The results were negatively affected by the Storebrand holding, which totalled NOK 1,789.0 million in 2008. Starting on 10 October 2008, the assets in Storebrand were classified as an associated company as a result of Gjensidige's acquisition which resulted in an accumulated stake of 24.33 per cent. The effect on results in 2008 includes the impairment losses of NOK 2,050.4 million recognised in profit or loss, the recognition of negative goodwill amounting to NOK 78.8 million in connection with the last purchase and a positive share of income from Storebrand in the fourth quarter of 2008 amounting to NOK 182.6 million.

In addition, turbulent stock markets and a widening of credit spreads have left their mark on the results. The required rate of return for the real estate portfolio increased by 0.75 percentage points during 2008 and is a little above 6.7 per cent at year-end. In addition, a reassessment was made of the market rent, which is used in valuation, which has resulted in further impairment losses. The total impairment losses carried out on the real estate portfolio in 2008 came to about 12 per cent.

There was a negative return on financial assets of 0.6 per cent in 2008. The return on financial assets is calculated as the net financial income and expenses (excluding financial income in Gjensidige Bank and Gjensidige Pensjon og Sparing) as a percentage of the investment portfolio (includes all investment funds in the Group excluding funds in Gjensidige Bank and Gjensidige Pensjon og Sparing). The corresponding figure for 2007 was 6.3 per cent.

At the end of 2008, the value of the Group's investment portfolio was NOK 47,774.8 million. 7.9 per cent of the investment portfolio was invested in shares. 23.6 per cent was invested in the money market, 52.7 per cent in bonds, (short-term bonds and bonds held to maturity), 13.2 per cent in property and 2.6 per cent in hedge funds and other financial assets. Exposure to the equity markets was low at the start of 2008 and was further reduced during the first quarter. The exposure to equities at the end of 2008 consists mainly of the holding in Storebrand along with the Group's private equity portfolio. The Group has had no direct exposure in investments associated with the subprime home loan market in the USA. There are, however, some small investments through funds of hedge funds. Equities yielded a negative return of 32.3 per cent in 2008 (including the return on the Company's stake in Storebrand); short-term bonds yielded a negative return of 2.3 per cent; money market funds yielded a positive return of 5.7 per cent; and real estate yielded a positive return of 5.6 per cent. Bonds held to maturity yielded a return of 4.9 per cent in 2008.

Other income and expenses

The operations in pensions, savings and banking are still in a start-up phase. Pension and savings reported a loss before tax of NOK 133.2 million compared with a loss before tax of NOK 123.0 million in 2007. The corresponding figures for the banking operations were a loss of NOK 85.1 million, compared with a loss of NOK 115.8 million in 2007.

Tax

The Group had a positive tax expense of NOK 179.1 million in 2008, compared with a tax expense of NOK 541.3 million in 2007. The positive tax expense in 2008 was mainly due to the recognition of a non-recurring item of NOK 554.4 million as a result of a change in the fiscal treatment of the Natural perils fund. Corrected for this item, the tax expense for 2008 would have been NOK 375.3 million. The high effective tax rate in 2008 (122.2 per cent) is primarily due to the losses on shares that are not tax deductible. In 2007, the effective tax rate was 17.9 per cent.

Balance sheet and capital base

At the end of 2008, the Group's balance sheet amounted to NOK 65,551.4 million, compared with NOK 58,159.9 million in 2007. The growth is attributed primarily to the segments Pension and savings and Online retail banking in addition to realised gains from the sale of the head office at Sollerud and shares in Lindorff. Gjensidige's equity amounted to NOK 19,820.0 million as at 31 December 2008, compared with NOK 20,302.5 million at the end of the previous year. This amounts to a reduction of 2.4 per cent. The equity was reduced by NOK 1,021.5 million in 2008 as a result of approved dividends for the financial year 2007.

The Group's capital ratio was 21.0 per cent at the end of 2008, compared with 26.1 per cent at the end of 2007. The statutory requirement is eight per cent. Gjensidige has an A rating from Standard and Poor's. This was confirmed most recently in September 2008.

Gjensidige has substantial capital buffers, with regard to both internal risk models and legal capital adequacy requirements. The Board of Directors considers the Group's capital situation and financial strength as strong.

Off-balance sheet liabilities and derivatives

As part of the Group's investment operations, an agreement has been entered into relating to the investment of a maximum of NOK 1,091.0 million in various private equity investments beyond the amounts recognised in the balance sheet. Gjensidige is liable externally for any insurance claim arising in the cooperating mutual fire insurers' fire insurance operations.

To increase the efficiency of the asset allocation and risk management, the Group enters into financial derivative contracts on a regular basis. These contracts are described in greater detail in the notes to the accounts.

Cash flow

Net cash flow from operating activities was negative with NOK 59.1 million in 2008, compared with a positive cash flow of NOK 4,167.5 million in 2007. The net cash flow from operating activities consists primarily of receipts in the form of premiums and consideration for the sale of investment assets and payments in the form of claim settlement costs, purchase of reinsurance, administrative expenses and taxes.

Net cash flow from investing activities was positive and amounted to NOK 694.3 million in 2008, compared with a negative cash flow of NOK 3,146.8 million in 2007. Among other things, net cash flow in 2008 includes consideration for the sale of the head office at Sollerud.

Net cash flow from financing activities was negative with NOK 1,901.7 million in 2008, compared with a positive cash flow of NOK 663.4 million in 2007. The payment of dividends for the financial year 2007 affected the net cash flow in 2008.

THE SEGMENTS

General insurance Private Norway

The Private segment primarily encompasses insurances related to motor, property, accident and health insurances and agriculture.

Earned premiums, net of reinsurance, was NOK 7,911.4 million in 2008, an increase of 2.3 per cent from the previous year. This is a satisfactory development in a market characterised by low growth and stiff competition among the players, which is further heightened by the establishment of more and more new businesses. The reorganisation of the Norwegian distribution and customer service model from regions to divisions is expected to strengthen the segment's implementation ability and sales power in the coming years.

The loss ratio for the segment was 73.2, compared with 74.3 in 2007. The results were affected by a combination of fires that were larger than anticipated and a lower frequency of winter-related losses in the winter of 2007/2008 relative to the year before. However, there were substantial cost increases throughout the year, especially in services provided by the construction industry, and measures are being developed to deal with this development. The cost ratio was 18.0 per cent, a reduction of 0.7 percentage points relative to the previous year. The positive trend in the operating expenses is in accordance with approved efficiency improvement plans in both the private distribution and staff and support units.

The combined ratio for 2008 was 91.2 per cent, compared with 93.0 in 2007. The segment had an underwriting result of NOK 689.9 million, compared with NOK 528.2 million in 2007.

General insurance Commercial Norway

Insurance products are offered in the main categories of liability, property, accident and health insurances and motor insurance, as well as in marine / cargo (aquaculture, coast and fishing).

Earned premiums, net of reinsurance, was NOK 4,909.7 million in 2008, a reduction of 3.2 per cent from the previous year. The reduction in premium volume was due to a clear prioritising of profitability over volume. Measures have been initiated to achieve necessary improvements in profitability. The implementation of necessary price increases and a strong management involvement in matters involving the price and quality of renewals are the most important measures. A new distribution model provides better control and a more forceful implementation.

The loss ratio for the segment was 85.9 in 2008, compared with 85.2 in 2007. In 2008, there has been a greater incidence of major losses than anticipated. The cost ratio was 13.7 for 2008, which is a slight increase of 0.3 percentage points compared with the previous year, whereas the nominal costs were reduced by NOK 9.4 million during the year. The results for 2007 were affected by recognition of NOK 35 million of previous provisions for expected losses on a reinsurance contract. Excluding the aforementioned non-recurring effects, the commercial segment is showing a reduction in nominal operating expenses of NOK 44.4 million. A new distribution model will improve the cost ratio in the coming years.

The combined ratio for 2008 was 99.6 per cent, compared with 98.6 in 2007. The segment had an underwriting result of NOK 19.6 million, compared with NOK 61.5 million in 2007.

General insurance Other Nordic

Gjensidige offers insurance products in the private, municipal and commercial markets in Sweden and Denmark. In Sweden, the business is conducted under Gjensidige's brand name, whereas the business in Denmark is conducted under the brand name Fair Forsikring, but with Gjensidige's logo. The business in Denmark also includes the Group's competence centre for insurances to municipalities and other public sector entities in Norway, Sweden and Denmark under the brand name KommuneForsikring. The Swedish business's Norwegian branch is the Group's "White Label" initiative and is run under the brand name Tennant Forsikring.

Earned premiums, net of reinsurance, was NOK 2,068.4 million in 2008, an increase of NOK 1,685.3 million from the previous year. The commercial segment shows a strong growth in premiums, whereas the growth in the private segment has been somewhat lower than anticipated. In addition, some of the growth is due to the fact that Gjensidige Sverige was consolidated from August 2007.

The loss ratio for the segment was 77.6 in 2008, compared with 81.7 in 2007. The claims incurred in Denmark and in the Norwegian part of Gjensidige Sverige were affected by major property losses, related in particular to fires. On the other hand, the loss ratio was positively affected by the run-off gains in the Danish business in 2008. The cost ratio was 17.0 for 2008, which is a reduction of 4.4 percentage points compared with the previous year. The positive cost trend can be attributed to general efficiency improvements in the operations and completed restructuring of the business.

The combined ratio for 2008 was 94.5 per cent, compared with 103.1 in 2007. The segment had an underwriting result of NOK 113.2 million, compared with a negative underwriting result of NOK 52.3 million in 2007.

General insurance Baltic

Gjensidige conducts general insurance business in the Baltic States through its subsidiary Gjensidige Baltic. With operations in Latvia, Lithuania and Estonia, the Company offers insurance to private and commercial customers. The head office is in Riga, Latvia.

Earned premiums, net of reinsurance amounted to NOK 592.4 million in 2008, an increase from NOK 360.2 million in 2007. Part of this increase is due to the acquisition of Reso Europa, which was consolidated starting 1 June 2008, but there has also been a substantial organic growth. The insurance markets in the Baltic States have undergone rapid growth in recent years, but the growth was significantly reduced starting in the second half of 2008. The reduction was due to a worsening of the economic situation in the Baltic States.

The loss ratio for the segment was 62.1 in 2008, compared with 63.7 in 2007.

Gjensidige Baltic has not been affected by any major loss events in 2008. The inflation in the Baltic States is high, and the Company has a continuous focus on determining the correct premium level relative to the claims incurred. The cost ratio was 31.0 for 2008, an improvement of 0.6 percentage points relative to the previous year. Compared with competitors in the Baltic States, Gjensidige Baltic has a low cost ratio.

The combined ratio for 2008 was 93.2 per cent, compared with 95.4 in 2007. The segment had an underwriting result of NOK 37.1 million, compared with an underwriting result of NOK 15.2 million in 2007.

Pension and savings

Gjensidige offers a broad range of pension, investment and savings products for both the private and commercial markets. Among others, the pension products include occupational pension insurance, individual pension savings, disability pensions and the management of paid-up policies. The Vekter Funds make up the core of the savings products. Gjensidige's concept is to be an independent investment adviser. This entails that Gjensidige does not manage its own funds, but brokers contracts with those fund providers that they believe can provide high returns over time. In addition, Gjensidige can also offer active management.

The profit margin was 1.7 per cent in 2008, compared with 2.5 per cent in 2007. The decline was due to a rapid growth in total assets as a result of transfers of pension funds where underwriting revenue is not received. The paid-up policies contain an interest-rate guarantee. As a result of a negative return in the financial markets in 2008, the results were charged with a loss on the interest-rate guarantee of NOK 9.5 million in 2008.

Gross premiums written in the pension activities consist of savings deposits in private pensions and premiums for risk products related to group and individual pensions. Also included are premium reserves transferred from other companies for transferred contracts. For 2008, gross premiums written amounted to NOK 1,562.6 million, compared with NOK 496.4 million in 2007. The growth is due to higher premiums in force related to group defined-contribution pensions as well as sales of "fund pensions" for transferring previously accumulated IPA funds (Individual Pension Agreements) and paid-up policies.

The management income in the savings activities came to NOK 14.7 million in 2008, compared with NOK 9.4 million in 2007. The increase was due to greater management income as a result of more assets under management.

Overall, the segment had a net influx of 18,702 new customers in 2008. The total number of customers at the end of 2008 was 41,027, 84.4 per cent of which were also insurance customers.

A turbulent financial market and the recent negative press coverage about the savings products in general have resulted in a reduced demand for savings products with demand turning toward fixed income funds with lower margins. In spite of this, the pension and savings operations had total assets under management of NOK 2,846.5 million at the end of 2008. Managed pension funds were entered in the Group's balance sheet, while managed investment funds were not recognised.

Total operating expenses were NOK 175.7 million in 2008, NOK 104.9 million of which were insurance-related expenses. The corresponding figures for 2007 were NOK 141.0 million and NOK 84.9 million respectively. The cost performance was as expected.

The loss before tax in 2008 was NOK 133.2 million, compared with a loss of NOK 123.0 million in 2007. As the operations are in a development phase, the results are in line with expectations.

Online retail banking

Gjensidige Bank was launched in January 2007. The Company's head office is located in Førde, Norway, and it has entered into a long-term strategic cooperation with Sparebanken Sogn og Fjordane. Gjensidige Bank is a nationwide online bank aimed at the private, organisation and agricultural markets in Norway. The bank offers traditional banking products adapted for electronic distribution, with telephone support.

At the end of 2008, the bank had 44,413 registered customers, which corresponds to an increase of 22,169 during the year. Registered customers include both customers who have registered to become a customer (started the "become-a-customer" process) within the past six months and customers who have made active use of the bank. 52.8 per cent of the registered customers at the end of 2008 were also insurance customers.

Net interest and credit commission income amounted to NOK 45.4 million, compared with NOK 11.3 million for 2007. Net interest measured against the average total assets was 0.74 per cent compared with 0.71 per cent in 2007.

The bank is experiencing a steady increase in lending, and gross lending totalled NOK 6,711.4 million at the end of 2008. The lending portfolio has increased by NOK 3,330.0 million during the year. Lending consists primarily of loans with adjustable rates. The bank lends only to retail customers. At the end of 2008, 79.9 per cent of the loans were secured by mortgages of 80 per cent or less of the value of the home. The average loan commitment is just over NOK one million. There is no single exposure over NOK ten million.

The bank's deposits amounted to NOK 6,131.4 million at the end of 2008, compared with NOK 1,701.1 million at the end of 2007. The bank is experiencing good growth in deposits, and the deposit-to-loan ratio was 91.4 per cent at the end of the year. The bank will focus strongly on marketing in the time to come to ensure stable customer growth. A number of the bank's products are included in Gjensidige's loyalty and affinity programmes.

Operating expenses amounted to NOK 134.8 million in 2008, compared with NOK 126.5 million the previous year. Performance is in line with expectations. Individual impairment losses worth NOK 0.7 million related to individual commitments were recognised in 2008. In addition, group impairment losses for NOK 6.1 million were recognised. The provisions for losses amounted to 0.2 per cent of gross lending as at 31 December 2008.

The loss before tax ended at NOK 85.1 million, compared with a loss of NOK 115.8 million in 2007. As the operations are in a start-up phase, the results are in line with expectations. The capital ratio at the end of 2008 was 18.7 per cent. In 2008, Gjensidige Bank received capital increase and group contribution totalling NOK 304.4 million from the parent company.

Health care services

Under the brand name Hjelp 24, Gjensidige is the leading player in private health care services in Norway. It offers corporate health care services, personal security alarm services, private hospital and specialist services and work environment surveys. The services are provided to private customers, businesses and the public sector.

The operating income in health care services came to NOK 503.9 million in 2008, compared with NOK 335.5 million in 2007. The growth in turnover amounted to fully 50.2 per cent compared with 2007. It was an important milestone for the Company to achieve an annual turnover of NOK 500 million. The strong increase in turnover is due to a combination of acquisition and organic growth. During 2008, three new businesses were acquired in health care services: HMT Kompetansepartner BA (consolidated starting in the first quarter of 2008), Fabipartner AS (consolidated starting in the second quarter of 2008) and Sensus AS (consolidated starting in the third quarter of 2008). In addition, there is a whole year's turnover from NIMI AS, which was acquired in 2007. Overall, the acquired businesses have contributed NOK 128.0 million in turnover in 2008.

The segment achieved an EBITA of NOK 41.0 million and an EBITA margin of 8.1 per cent in 2008. The corresponding figures for 2007 were NOK 26.4 million and 7.9 per cent respectively.

RISK FACTORS

Risk management is performed at different locations and different levels in the organisation. The Group has a moderate risk profile, and, in the opinion of the Board of Directors, no single event could seriously damage the Company's financial position.

Strategic risk

Gjensidige's strategy, viewed in the light of results, fluctuations in markets and competition and changes in framework conditions, is monitored on a continuous basis. Factors that have been identified as critical for the Company's capacity to achieve its targets are subjected to special monitoring. The Group manages strategic risk by means of continuous monitoring of competitors and the market, product development and planning processes in order to ensure that Gjensidige remains at the forefront of all developments in insurance.

Gjensidige can look back on years of good insurance profitability and considerable growth. Gjensidige is facing challenges in the market from both traditional Norwegian financial market players, which are concentrating to a greater extent on the sale of general insurance, and from new market players. Loss of business combined with weaker underwriting results will impact negatively on the Company's return on equity and other key figures. In this situation, it is important that Gjensidige adapt quickly enough to the consumers' demands to be served through new channels, and make effective use of modern technology and support systems. Therefore, the Group continuously seeks to develop new, customer-adapted products and service solutions, while reviewing and standardising organisation, processes and value chains in order to reduce costs and increase efficiency.

Customers are increasingly demanding more expertise on the part of the employees. There is a risk of insufficient or outdated expertise reducing the chances of realising commercial and strategic aims. There is also stiff competition to attract and hold on to capable employees. The company is therefore working actively on skills development at every level of the organisation. The skills required for different roles are defined, and personal scorecards have been introduced for the employees. Performance-based reward schemes have been introduced for certain employee groups. A focused effort is being made in the area of management development and the establishment of requirements and expectations for managers and employees.

Insurance risk

The insurance risk related to major individual claims or events is managed via the lines of authorisation and reporting for ordinary operations. Clear guidelines have been set out for the type of insurance available.

The Board of Directors establishes annual frameworks for the Group's reinsurance program. These frameworks are based on the requirement to protect equity against claims that exceed a justifiable amount and the need to reduce fluctuations in results. Insurance risks are deemed to be moderate with the reinsurance cover the Group has in place.

Financial risk

Gjensidige has financial investments worth NOK 47.8 billion. These consist primarily of interest-bearing investments, property, equities and strategic holdings in subsidiaries and associated companies, and they are exposed to changes in macroeconomic factors.

After several years of good, stable growth globally, the situation is now marked by a great deal of uncertainty, negative growth and turbulent financial markets. The equity markets fell dramatically throughout 2008, and it is extremely uncertain how they will develop in 2009.

The strategic allocation of assets and dynamic risk management model established by the Board of Directors form the framework required for rapid adaptation to changes in macroeconomic conditions while simultaneously complying with all legal requirements.

The follow-up of price, interest and foreign currency risk takes place partly via "stress tests", where the buffer capital must remain at a sufficient level to withstand significant simultaneous declines in share prices and bond quotations. Reference is made to note 3 in the financial statements for further information on the interest rate risk and stress tests.

Frameworks have been compiled for the necessary access to liquid funds. This factor is taken into account when preparing the strategic asset allocation. The liquidity risk is believed to be very low.

The Group is also exposed to credit risks through investments in the bond and money markets and through its lending activities. The Board of Directors has set limits for credit activities. Credit losses have been immaterial to date. Claims outstanding against the Group's reinsurers can represent a substantial credit risk. Counterparty risk in the reinsurance market is subject to continuous assessment. All reinsurers for the Group must have, as a minimum, a Standard & Poor's rating A or similar from one of the other reputable rating companies.

The Board of Directors has considered the risk of losses on loans, guarantees and other receivables, and the appropriate provisions have been made in the accounts.

Operational risk

Operational risk is the risk of loss that is due to weaknesses or errors in processes and systems, errors committed by employees, or external events. The Group focuses on organising its activities with well-defined and clear lines of reporting and responsibility in order to reduce risk. Fixed procedures are established for the execution of risk assessment, and the Board of Directors discusses the annual status of the internal control system. The established compliance function assesses, gives advice on, monitors and reports the Group's compliance risk.

Ethical issues are discussed in management group meetings and during employee gatherings. These discussions are held in order to reduce the risk of breaches of procedures and guidelines, and to contribute towards a good working environment. Employees have also signed a separate computer acceptable use policy related to the use of the Group's information and IT systems.

On behalf of the Board of Directors, Gjensidige's internal auditing function monitors and assesses the extent to which risk management and internal control meet expectations.

For further information on the Company's risk management activities, reference is made to the Risk and Capital Management section of the annual report.

GOOD CORPORATE GOVERNANCE

Good corporate governance is a priority for the Board of Directors. In connection with the issuance of equity certificates and preparations for the planned stock exchange listing, the Company has significantly restructured its governance model. An extensive effort has been made to adapt Gjensidige's governance model and articles of association to the new situation with new owners and transparency requirements. The Board of Directors has decided to base its efforts on the Norwegian Code of Practice for Corporate Governance dated 4 December 2007 and has observed the Code of Practice in all areas possible. A great deal of importance has been attached to ensuring equal financial treatment of the two owner groups: The Norwegian general insurance customers and the equity certificate holders. Appropriate mechanisms for the protection of minority interests have been incorporated. The equity certificate holders have better protection for the capital they have contributed than the retained earnings.

Gjensidige's observance of the Norwegian Code of Practice is described in greater detail in a separate section of the annual report.

CORPORATE SOCIAL RESPONSIBILITY

Gjensidige's corporate social responsibility affects the management and governance of the Group, people and skills, administration, operations and commercial development. Gjensidige shall be distinguished by high ethical standards. Gjensidige's corporate social responsibility is based on the fundamental idea for the creation of the Company, to provide financial security and protection to the Company's customers.

A description of Gjensidige's social and environmental contribution to society can be found in a separate section of the annual report.

ENVIRONMENT

The Group's activities result in minimal pollution of the environment. The Group's environmental work focuses on energy economising, reducing travel through increased use of videoconferences, standardised printers and copiers that print on both sides of the paper, and responsible waste management. To reduce the consumption of paper an effort is also being made to increase the use of electronic insurance documents.

Gjensidige's head office at Sollerud was certified as an Eco-Lighthouse in 2008. The goal is to certify other major office locations as Eco-Lighthouses. Gjensidige has made an effort to acquire knowledge of climate changes and the consequences it may entail, and hence the Company has employed its own climate researcher. Gjensidige has now purchased carbon offsets in order to become carbon neutral in the Norwegian operations.

The Board of Directors is not aware of any products containing PCB's in Gjensidige's buildings and real estate.

With regard to the Company's environmental work and measures, reference is also made to a separate description in the annual report.

HUMAN RESOURCES

Demographics and equal opportunity

The Group had a total of 3,640 employees at the end of 2008. In the Norwegian general insurance operations, there were 2,060 employees as at 31 December 2008. As a result of the reorganisation of the Norwegian distribution, the sales representatives from Gjensidige Pensjon og Sparing were transferred to Gjensidige Forsikring in Norway effective 1 June 2008, and this affects the trend in the number of employees in the Norwegian general insurance operations. The number of employees in the Baltic States has increased during 2008, primarily as a result of the acquisition of Reso Europa.

Gender distribution in Gjensidige Forsikring is 52.2 per cent men and 47.8 per cent women. The percentage of men increased somewhat compared with 2007. In 2008, 194 new employees were recruited (not including employees in acquired businesses). Among the new employees, 103 were men and 91 were women, with an average age of 34.7. During the same period, 264 employees (149 women and 115 men) left the Company, which gives a staff turnover rate of 12.6 per cent.

Staff level	Gjensidige	Gjensidige Group
2008	2,060	3,640
2007	2,033	3,460
2006	2,242	3,497
2005	2,272	2,611
2004	2,261	2,451

The average age in the parent company is 45.1 (45.7 in 2007), and the average seniority is 12.9 years (13.8 in 2007).

Cooperation with the employees and the Finance Sector Union of Norway has been good. The Cooperation and Working Environment Committee has convened regularly. The Board of Directors considers the working environment to be good.

The Company's aim is to increase the percentage of female managers in the top level management groups. Several women at Gjensidige have therefore participated in Futura, which is the financial industry's own management development programme for senior female managers.

Out of a total of eight senior management members, one is a woman. The proportion of women on the Board of Directors remains unchanged from 2007, and five out of twelve members are women. Out of a total of 199 managers, over 35.7 per cent are women, which is roughly equivalent to the percentage in 2007.

Attractive workplace

Gjensidige shall stand out as an attractive employer both internally and externally. Studies carried out in 2008 among both our own employees and persons outside the Group show that the employees have a more positive view of Gjensidige as an employer than the persons outside the Group. Based on the study, an "employer's pledge" is being drawn up that will be used in connection with advertising and other marketing of Gjensidige as an employer.

The recruiting process has been reviewed and simplified with the aim of improving the capability of the individual manager to look after the interests of all candidates. Evaluation efforts have been made within the distribution system to find the qualifications among the customer advisors that are most successful both objectively in the form of sales results and with regard to the manager's subjective evaluation.

In order to support measures related to the working environment, employee development, management development and rewards, various types of surveys are used. The goal is to enable management to make its decisions to the greatest possible extent on the basis of research-based knowledge and to launch measures that encourage the drivers which will have the greatest effect on the working environment and results.

Therefore, in collaboration with the Norwegian School of Management, a survey was conducted of the effect of Gjensidige's bonus system for sales representatives in the private, agricultural and commercial markets. The objective of the bonus system is to improve motivation and increase sales. The survey was conducted for the first time in the spring of 2007 and will be concluded in the spring of 2009. The results of the survey will be an important contribution to the evaluation of the bonus system. On the basis of findings in the survey, some adjustments have already been made.

Gjensidige has also taken part in the survey, "The New Workplace", which was conducted under the direction of NIOH (The National Institute of Occupational Health). As far as Gjensidige is concerned, the main findings are that the employees:

- have a relatively high workload, but that they do not find that it is very detrimental to their private lives
- experience a high clarity of roles, which means that the individual is well aware of what his/her tasks are
- experience very few role-based conflicts, i.e. they do not need to do things that conflict with guidelines and ethical standards
- receive good support from their managers and colleagues
- find the working environment to be good

At the same time, the survey shows that those who have been involved in both rounds of questionnaires are more sceptical to changes and feel less job security than those who have only participated in the last survey. The survey also reflects that there have been relatively major changes in Gjensidige in the period between the first and second surveys. The results of this survey are in accordance with the findings Gjensidige has arrived at itself in its annual employee satisfaction survey.

An effort has also been initiated that looks at perceived requirements for competence and focuses on skills development and how this affects drivers such as inner and external motivation, job effort and quality.

The number of applicants for the Group trainee programme in 2008 declined slightly compared with the previous year, but the qualifications of the applicants were very high. A structured programme has been carried out to assess the final candidates through case studies, various tests and interviews, and the selection process was subsequently given a good evaluation by the candidates.

Skills development

A considerable in-house training activity is conducted, and the number of course-days in 2008 came to 4,756 (2,485 in 2007). Employees also take part in external courses and training activities, e.g. courses that give credits under the direction of the Norwegian School of Management. In addition, there are e-learning courses, where 48 courses have been established that have been used for a total of 19,500 hours, plus 11 learning portals for marketing campaigns that have been used for a total of 3,300 hours.

Management development and the employee programme

Gjensidige is making comprehensive efforts to develop its managers and employees.

Management is a key factor facilitating the translation of strategy into action, and management development is therefore an important part of Gjensidige's organisational development work. The Group has developed a separate management platform, which expresses the organisation's expectations of management. This is used as a tool in the development of our own management and is the core of Gjensidige's management development programme. In the autumn of 2008, managers in Gjensidige took part in a two-day meeting, where the theme was decision-making.

The employee programme should help facilitate a dialogue about common goals and challenges and also inspire all employees to become more aware of their own situation and development. In the winter and spring of 2008, meetings were held for all employees. The meetings were followed up with mini-processes in smaller groups.

HSE and absence due to illness

The network for HSE (Health, Safety and Environment) in Gjensidige has been further improved in 2008, and employees have been designated in various places in the Group who are responsible for following up the work. In order to determine whether the working environment activity is in accordance with the authorities' and the Company's own requirements for systematic HSE work, a number of internal HSE audits have been conducted. The objective of performing these audits is to improve the health, safety and environment work throughout the whole organisation by documenting the systematic HSE activity in the departments in the form of risk assessments, surveys and action plans.

The follow-up of absence due to illness has been well managed, and the interaction between manager, the corporate health care service Hjelp24, and the HSE function has undergone a positive trend, especially through the preparation of follow-up plans. A number of departments have had significant reductions in their total absence due to illness in recent years. The dialogue among the Group's own HSE network, IA contacts, NAV Social Security and NAV Employment is further improved, so that the coordination and quality of the follow-up of the absence due to illness has undergone a positive trend.

At the end of 2008, the average absence due to illness in the Norwegian operations was 4.7 per cent. This is a decline of 0.5 percentage points from the previous year. The goal is to have an absence due to illness of under 4 per cent. Measures to reduce the absence due to illness were implemented in cooperation with the corporate health services.

There were no material personal injuries, property damage or accidents in the Group in 2008.

In cooperation with the Finance Sector Union of Norway, a project was launched to increase the presence and to be able to meet obligations related to the agreement concerning a more inclusive workplace and to review possible adaptations of the individual with regard to age and various phases of life.

Diversity

Gjensidige's approximately one million customers represent a cross-section of the gender, ethnicity and educational background of the Norwegian population. Therefore, it is natural that efforts are made to ensure that the Group's employees shall consist of representatives from the various groups in the population. Not least, there is an inherent acknowledgement here that diversity is positive for innovative ability, working environment and future value creation. Therefore, a "Culture-Ethnicity-Insurance" project has been implemented, where knowledge about diversity and inclusion should be utilised in order to call attention to the value of diversity in Gjensidige's organisation. A separate Equal Opportunity and Inclusive Workforce Committee has been established, which, among other things, has continued to work with measures to better utilize the senior resources.

OUTLOOK

Growth in general insurance is mainly expected from the operations outside Norway. For the Norwegian general insurance market, premium volume growth is expected to derive primarily from premium measures that have already been implemented. The underwriting profitability for 2009 is expected to be on par with 2008. Efforts have commenced to reduce the claims expenses and administrative expenses up to 2011, and they are expected to already have some impact in 2009.

The established pension, savings and banking operations have developed in accordance with our expectations, and they will strengthen the Group's position and foundation for growth in Norway in the long run. The implemented reorganisation of the distribution model in the Norwegian market will help ensure that the new products become a natural part of the dialogue with Gjensidige's customers to a greater extent than before.

The return from the financial markets was not satisfactory in 2008. Due to the credit crisis and an expected negative growth in the largest and most important economies, there is considerable uncertainty about the trend in 2009. The unrest in the financial markets is expected to have an impact on Gjensidige's financial results in 2009.

The technological developments and new customer requirements provide the foundation for ongoing efficiency improvement, new forms of cooperation between companies and new service concepts. A growing number of customers prefer a combination of Internet and telephone as their purchasing and service channels. Gjensidige will develop its own service channels on an ongoing basis in accordance with the customers' wishes.

A future listing of Gjensidige's equity certificates on Oslo Børs will increase the Group's flexibility with regard to financing further growth.

A change in the regulatory framework in general may affect Gjensidige's operations. No new framework conditions have been approved that will have a major impact on the operations in 2009, but there are a number of initiatives that will have an impact over a period of time. This is especially true of the EU's solvency project for insurance companies, Solvency II. There is an ongoing Solvency II project under the direction of the EU, and this project will result in a completely new standard for capital adequacy and regulation of European insurance companies. Solvency II will help improve the quantification of risk and capital requirements for insurance companies, and it will strengthen risk management in general. The new regulations, which are expected to enter into force in 2012, will give the companies a greater incentive to survey and manage all risks in a consistent manner. Gjensidige is actively following the developments, and they have participated, for example, in the quantitative impact studies. In 2008, a preliminary study was conducted to determine how the Group ought to prepare itself in order to meet the new requirements. The conclusion from the preliminary study is that Gjensidige is well positioned to meet the new requirements. Solvency II will also entail new requirements for the way in which risk management is organised and carried out as well as reporting requirements to both the supervisory authorities and external entities.

The Banking Law Commission has recently submitted a report (NOU 2008:20) accompanied by proposals for a new Act relating to general insurance companies. The report does not contain proposals that are expected to entail a significant change in the operations as they are conducted at present. The initiative to develop the new act is under consideration in the Ministry of Finance and will probably result in a bill this year or next year.

The Banking Law Commission has also recently submitted a report (NOU 2009:2) that will have an impact on equity certificates and possible future structural changes. The Banking Law Commission bases its proposal to a great extent on Gjensidige's ideas about equity certificates and is making arrangements for enacting the law, which will provide an even more robust framework for this equity instrument. The initiative to develop this new act is also under consideration in the Ministry of Finance and may result in a bill as early as the spring session of this year.

Normally there is a great deal of uncertainty regarding forward-looking matters, but it is the Board of Directors' opinion that the Group is well-equipped to meet the competition in the years to come.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the end of 2008.

DISTRIBUTION OF PROFIT BEFORE OTHER COMPONENTS OF INCOME AND EXPENSES

The Board of Directors has approved a dividend policy that will form the basis for the dividend proposals that are submitted to the general meeting. Gjensidige shall have a competitive dividend policy relative to comparable investments. In determining the size of the annual dividend, consideration shall be given to the Group's capital requirements, including capital adequacy requirements, together with the Group's goals and strategic plans. Unless the capital requirements suggest otherwise, the Board of Directors' goal is that between 50 and 80 per cent of the profit for the year after tax will be distributed as dividends.

The Board of Directors recommends that no dividend be paid for 2008 because restricted funds in the financial statements for Gjensidige Forsikring BA do not give opportunities for this within the profit for the year. It is therefore recommended that the parent company's results before other components of income and expenses of NOK 519.3 million be transferred with NOK 129.8 million going to the equalisation fund (Class I) and NOK 389.5 million going to retained earnings (Class II). Other components of income and expenses, which are presented in the income statement on page 145 and in note 13 on page 167, are recognised directly in equity and are thus not included in the allocation of profit. After the allocation of profit before other components of income and expenses, the parent company's unrestricted reserves amount to NOK 10,580.0 million.

The Board of Directors wishes to thank all of the Group's employees for their good efforts in 2008.

11 March 2009
The Board of Directors of Gjensidige Forsikring BA

Inge K. Hansen Chairman	Randi B. Sætershagen Deputy chairman	Gunnhild H. Andersen	Hans-Erik F. Andersson	Marianne Bø Engebretsen
Karen Marie Hjelmeseter	Kjetil Kristensen	Marianne Lie	Cato Litangen	Gunnar Mjåtvedt
Hans Ellef Wettre	Tor Øwre			Helge Leiro Baastad CEO

FINANCIAL STATEMENTS AND NOTES 2008

GJENSIDIGE INSURANCE GROUP

Notes

GJENSIDIGE FORSIKRING BA

Notes

CONSOLIDATED INCOME STATEMENT

NOK million	Notes	1.1.-31.12.2008	1.1.-31.12.2007
Premiums			
Gross premiums written		17,428.6	15,726.5
Ceded reinsurance premiums		(321.1)	(250.3)
Premiums written, net of reinsurance		**17,107.5**	**15,476.2**
Change in gross provision for unearned premiums		(1,505.4)	(658.6)
Change in provision for unearned premiums, reinsurers´ share		(62.2)	58.3
Total earned premiums, net of reinsurance	**4**	**15,539.9**	**14,875.9**
Allocated return on investments transferred from the non-technical account		1,344.1	1,475.1
Claims			
Gross paid claims		(11,085.9)	(10,156.3)
Paid claims, reinsurers´ share		64.0	206.4
Change in gross provision for claims		(836.4)	(1,533.5)
Change in provision for claims, reinsurers´ share		(156.9)	(212.5)
Total claims incurred, net of reinsurance		**(12,015.1)**	**(11,695.8)**
Premium discounts and other profit agreements		(7.6)	(20.0)
Insurance-related administrative expenses including sales expenses	15, 18, 19	(2,754.2)	(2,720.9)
Received commissions for ceded reinsurance		11.1	36.6
Insurance-related operating expenses		**(2,743.1)**	**(2,684.3)**
Profit / (loss) of technical account before amortisation of excess value		**2,118.2**	**1,950.8**
Amortisation of excess value – intangible assets		(94.6)	(103.3)
Profit / (loss) of technical account		**2,023.6**	**1,847.5**
Financial income			
Income from associates		188.2	39.6
Income from and revaluation of property	8	(292.2)	881.4
Income from other financial assets		2,626.9	1,597.7
Unrealised gains and reversal of unrealised losses on financial current assets		50.8	82.8
Gain on sale of financial assets		6,897.1	3,645.8
Total financial income	**20**	**9,470.8**	**6,247.2**
Financial expenses			
Administration expenses on property		(108.1)	(137.7)
Administration expenses related to financial assets		(39.0)	(56.9)
Interest expenses		(831.7)	(619.7)
Other expenses related to financial assets		(59.0)	(71.7)
Unrealised losses and reversal of unrealised gains on financial current assets		(2,938.1)	(940.4)
Loss on sale of financial assets		(5,715.1)	(1,600.6)
Total financial expenses	**20**	**(9,691.1)**	**(3,427.0)**
Net income and expenses from financial assets	**20**	**(220.3)**	**2,820.3**
Allocated return on investments transferred to the technical account		(1,344.1)	(1,475.1)
Other income	22	538.5	380.0
Other expenses		(690.5)	(552.4)
Profit / (loss) before tax expense		**307.2**	**3,020.3**
Tax expense	17	179.1	(541.3)
PROFIT / (LOSS) FOR THE YEAR		**486.3**	**2,479.0**
Earnings per equity certificate (basic and deluted)		**1.57**	**8.03**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

NOK million	1.1.-31.12.2008	1.1.-31.12.2007
Foriegn currency differences	152.6	(137.0)
Changes in assets available for sale	105.9	(430.6)
Changes in equity in associates	(89.4)	
Actuarial gains and losses on pension	(407.9)	(431.5)
Tax on equity items and other equity items	291.4	105.5
Income (loss) and expenses recognised directly in equity	52.6	(893.7)
Profit for the year	486.3	2,479.0
Total recognised income and expense	538.9	1,585.3

CONSOLIDATED BALANCE SHEET

NOK million	Notes	31.12.2008	31.12.2007
ASSETS			
Goodwill	5	1,763.4	1,424.8
Intangible assets	5	1,027.6	1,022.3
Investments in associates	6	2,662.9	186.6
Owner-occupied property	7	330.7	1,017.5
Plant and equipment	7	324.7	366.9
Investment properties	8	5,618.9	6,041.7
Financial assets			
Financial derivatives	9, 10	289.8	279.1
Financial assets at fair value through profit or loss	9	23,547.9	23,361.8
Financial assets held to maturity	9	13,683.7	8,885.6
Loans and other receivables	9, 11	7,170.2	3,850.0
Financial assets available for sale	9		2,765.9
Assets in life insurance with investment options		1,421.7	497.5
Reinsurance deposits		0.7	0.6
Reinsurers' share of insurance-related liabilities	14	390.8	302.6
Receivables related to direct operations and reinsurance	11	3,213.3	3,159.3
Other receivables	11	436.0	376.7
Prepaid expenses and earned, not received income	11	657.7	528.7
Cash and cash equivalents	12, 28	3,011.6	4,092.3
TOTAL ASSETS		65,551.4	58,159.9
EQUITY AND LIABILITIES			
Equity			
Equity certificates		3,860.0	3,860.0
Other equity		15,960.0	16,442.5
Total equity	13	19,820.0	20,302.5
Provision for liabilities			
Provision for unearned premiums, gross	14	6,760.9	6,060.2
Claims provision, gross	14	25,561.5	23,147.1
Provision for premium discounts		45.1	38.4
Pension liabilities	15	1,426.3	1,233.3
Other provisions	16	94.8	248.7
Financial liabilities			
Financial derivatives	10	863.7	39.6
Deposits from and liabilities to customers, bank	16	6,131.4	1,701.1
Other liabilities	16	2,104.2	2,995.9
Deferred tax liabilities	17	681.9	1,424.1
Liabilities related to direct insurance	16	357.6	269.2
Accrued dividend		81.6	
Liabilities in life insurance with investment options	16	1,421.7	497.5
Accrued expenses and deferred income	16	200.9	202.3
Total liabilities		45,731.4	37,857.4
TOTAL EQUITY AND LIABILITIES		65,551.4	58,159.9

11 March 2009
The Board of Directors of Gjensidige Forsikring BA

Inge K. Hansen
Chairman

Randi B. Sætershagen
Deputy chairman

Gunnhild H. Andersen

Hans-Erik F. Andersson

Marianne Bø Engebretsen

Karen Marie Hjelmeseter

Kjetil Kristensen

Marianne Lie

Cato Litangen

Gunnar Mjåtvedt

Hans Ellef Wettre

Tor Øwre

Helge Leiro Baastad
CEO

CONSOLIDATED CASH FLOW STATEMENT

NOK million	1.1.-31.12.2008	1.1.-31.12.2007
Cash flow from operating activities		
Premiums paid, net of reinsurance	17,445.7	15,295.2
Claims paid, net of reinsurance	(11,011.8)	(9,952.1)
Operating expenses paid, including commission	(2,896.2)	(2,602.1)
Net receipts / payments on lendings and deposits	1,181.9	(1,611.7)
Net cash flow from investments		
Shares and other equity participations	3,266.2	367.3
Bonds and other fixed-income securities	(6,633.2)	(294.9)
Financial derivatives and other financial instruments	(2,163.1)	620.2
Investment properties	(427.8)	1,214.8
Interest and other financial income	985.9	804.5
Net receipts / payments - property activities	258.7	337.2
Net receipts / payments - other income	76.0	12.2
Taxes paid	(141.2)	(23.1)
Net cash flow from operating activities	(59.1)	4,167.5
Cash flow from investing activities		
Payments on purchase of subsidiaries	(525.1)	(2,769.6)
Net receipts / payments on owner-occupied property	1,445.9	3.3
Net receipts / payments on sale / purchase of plant and equipment	(226.5)	(380.5)
Net cash flow from investing activities	694.3	(3,146.8)
Cash flow from financing activities		
Dividend paid	(939.9)	
Interest payments on borrowings	(62.9)	(46.8)
Net receipts / payments on loans	(899.0)	710.2
Net cash flow from financing activities	(1,901.7)	663.4
Net cash flow for the period	(1,266.5)	1,684.1
Effect of currency fluctuations on cash and cash equivalents	122.0	(0.8)
Net movement in cash and cash equivalents	(1,144.6)	1,683.3
Cash and cash equivalents at the beginning of the period	4,092.3	2,271.3
Merged, added and disposed companies	63.9	137.8
Adjusted holdings at the beginning of the period	4,156.2	2,409.1
Cash and cash equivalents at the end of the period	3,011.6	4,092.3
Net movement in cash and cash equivalents	(1,144.6)	1,683.3

NOTES

NOTE 1 - ACCOUNTING POLICIES

REPORTING ENTITY

Gjensidige Forsikring BA is a mutually owned company domiciled in Norway. The company's head office is located at Drammensveien 288, Oslo, Norway. The consolidated financial statements of the Gjensidige Insurance Group (the Group) as at and for the year ended 31 December 2008 comprise Gjensidige Forsikring BA and its subsidiaries and the Group's interests in associates. The activities of the Group consist of general insurance, pension and savings, online retail banking and health care services. The Group does business in Norway, Sweden, Denmark, Latvia, Lithuania and Estonia.

The accounting policies applied in the consolidated financial statements are described below. The policies are used consistently throughout the entire Group with the exception of one difference that is permitted in accordance with IFRS 4 about insurance contracts. See description under section Claims provisions for general insurance.

BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs endorsed by EU, and interpretations that should be adopted as of 31 December 2008, and additional disclosure requirements in accordance with the Norwegian Financial Reporting Regulations for Insurance Companies (FOR 1998-12-16 nr 1241) pursuant to the Norwegian Accounting Act.

The IFRSs and interpretations published up to 11 March 2009 and not yet mandatory as of 31 December 2008; that is amendments to IAS 1, IAS 23, IFRS 2, IAS 27, IAS 32, improvements to IFRSs, IFRIC 12, IFRIC 18, revised IFRS 3, amendments to IAS 39, IFRIC 16 and IFRIC 17, are assumed, based on assessments made so far, not to have material impact on reported figures, except for IAS 1 which may lead to changes in the presentation of the financial statements. Of IFRSs endorsed, but not mandatory for periods beginning earlier than on, or after 1 January 2009, IFRS 8 is adopted as from 1 January 2008.

Basis of measurement

The consolidated financial statements have been prepared based on the historical cost principle with the following exceptions

- derivatives are measured at fair value
- financial assets at fair value through profit or loss are measured at fair value
- financial assets available for sale are measured at fair value
- investment properties are measured at fair value

Functional and presentation currency

The consolidated financial statements are presented in NOK, which is Gjensidige Forsikring's functional currency. All financial information is presented in NOK, unless otherwise stated.

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

SEGMENT REPORTING

According to IFRS 8, the operating segments are determined based on the Group's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In the Gjensidige Insurance Group the Senior Group Management is responsible for evaluating and following up the performance of the segments and is considered the chief operating decision maker within the meaning of IFRS 8. In contrast to the former reporting structure, Gjensidige reports on seven operating segments, which are independently managed by managers responsible for the respective segments depending on the products and services offered, distribution and settlement channels, brands and customer profiles. The identification of the segments is based on the existence of segment managers who report directly to the Senior Group Management / CEO and who are responsible for the performance of the segment under their charge. Based on this Gjensidige reports the following operating segments

- General insurance Private Norway
- General insurance Commercial Norway
- General insurance Other Nordic
- General insurance Baltic
- Pension and savings
- Online retail banking
- Health care services

The recognition and measurement principles for Gjensidige's segment reporting are based on the IFRS principles adopted in the consolidated financial statements.

Prior-year figures have been adjusted accordingly.

Inter-segment pricing is determined on arm's length distance.

CONSOLIDATION POLICIES

Subsidiaries

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

Associates

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted companies are eliminated against the investment to the extent of the Group's interest. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Business combinations

Business combinations are accounted for by applying the purchase method. The cost of the business combination is the fair value at the date of exchange of assets acquired, liabilities incurred and equity instruments issued by the Group, in exchange for control of the acquired company, and any expenses directly attributable to the business combination.

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

RECOGNITION OF REVENUE AND EXPENSES

Insurance premiums for general insurance

Insurance premiums are recognised over the term of the policy. Gross premiums written include all amounts the company has received or is owed for insurance contracts where the insurance period starts before the end of the accounting period. At the end of the period provisions are recorded, and premiums written that relate to subsequent periods will be adjusted for in Change in the gross provision for unearned premiums in the income statement.

Reinsurance

Ceded reinsurance premiums reduce gross premiums written, and are adjusted for according to the insurance period. Premiums for inward reinsurance are classified as gross premiums written, and are earned according to the insurance period.

Insurance premiums for life insurance

Premium income consists of the gross premiums written and includes contribution to unit linked contracts, risk premium and administration fee. From the total the allocation to unit linked contracts, premium reserve and risk reserve is extracted. The reported premium amount consists of the remaining balance.

Interest income and expenses related to financial assets

For all financial instruments measured at amortised cost, interest income and expenses are recognised using the effective interest method, and the calculation includes all fee income and directly attributable expenses that is an integral part of the effective interest rate.

Allocated return on investments

The allocated return on investments is calculated based on the average of the technical provisions throughout the year. The average yield on government bonds with three years remaining until maturity is used for the calculation. The Financial Supervisory Authority of Norway has calculated the average technical yield for 2008 and 2007 to be 4.6 and 4.8 per cent, respectively. The allocated return on investments is transferred from the non-technical account to the technical account.

Claims incurred

Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in provision for claims, gross, also less reinsurers' share. Direct and indirect claims processing costs are included in claims incurred. The claims incurred contain run-off gains / losses based on previous years' claims provisions.

Insurance-related operating expenses

Insurance-related operating expenses consist of insurance-related administration expenses and sales expenses less received commissions for ceded reinsurance.

FOREIGN CURRENCY

Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslations are recognised in profit or loss, except for differences arising on the retranslation of equity instruments available for sale, financial liabilities designated as hedge of a net investment in a foreign operation, and cash flow hedges that qualifies for hedge accounting. These are recognised directly in equity.

Foreign operations

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

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form a part of the net investment in the foreign operation and are recognised directly in equity.

Goodwill arising on the acquisition of a foreign operation, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of the foreign operation are treated as assets and liabilities of the foreign operation.

TANGIBLE ASSETS

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. In cases where equipment or significant items have different useful lives, they are accounted for as separate components.

Owner-occupied property is defined as property that is used by Gjensidige for conducting its business. If the properties are used both for the company's own use and as investment properties, the classification of the properties is based on the actual use of the properties.

Subsequent costs

Subsequent costs are included in the asset's carrying amount and are recognised as a separate asset, but only when it is probable that the future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. All other repairs and maintenances are recognised in profit or loss in the period in which they are incurred. If the subsequent cost is a replacement cost for part of an item of property, plant and equipment, the cost is capitalized and the carrying amount of what has been replaced is derecognised.

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows

- property 10-50 years
- plant and equipment 3-10 years

Depreciation methods, expected useful life and residual values are reassessed annually. An asset's carrying amount is impaired if the recoverable amount is less than the carrying amount.

Investment properties

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

Investment properties are measured at fair value, and any changes in fair value are recognised in profit or loss.

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

Investment properties are measured initially at fair value, i.e. the purchase price including directly attributable expenses associated with the purchase.

Investment properties are not depreciated.

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

INTANGIBLE ASSETS

Goodwill

Goodwill acquired in a business combination represents cost price of the acquisition in excess of the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities in the acquired entity at the time of acquisition. Goodwill is recognised initially at cost and subsequently measured at cost less accumulated impairment losses.

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

Customer relations, trademarks, internally developed software and other intangible assets

Customer relations, trademarks, internally developed software and other intangible assets that are acquired separately or as a group are recognised at historical cost less accumulated amortisation and accumulated impairment losses. New intangible assets are capitalized only if future economic benefits associated with the asset are probable and the cost of the asset can be measured reliably.

Development expenditures (both internally and externally generated) is capitalized only if the development expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset.

Amortisation are recognised in profit or loss on a straight-line basis over the estimated useful life of each intangible asset, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows

- customer relations 10 years
- trademarks 1–10 years
- internally developed software 5–8 years
- other intangible assets 5–10 years

The amortisation period and amortisation method are reassessed annually. The asset's carrying amount is impaired if the recoverable amount is less than the carrying amount.

IMPAIRMENT

Non-financial assets

The Group assesses indicators of impairment of the carrying amount of tangible and intangible assets at each reporting date to determine if there are events or changes in assumptions indicating that carrying amount is not recoverable. Indicators that are assessed as significant by the Group and might trigger testing for an impairment loss are as follows

- significant reduction in earnings in relation to historical or expected future earnings
- significant changes in the Group's use of assets or overall strategy for the business
- significant negative trends for the industry or economy
- other external and internal indicators

If any such indicators exist, then the recoverable amount for an asset or a cash-generating unit is estimated.

Goodwill is tested for impairment annually. The annual testing of goodwill is performed in the third quarter.

Recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets generating cash inflows that are largely independent of cash inflows from other assets or groups of assets ("cash-generating unit"). Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the business combination.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to the carrying amount of goodwill and then proportionally to the carrying amount of each asset in the cash-generating unit. Previously recognised impairment losses are reversed if the prerequisites for impairment losses are no longer present. Impairment losses will only be reversed if the recoverable amount does not exceed the amount that would have been the carrying amount at the time of the reversal if the impairment loss had not been recognised.

Impairment losses recognised for goodwill will not be reversed in a subsequent period. On disposal of a cash generating unit, the goodwill attributable will be included in the determination of the gain or loss on disposal.

TECHNICAL PROVISIONS

Provision for unearned premiums

The provision for unearned premiums reflects the accrual of premiums written. The provision corresponds to the unearned portions of the premiums written. No deduction is made for any expenses before the premiums written are accrued.

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

Claims provision in general insurance

The claims provision comprise provisions for anticipated future claims payments in respect of claims incurred, but not fully settled at the end of the accounting period. These include both claims that have been reported to the company (RBNS – reported but not settled) and those that have not yet been reported (IBNR – incurred but not reported). The provisions related to reported claims are assessed individually by the Claims Department, while the IBNR provisions are calculated based on empirical data for the time it takes from a loss or claim occurring (date of loss) until it is reported (date reported). Based on experience and the development of the portfolio, a statistical model is prepared to calculate the scope of post-reported claims. The appropriateness of the model is measured by calculating the deviation between earlier post-reported claims and post-reported claims estimated by the model.

Adequacy test

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to the company's liabilities. Current estimates for future claims payments for the company's insurance liabilities at the reporting date, as well as related cash flows, are used to perform the test. This includes both claims incurred before the reporting date (claims provisions) and claims that will occur from the reporting date until the next annual renewal (premium provisions). Any negative discrepancy between the original provision and the liability adequacy test will entail provision for insufficient premium level.

Provisions for life insurance

Technical provisions regarding life insurance in Gjensidige Pensjonsforsikring are premium reserve, claims provision and additional provision.

The technical provisions related to the unit linked contracts are determined by the market value of the financial assets. The unit linked contracts portfolio is not exposed to investment risk related to the customer assets since the customers are not guaranteed any return. In addition there is a portfolio of annuity contracts which have an average 3.8 per cent annually guaranteed return on assets.

Reinsurers' share of insurance-related liabilities

Reinsurers' share of insurance-related liabilities is classified as asset in the balance sheet. Reinsurers' share of provision for unearned premiums and reinsurers' share of claims provision are included in reinsurers' share of insurance-related liabilities, gross. The reinsurers' share is less expected losses on claims based on objective evidence of impairment losses.

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments not measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

Financial assets are classified in one of the following categories
- at fair value through profit or loss
- available for sale
- investments held to maturity
- loans and receivables
- derivatives

At fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if
- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

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

Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

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

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

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

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

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

Interest-free loans are issued to finance fire alarm systems within agriculture for loss prevention purposes. These loans are repaid using the discount granted on the main policy when the alarm system is installed.

Derivatives
Financial derivatives are used in the management of exposure to equities, bonds and foreign exchange in order to achieve the desired level of risk and return. The instruments are used both for trading purposes and for hedging of other balance sheet items. Trading of financial derivatives is subject to strict limitations.

All derivatives are recognised initially at fair value, with subsequently measurement at fair value when values fluctuate.

The Group uses financial derivatives, amongst other to hedge foreign currency exchanges arising from the ownership of foreign subsidiaries with other functional currency.

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

Fair value
Fair value is the amount an asset can be sold at or a liability can be settled to in a transaction carried out at arm's length distance between well-informed, willing parties. All financial instruments are recognised initially at fair value. In the normal course of business, fair value of a financial instrument on initial recognition is the transaction price. The best estimate of fair value is quoted prices in an actively traded market. Subsequent to initial recognition, the fair value of financial instruments will be measured at fair value based on quoted prices in active markets, which are based on bid prices for assets held and offer prices for liabilities issued.

When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where observable market prices exist, market transactions recently carried out at arm's length distance between well-informed and willing parties, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair value can also be determined by using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. For financial instruments where this is relevant, fair value derived is more judgemental. Non-observable market data in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would likely occur, and that the value therefore must be determine based on other information available.

Amortised cost
Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

IMPAIRMENT OF FINANCIAL ASSETS
Loans, receivables and investments held to maturity
For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.

An assessment will be made first as to whether there is objective evidence of impairment of financial assets that are individually significant. Financial assets that are not individually significant or that are assessed individually, but not impaired, will be assessed in groups with respect to impairment. Assets with similar credit risk characteristics will be grouped together.

If there is objective evidence that the asset is impaired, impairment loss will be calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate.

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

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

If a decline in fair value of an available-for-sale financial asset, compared to cost, is significant (20 per cent) or has lasted longer than nine months, the cumulative loss – measured as the difference between the historical cost and current fair value, less impairment loss on that financial asset that previously has been recognised in profit or loss - will be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

Impairment losses recognised in profit or loss are not reversed through profit or loss, but through equity.

DIVIDEND

Dividend from investments is recognised when the Group has an unconditional right to receive the dividend. Dividend paid is recognised as a liability at the point in time when the General Meeting approves the payment of the dividend.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

Restructuring

Provisions for restructuring are recognised when the Group has ap□proved a detailed and formal restructuring plan which has commenced or has been announced. Provisions are not made for future expenses attributed to the operations.

PENSIONS

Gjensidige has both defined contribution and defined benefit plans for its employees. The defined benefit plan in Norway has been placed in a separate pension fund and is closed to new employees.

The defined contribution plan is a post-employment benefit plan under which Gjensidige pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligatory contributions are recognised as employee benefit expenses in profit or loss when they are due.

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

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

Actuarial gains and losses related to defined benefit plan is recognised directly in equity.

TAX

Income tax expense comprises the total of the current tax and deferred tax.

Current tax

Current tax is tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is determined based on differences between the carrying amount and the amounts used for taxation purposes, of assets and liabilities at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that they can be offset by future taxable income. If deferred tax arises in connection with the initial recognition of a liability or asset acquired in a transaction that is not a business combination, and it does not affect the financial or taxable profit or loss at the time of the transaction, then it will not be recognised.

Deferred tax liabilities are recognised for temporary differences resulting from investments in subsidiaries and associates, except in cases where the Group is able to control the reversal of temporary differences, and it is probable that the temporary difference will not be reversed in foreseeable future. Deferred tax assets that arise from deductible temporary differences for such investments are only recognised to the extent that it is probable that there will be sufficient taxable income to utilise the asset from the temporary difference, and they are expected to reverse in the foreseeable future.

Current and deferred tax

Current tax and deferred tax are recognised as an expense or income in the income statement, with the exception of deferred tax on items that are recognised directly in equity, where the tax is recognised directly in equity or in cases where deferred tax arises as a result of a business combination. For business combinations, deferred tax is calculated on the difference between fair value of the acquired assets and liabilities and their carrying amount. Goodwill is recognised without provision for deferred tax.

RELATED PARTY TRANSACTIONS

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The provider of intra-group services, that are not considered core activities, will as a main rule, allocate its incurred net costs (all costs included) based on a Cost Contribution Arrangement as described in OECD Guidelines chapter 8 and on the basis of paragraph 13-1 in the Norwegian Tax Act.

Identified functions that are categorized as core activities will be charged out with a reasonable mark up or alternatively at market price if Comparable Uncontrolled Prices can be identified.

TRANSACTIONS WITH AFFILIATED COMPANIES

The Mutual Fire insurers receive commission payments for performing a number of functions on behalf of Gjensidige Forsikring. These payments are offset for those services that Gjensidige Forsikring provides for the Mutual Fire insurers. Due to the fire policy reinsurance plan, Gjensidige Forsikring also manages assets on behalf of the Mutual Fire insurers who are credited interest for interest earned.

NOTE 2 – USE OF ESTIMATES

The preparation of the consolidated financial statements under IFRS and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated prerequisites are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

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

INVESTMENT PROPERTIES

Fair value is based on market prices and generally accepted valuation models where there are no market prices. A key parameter of the valuation is the long-term required rate of return for the individual property. A further description of the real estate price risk and a sensitivity analysis of investment properties are given in note 8. The carrying amount of investment property as at 31 December 2008 was NOK 5,618.9 million (NOK 6,041.7 million as at 31 December 2007). See note 8.

EQUIPMENT, OWNER-OCCUPIED PROPERTY AND INTANGIBLE ASSETS

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

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

The carrying amount of equipment as at 31 December 2008 (2007) was NOK 324.7 million (366.9), of goodwill was 1,763.4 million (1,424.8), of owner-occupied property was NOK 330.7 million (1,017.5) and of intangible assets was NOK 1,027.6 million (1,022.3). See notes 5 and 7.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

IMPAIRMENT OF FINANCIAL ASSETS

For financial assets that are not measured at fair value, it is assessed whether there is objective evidence that there has been a reduction in the value of a financial asset or a group of financial assets on each balance sheet date. The carrying amount of loans and other receivables as at 31 December 2008 was NOK 7,170.2 million (NOK 3,850.0 million as at 31 December 2007). See note 11.

ACTUARIAL PROVISIONS

Use of estimates in calculation of technical provisions is primary applicable for claims provisions.

Insurance products are divided in general into two main categories; lines with short or long settlement periods. The settlement period is defined as the length of time that passes after a loss or injury occurs (date of loss) until the claim is reported and then paid and settled. Short-tail lines are e.g. property insurance, while long-tail lines primarily involve insurances of the person. The uncertainty in short-tail lines of business is linked primarily to the size of the loss.

For long-tail lines, the risk is linked to the fact that the ultimate claim costs must be estimated based on experience and empirical data. For certain lines within insurances of the person, it may take 10-15 years before all the claims that occurred in a calendar year are reported to the company. In addition, there will be many instances where information reported in a claim is inadequate to calculate a correct provision. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party's future work capacity etc. Many personal injury claims are tried in the court system, and over time the level of compensation for such claims has increased. This will also be of consequence to claims that occurred in prior years and have not yet been settled. The risk linked to provisions for lines related to insurances of the person is thus affected by external conditions. To reduce this risk, the company calculates its claims liability based on various methods and follows up that the registered provisions linked to ongoing claims cases are updated at all times based on the current calculation rules.

The carrying amount of the claims provision, gross as at 31 December 2008 was NOK 25,561.5 million (NOK 23,147.1 million as at 31 December 2007). See note 14.

PENSIONS

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

The carrying amount of the pension liabilities as at 31 December 2008 was NOK 1,426.3 million (NOK 1,233.3 million as at 31 December 2007). See note 15.

A one per cent change in the discount rate and expected salary growth would change the pension benefits accrued during the year and pension liability in the following manner

SENSITIVITY	+1 % discount rate	-1% discount rate	+1 % salary adjustment	-1 % salary adjustment
2008				
Change in pension benefits accrued during the year	(20 %)	27 %	18 %	(14 %)
Change in pension liability	(18 %)	24 %	15 %	(11 %)
2007				
Change in pension benefits accrued during the year	(20 %)	27 %	22 %	(17 %)
Change in pension liability	(14 %)	18 %	9 %	(7 %)

NOTE 3 – MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

OVERVIEW

Management of risks is a part of the daily operation of Gjensidige. As a financial group, monitoring, quantifying, managing and controlling the risk exposure, as well as analysing potential strategic decisions, is an essential part of the business activities in order to ensure an appropriate level of risk taking and enhance value creation.

An overall management of risk makes sure that different underlying risks will be evaluated and handled in a consistent way. The purpose of management of risks in Gjensidige is twofold. Firstly to secure that the risk exposure does not exceed the risk capacity. Secondly, but equally important, risk management shall contribute to add value to customers and owners. Through a strong risk management process, risks are identified, analysed, measured, managed and controlled not only with the purpose of reducing uncertainty and avoiding extreme losses, but also to maximize the return in relation to the risk.

General insurance constitutes a major part of the business and risks of the Group, through Gjensidige Forsikring BA in Norway and its subsidiaries in Sweden, Denmark and the Baltic. Gjensidige also offers occupational pensions, savings and investment advice through the subsidiaries Gjensidige Pensjonsforsikring (GPF) and Gjensidige Investeringsrådgivning (GIR). Banking services is offered through Gjensidige Bank.

Figure 1 – Operational structure

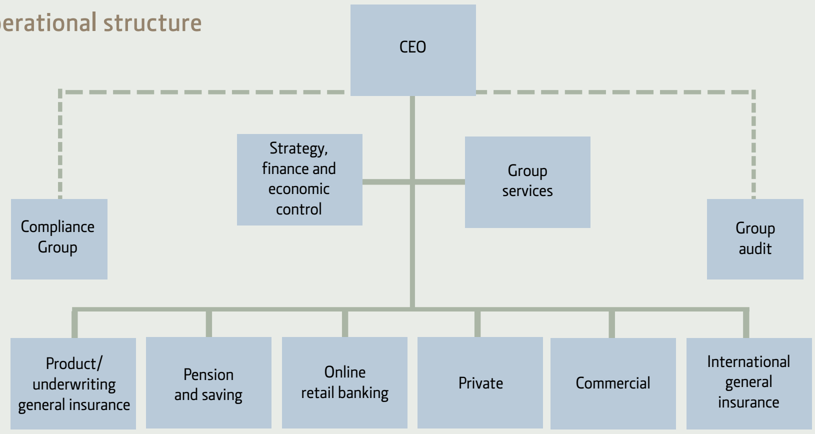
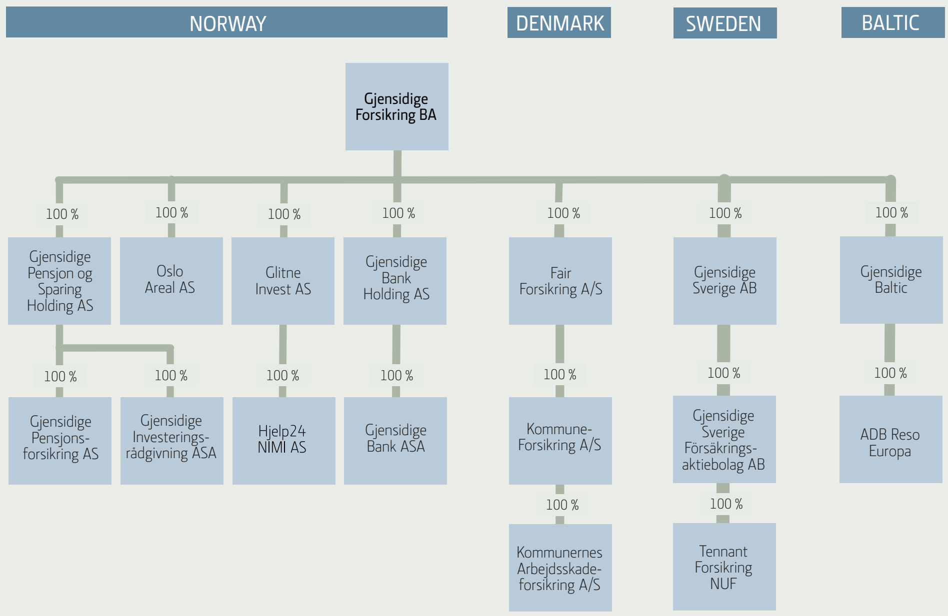


Figure 2 – Legal structure



The basis of insurance is transfer of risk, from the insured to the insurer. Gjensidige receives insurance premiums from a large number of policy holders and commits to compensate in case an insured event occurs. Naturally, therefore, insurance risk is a major risk for the Group. Premiums are received in advance and they will cover future claims. The technical provisions, combined with the Group's own funds are invested and consequently the Group is exposed to market and credit risk as well.

Within the pensions, savings and investment advice operations the subsidiary GPF is exposed to insurance and financial risk. GPF offers defined contribution occupational pension plans, with related risk coverages such as disability insurance, disability pension, child and spouse pensions. GPF also administers a portfolio of paid-up policies. Death and disability risks are the two main insurance risks within GPF, while the dominating financial risk is related to the guaranteed interest rate for the portfolio of paid-up policies.

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

In addition to the insurance and banking operations the Group has through its subsidiary Hjelp24 NIMI AS a leading position within occupational health services. Hjelp24 NIMI is Norway's largest provider of occupational health services. The health operations are established as a key relationship enhancer to further reinforce the Group's competitive strength as a complete supplier within safety and private health care. The main risk for Hjelp24 NIMI is more or less the same type of business risk as found in any other service provider, i.e. generating enough business volume to cover fixed costs with sufficient margins.

Based on the operational and administrative structure, the Group has chosen to provide the information in this note according to the operating segments general insurance, life insurance / savings, and banking, except in some cases where aggregation over these segments comes more naturally. In the paragraphs on management of financial risk the description is focused on the aggregated general insurance operations in the Group, and tables for Gjensidige Forsikring BA are not shown separately. This reflects the management of financial risk in the Group. Sensitivity to each type of market risk for Gjensidige Forsikring BA is the same as for the Group, since profit or loss from subsidiaries is accounted for by using the equity method.

ORGANISATION

The Board of Directors is responsible for maintaining a satisfactory overall risk level in relation to the Group's solvency and risk willingness. This implies that the necessary policies, routines and reporting must be in place to ensure satisfactory risk management and compliance to laws and regulations.

The Deputy CEO is responsible for the overall risk management in the Group, including capital and investment management. This involves a number of corporate functions such as actuary, reinsurance and corporate control. Other specialist units such as product and claims departments, compliance, internal audit and accounting department also have important functions in the risk and capital management. The Deputy CEO is also chairman of the Group Risk Committee, which has a supporting function for the Senior Group Management by its monitoring and advisory role concerning the overall risk position for the Group.

Within each company in the Group there is a separate finance function, and all insurance entities have an appointed actuary. All internal risk policies and requirements for risk taking at an overall level are subject to board approval in each company. However, the central capital and investment management functions are responsible for coordinating these policies and preparing them ahead of board approval, as well as coordinating the purchase of asset management services and capital evaluation throughout the Group. Furthermore, the central actuarial department is responsible for common principles and guidelines for insurance technical provisions in each company within the Group, adapted to local legislation. The Group also has in place a Credit Committee, chaired by the Deputy CEO, to set lines for individual companies and give overall guidelines for counterparty risk.

Within the organisation of the Deputy CEO is the responsibility for both the overall risk management in the Group and the execution of investments for the insurance business. The monitoring and reporting of investment results and compliance to the guidelines for capital management for the insurance business is organised under the Executive Vice President responsible for Group services, to ensure independent follow-up.

CAPITAL MANAGEMENT

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

Gjensidige's minimum capitalization is determined by the most binding of these three criteria: regulatory requirements, rating requirements and internal risk-based requirement. The Group has a very strong capitalization position, no matter which view is taken.

Insurance and banking are businesses which have their capitalization regulated by the authorities. Capital adequacy and solvency positions are reported for the Group and subsidiaries to the financial supervisory authorities. The Group follows the capital adequacy rules (BIS-rules), and per 31 December 2008 the excess capital was 9.267 NOK million, corresponding to a capital adequacy ratio of 21.0 per cent. As an associated company, Storebrand is consolidated in the calculation of capital adequacy.

For the insurance operations, at entity level, Gjensidige Forsikring BA and its subsidiaries follow the prevailing solvency margin capital requirement. Solvency I. Gjensidige Forsikring BA had a regulatory solvency ratio of 657.8 per cent as at 31 December 2008, giving an excess capital of NOK 13,404 million. Gjensidige Baltic had a regulatory solvency ratio of 106 per cent as at 31 December 2008, giving an excess capital of NOK eight million, after the deduction of the value of the shares in the subsidiary Reso Europa in Lithuania. Reso Europa has an excess capital compared to the regulatory solvency margin requirement of NOK three million. The solvency margin for Gjensidige Baltic and Reso Europa does not include the profit for the year of NOK 26 million, until the financial statements have been audited. Gjensidige in Denmark (Fair Forsikring Group) had a regulatory solvency ratio of 426 per cent as at 31 December 2008, giving an excess capital of NOK 1,497 million. In Denmark the supervisory authorities have introduced an Individual Solvency Test as an adaption to the future

Solvency II regime. All insurance companies in Denmark, including the Fair Forsikring Group, satisfied the new rules, with excess capital of NOK 741 million (Group). Gjensidige Sverige had a regulatory solvency ratio of 160 per cent, giving an excess capital of NOK 45 million (Gjensidige Sverige Group). Sweden has also introduced an adaption to Solvency II, the 'Traffic light' ('Trafikljus') model, and according to the model Gjensidige Sverige had NOK 98 million in excess capital (Gjensidige Sverige AB at entity level). Gjensidige Bank had a capital adequacy ratio of 18.7 per cent (Gjensidige Bank ASA) against a legal requirement of eight per cent. Gjensidige Pensjon og Sparing (Group) had a capital adequacy ratio of 42.3 per cent against a legal requirement of eight per cent. Gjensidige Forsikring BA and all subsidiaries fulfilled regulatory capital requirements during 2008.

Gjensidige Forsikring BA's target financial strength rating is 'A' (single A) from Standard & Poor's or equivalent from another rating institution. The actual rating is 'A' (Stable) from Standard & Poor's, unchanged since 1999, last updated 25 September 2008. The rating is subject to an annual review. Standard & Poor's model for calculation of insurance capital is being used as an approximation to the capital need from this perspective, although the decisions concerning the company's financial strength rating are influenced by several other factors. Based on data as at 31 December 2008 the estimated excess capital according to 'A' financial strength rating is above NOK 6,000 million. The subsidiaries have no separate interactive rating, although the rating for Gjensidige Forsikring BA is based on the Group's financial position. KommuneForsikring AS has a 'BBBpi' rating from Standard & Poor's, i. e. rating based on public information.

The internal capital requirement is decided by the Board of Directors, as a part of the Group's capital management policy. The internal capital requirement is defined as the necessary capital needed to have a 99.97 per cent probability over a one-year period for not to spend all capital, including the general insurance Group's total assets and liabilities, and without taking into account the expected profit or loss over the period as available capital. In this respect both results and available capital are measured according to economic principles, even if they are not in line with the applied accounting policies. this is according to the suggested principles for the Solvency II rules. According to these principles the insurance technical provisions are calculated at discounted value instead of the carrying (nominal) amount. Both method and level of probability are in line with what seems to have become industry standard for European insurance. The definition of internal capital requirement has been changed in 2008 and cannot be directly compared with figures shown in annual reports for previous years. The internal capital requirement is measured using Gjensidige's internal model.

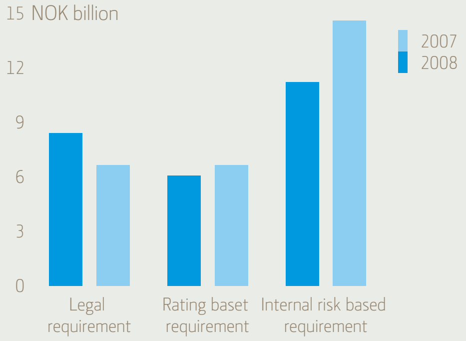
Gjensidige has developed an internal stochastic simulation model, based on state-of-the-art modelling software. This model, called an ALM (Asset Liability Management) or DFA (Dynamic Financial Analysis) model, has been developed over several years. The model is customised to Gjensidige's risk profile and provides full stochastic simulations of both insurance and investment operations. This model is a key tool for aggregated risk measurement and capital management as it provides an overview of the aggregated risk profile. The main areas of use of the internal model are:

- Overall risk profile and capital need
- Capital allocation
- Influence of asset allocation on Group capital
- Optimization of reinsurance purchase

Using the internal model, with the definition of internal capital as stated above, the internal capital requirement was set at NOK 7.300 million for the Group at the end of 2008, compared to NOK 7.400 million at the end of 2007. The total capital requirement shows little change. The capital requirement is increased due to portfolio growth and higher volatility in the financial markets by the end of 2008 than by the end of 2007, while the capital requirement is reduced due to a reduction in the allocation to equities in the investment portfolio.

The internal risk based calculation of required capital gives higher excess capital than the amount needed to fulfil regulatory capital requirements for the Group and the ambition of an 'A' rating. The reduction in excess capital according to the internal capital requirement is primarily due to impairment losses on the Storebrand shares and a lower interest rate level, which results in a higher present value of the liabilities. The increased excess capital compared to the regulatory capital requirement is primarily due to the consolidation of Storebrand for capital adequacy calculation purposes.

Figure 3 – Capital surplus from different perspectives



The capital needed for the insurance operations is allocated to the insurance products, in order to set a more correct cost of capital in the rating and profitability calculations. The remaining capital, compared to the strongest of the calculated capital requirements, is regarded as an additional buffer and available to finance the Group's strategic growth targets.

The internal model is a key element in the analyses and decisions concerning strategic asset allocation and purchase of reinsurance. By use of the internal model the effect, in terms of both risk and return, of a large number of different asset allocations or various retention limits may be analysed and evaluated. In the evaluation of various asset allocations or reinsurance structures, the cost of capital perspective is taken into account and the key objective is to optimize the economic value for the company.

Gjensidige has started the work on adapting to the future Solvency II rules which will replace the current regulations and set requirements on the quality of risk management and reporting. One of the elements in the new regulatory regime is the admission for insurers, according to clearly defined rules, to use internal models for calculation of the regulatory capital requirement. Gjensidige's model is expected to be an adequate basis for this, and the model will be developed further for this purpose.

INSURANCE RISK

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the types of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. Gjensidige writes general insurance in Norway and through the foreign subsidiaries in Sweden, Denmark and the Baltic. General insurance in those countries has a lot of similarities. The description of risks related to the insurance business is, with a few exceptions, common for the Group. In case of significant deviations between the countries, these are commented separately.

General insurance

Frequency and severity of claims

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

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

The severity of claims is affected by several factors. In some LOBs, with relatively few claims, the severity may be heavily influenced by large claims. The number of incurred large claims during a year varies significantly from one year to another. This is typically for the commercial market. In most LOBs the underlying development of the severity of claims is influenced by inflation.

The inflation may be driven by the development of consumer price index (CPI), salary increases, social inflation and the price for material and services purchased with claims settlement. In Property insurance the inflation will consist of CPI and an increase in building costs, which in the past has been slightly higher than CPI. For accident and health the insurance policies are divided into two main groups, one with fixed sum insured and another part were the compensation is adjusted by a public/government index (in Norway: 'G' - The basic amount for national insurance). This is for instance the case in Workers' Compensation. The Group writes Workers' Compensation in Norway and Denmark. The regulation for this LOB is quite different in these countries. In Norway Workers' Compensation covers both accident and diseases, in Denmark diseases are covered by a governmental body. The compensation in Norway is exclusively restricted to lump sums, in Denmark the compensation is both lump sums and annuity payments. Annuity payments are calculated according to assumptions about mortality, interest rate and retirement age. For bodily injuries the severity of claims is also influenced by court awards, which tend to increase the compensation more than the general inflation. This is also a significant factor, due to the long period typically required to settle these cases.

Gjensidige manages these risks mainly through close supervision of the development for each LOB, underwriting strategy and proactive claims handling. The monthly supervision of the results by each LOB contains an overview of both premium and loss development. If there is an adverse development of the profitability, sufficient measurements will be put in force. This includes necessary premium increases to ensure that the profitability is within the accepted level. The analysis of the profitability can be tracked further to different groups of customers and segments. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and location of the risks. For location of the risks, for the time being restricted to Norway, Gjensidige has installed a map system, which keeps track of the location of properties by an unique id-number. Underwriting limits are in place to enforce appropriate risk selection criteria and to ensure that accepted risks are within the limits of the Company's reinsurance contracts.

Gjensidige further has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle Gjensidige to pursue third parties for payment of some or all costs (for example, subrogation). The underwriting guidelines in all companies are within the common acceptance of risk level.

The claims handling procedures also include a clear strategy and routines for purchasing material and services in an optimal manner. The routines are to use purchase agreements to ensure the quality of our benefits to our customers and to reduce the inflation risk.

Concentration of insurance risk

The Gjensidige Group still has its concentration in the Norwegian general insurance market, with operations in other Nordic countries and the Baltic.

Table 1 – Gross premiums written per geographical area

NOK million	Gross premiums written 2008	Per cent of total	Gross premiums written 2007	Per cent of total
Norway Private	8,010.6	46.0 %	7,910.6	50.3 %
Norway Commercial	5,120.0	29.4 %	5,464.7	34.7 %
Total Gjensidige Forsikring BA	**13,130.6**	**75.3 %**	**13,375.3**	**85.0 %**
Gjensidige Pension and savings	1,562.6	9.0 %	496.4	3.2 %
Other Nordic	2,155.5	12.4 %	1,810.4	11.5 %
Baltic	657.7	3.8 %	432.6	2.8 %
Group eliminations	(77.8)	(0.4 %)	(388.2)	(2.5 %)
Total	**17,428.6**	**100.0 %**	**15,726.5**	**100.0 %**

Group eliminations are regarding internal reinsurance.

Table 2a – Gross premiums written 2007 and 2008 per product group for the Gjensidige Group

NOK million	Gross premiums written 2008	Per cent of total	Gross premiums written 2007	Per cent of total
Accident and health – Workers' compensation	1,460.2	8.4 %	1,380	8.8 %
Accident and health - other	2,483.6	14.3 %	2,551	16.2 %
Motor, third party liability	2,689.7	15.4 %	2,300	14.6 %
Motor, other classes	2,873.0	16.5 %	3,048	19.4 %
Marine, aviation and cargo	424.5	2.4 %	404	2.6 %
Fire and other damage to property	4,726.8	27.1 %	4,234	26.9 %
Third-party liability	515.4	3.0 %	354	2.3 %
General insurance, other	692.8	4.0 %	959	6.1 %
Pension and saving	1,562.6	9.0 %	496	3.2 %
Total	**17,428.6**	**100.0 %**	**15,727**	**100.0 %**

Table 2b – Gross premiums written 2007 and 2008 per product group for Gjensidige Forsikring BA

NOK million	Gross premiums written 2008	Per cent of total	Gross premiums written 2007	Per cent of total
Accident and health – Workers' compensation	744.4	5.7 %	975.2	7.3 %
Accident and health - other	2,476.7	18.9 %	2,483.2	18.6 %
Motor, third party liability	1,856.7	14.1 %	1,918.2	14.3 %
Motor, other classes	2,658.4	20.2 %	2,616.0	19.6 %
Marine, aviation and cargo	413.9	3.2 %	397.7	3.0 %
Fire and other damage to property	4,007.2	30.5 %	3,854.0	28.8 %
Third-party liability	284.4	2.2 %	280.5	2.1 %
General insurance, other	689.0	5.2 %	850.5	6.4 %
Total	**13,130.6**	**100.0 %**	**13,375.3**	**100.0 %**

The reinsurance programme for the Gjensidige Group, mainly non-proportional reinsurance, is based on calculations of exposure, claims history, and capital structure. The limits for the reinsurance programme for each year are set out by the Board of Directors. Gjensidige Forsikring BA administers the reinsurance programme for fire insurance, which also includes fire insurance for the mutual fire insurers. In Norway the exposure to natural perils disaster is limited through Gjensidige's compulsory membership in the Norwegian Natural perils pool. the pool has its own reinsurance programme, which further reduces the risk exposure. Insurance risks are deemed to be moderate with the reinsurance cover the group has in place.

Other concentration risk is aggregation of fire risks within Property and aggregation of personal risk in Workers' Compensation. These risks are also measured by analysing historical events, studying the insurance values exposed, and managed by reinsurance programmes.

Both in 2007 and 2008 Gjensidige Forsikring BA is the main reinsurer for its subsidiaries, and the subsidiaries' reinsurance exposure is included in the outwards reinsurance programme for the Gjensidige Group.

Sources of uncertainty in the estimation of future claims payments

Claims on all insurance contracts are payable on a claims-occurrence basis. Gjensidige is liable for insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims are settled over a long period of time, and there is an element of the claims provision that relates to incurred but not reported claims (IBNR).

There are several variables that affect the amount and timing of cash flows from the insurance contracts. These variables mainly relate to the characteristics of the different types of risks covered and the applied risk management procedures. The compensation paid is according to the terms specified in the insurance contract. Compensation for claims with respect of bodily injuries are calculated as the present value of lost earnings, rehabilitation expenses and other expenses that the injured party will incur as a result of the accident or disease. In most cases in Norway, and also in the other countries where Gjensidige operates, personal injury claims are paid as a lump-sum. An exception from this is Workers' Compensation claims in Denmark, where claims may be paid as annuity payments. the calculations for those claims will include information about the severity of the loss, mortality rates, the number of years until retirement age and assumptions about future social welfare inflation. Mortality rates are from tables approved by the supervisory authorities.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. Gjensidige takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liabilities established. The liabilities in the financial statements related to these contracts comprise a provision for IBNR, a provision for reported claims not yet paid (RBNS) and a provision for unexpired risks at the balance sheet date. The amount for bodily injury claims is particularly sensitive to the level of court awards and to the development of legal precedence on matters of contract and tort.

Liability insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the balance sheet date.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified (RBNS), where information about the claim is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims.

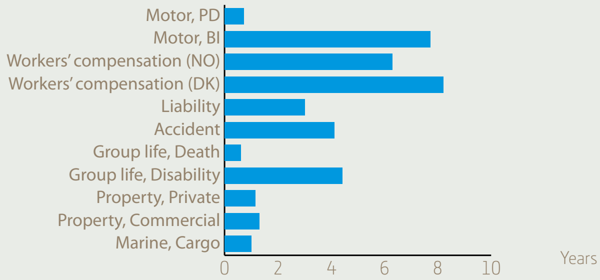
In estimating the liability for the cost of reported claims not yet paid, Gjensidige considers any information available from loss adjusters, claims handlers and information about the costs of settling claims with similar characteristics in previous periods. All claims are assessed on a case-by-case basis by a claims handler. Claims with potential for distortive effects of their development are handled separately and projected to their ultimate by an additional provision (e.g. bodily injury claims in Motor insurance). Where possible, Gjensidige adopts multiple techniques to estimate the required level of provision. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

The development of the estimate of ultimate claim cost for claims incurred in a given year is presented in tables 5 and 6. This gives an indication of the accuracy of Gjensidige's estimation technique for claims payments.

Insurance contracts are often classified as risks that are short-tail and risks that are long-tail. Short-tail risk is characterized by that the period between the occurrences, reporting and final settlement of claims is short. Long-tail risk is the opposite. the period between the occurrence, reporting and settlement of claims is long. In Property and Motor insurance (excluding bodily injury claims) the claims are reported soon after occurrence, while for Accident and health insurance the claims may be reported several years after the occurrence and settled several years after they were reported. The provisions for IBNR for short-tail risks are relatively small, for long-tail risks the provisions for IBNR may constitute a substantial part of the total loss provision.

The duration (time between the occurrences of claims until finally settled) differs significantly between the types of risk considered. Long duration will increase the company's exposure to inflation. In Motor insurance, physical damage, the duration is less than one year, while in Motor bodily injury claims the average duration is almost eight years. In Property insurance the average duration is one to two years, in Workers' Compensation in Norway the average duration is six years. In Group life insurance the duration differs significantly between death and disability coverage. Workers' Compensation in Denmark has a particularly long duration due to the annuity part. For the other LOBs in the subsidiaries the duration is in line with the similar LOBs in Norway. In the Baltic the duration is significantly shorter due to few bodily injury claims.

Figure 4 – Average duration per insurance product



Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis.

Gjensidige uses standard actuarial models based on statistical information. The provisions related to reported claims are assessed individually by a claims-handler and registered into the claims system. The development of provisions for notified claims is supervised by the claims managers. In case of adverse development necessary efforts are put in force. IBNR provisions are based on empirical data, where the basis is the time it takes from a loss or injury occurring (date of loss or injury) until it is reported (date reported). Based on experience and the development of the portfolio statistical models are prepared to calculate the scope of post-reported claims. The fit of the model is measured by looking at the deviation between earlier post-reported claims and those estimated by the model.

The key statistical methods used are:

- Log-linear methods, which use exposure data and historical data to estimate the pattern of late reported claims, to estimate the IBNR provision.
- Chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim costs.
- Expected loss ratio methods (Bornhuetter-Ferguson), which use Gjensidige's expectation of the loss ratio for a class of business.

The methods used will depend on the LOBs and the time period of data available. To the extent that these methods use historical claims development information. they assume that the historical claims development pattern will occur in the future. There are reasons why this may not be the case. which, insofar as they can be identified, have been allowed for by modifying the models. Such reasons include:

- Economical, legal and social trends and social inflation (e.g. a shift in court awards).
- Changes in the mix of insurance contracts incepted.
- The impact of large losses.

IBNR provisions and provisions for outstanding claims are initially estimated at a gross level, and a separate calculation is carried out to estimate the size of reinsurance recoveries. Gjensidige purchases almost exclusively excess of loss reinsurance contracts with sufficiently high retentions for only relatively few, large claims to be recoverable.

The actuaries in Gjensidige working with technical provisions meet regularly as a part of keeping a high professional level, and they all have access to a common actuarial software system for calculating claims provisions.

During 2007 and 2008 Gjensidige has had a process where external actuarial firms have calculated best estimates of the technical provisions. This is done to get a second opinion of the level of the provision. The deviation between the internal and external estimates of the claims provisions is in the range one to two per cent on a consolidated basis.

Sensitivity analysis – underwriting risk

Underwriting risk is the risk that an insurer does not charge premiums appropriate for the insurance contracts. The pricing processes for the different insurance products involve estimates of future frequency and severity of claims, based on statistics from internal and external sources. Even if the underwriting criteria are adequate and the premium calculations are performed on a good statistical basis, the claims cost may deviate from the expected level, – due to large claims, natural catastrophes etc.

Gjensidige Forsikring BA and its subsidiaries have detailed underwriting guidelines, intended to ensure good quality in the assessment and quantification of insured risks, define risk types and limits for sums insured that may be accepted, thus ensure control of the risk exposure in the insurance portfolio.

See table 3 Sensitivity analysis insurance below that shows sensitivity analysis of the underwriting risk as at 31 December 2008. The table shows the impact, before tax, on profit or loss for the year and equity at year-end of changes in Combined Ratio (CR). CR is the key measure of profitability in the general insurance business. The calculations show the effect of a change of one per cent in CR for each segment. An increase in CR can be caused by an increase in the loss frequency and/or an increase in the severity. In some LOBs there is a risk that the loss frequency and the severity of claims are correlated so that an increase in the underlying insurance risk may affect both the frequency and severity of claims.

Table 3 – Sensitivity analysis insurance

NOK million	2008	2007
Change in CR (1 %-point)		
Private Norway	79.1	77.3
Commercial Norway	49.1	50.7
Total Gjensidige Forsikring BA	**128.2**	**128.0**
Other Nordic	20.7	16.9
Baltic	5.9	3.6
Pension and savings	0.6	0.3
Total	**155.4**	**148.8**
Change in loss frequency (1 %-point)		
Private Norway	805.9	808.9
Commercial Norway	847.6	895.5
Total Gjensidige Forsikring BA	**1,653.5**	**1,704.4**
Change in severity of claims (+10 %)		
Private Norway	579.3	480.6
Commercial Norway	421.8	501.5
Total Gjensidige Forsikring BA	**1,001.1**	**982.1**

Gjensidige has a reduced portfolio of accident and health insurance, especially in Commercial insurances, in 2008 compared to 2007. This implies that the claims frequency for the Commercial segment has increased from 2007 to 2008, but the average claim has actually decreased. The effect of an increase in both the loss frequency of losses and the severity will then have less effect in 2008 than in 2007.

Sensitivity analysis – provision risk

The estimation of technical provisions for an insurance portfolio represents an approximation of future cash flow for the claims payments, and there will always be an element of uncertainty in such calculations. Provision risks relate to this kind of uncertainty. The uncertainty depends on the nature of the risk. Risk with a short duration is less exposed to changes that will affect the future payments. Bodily injury claims are on the other hand very sensitive regarding changes in e g inflation and court awards. The effect of court awards are taken into account as soon as they are known. In cases when a judgement is not yet final and legally binding, the effect on the loss provision is based on a probability weighted estimate of the possible outcomes.

Inflation is an underlying risk in most insurance products. The effect will be different, depending on the characteristics of each product and the terms and conditions that apply for the claims settlement. For LOBs with nominal long-tailed provisions the effect of a one percentage point increase in inflation will be significant, proportional to the average duration (in number of years).

Interest risk is a significant risk factor associated with Workers' Compensation business in Denmark. This risk is an expression for loss/profit due to changes in market rates. There is interest and inflation risk associated with the liabilities (technical provisions). The risk is hedged by use of interest and inflation swaps.

Table 4 – Sensitivity analysis claims provision

CHANGE IN INFLATION (+/-1 %-POINT) NOK million	2008	2007
Private Norway	415.7	342.7
Commercial Norway	378.6	379.5
Total Gjensidige Forsikring BA	**794.3**	**722.2**
Other Nordic	748.9	612.2
Baltic	3.3	2.8
Total	**1,546.5**	**1,337.2**

Table 5 – Analysis of claims development – Gjensidige Group

NOK million	2002	2003	2004	2005	2006	2007	2008	Total
GROSS								
Estimated claims cost								
At the end of the accident year	8,870	9,760	10,081	10,985	11,160	11,747	11,846	
- One year leater	8,898	9,834	10,044	10,971	11,096	11,723		
- Two years later	8,916	9,839	10,063	10,972	11,059			
- Three years later	8,930	9,875	10,011	10,906				
- Four years later	8,990	9,828	9,951					
- Five years later	8,991	9,778						
- Six years later	8,946							
Estimated amount as at 31.12.2008	8,946	9,778	9,951	10,906	11,059	11,723	11,846	
Total disbursed	8,242	8,537	7,662	8,135	7,533	7,634	5,225	52,967
Claims provision	704	1,242	2,289	2,772	3,526	4,090	6,621	21,243
Prior-year claims provision								2,903
Gjensidige Baltic								235
Claims handling expenses								1,180
Total								**25,561**
NET OF REINSURANCE								
Estimated claims cost								
At the end of the accident year	8,330	9,547	9,970	10,787	11,079	11,541	11,722	
- One year leater	8,312	9,601	9,924	10,773	11,009	11,520		
- Two years later	8,359	9,611	9,917	10,769	10,929			
- Three years later	8,359	9,652	9,871	10,712				
- Four years later	8,399	9,610	9,800					
- Five years later	8,416	9,565						
- Six years later	8,398							
Estimated amount as at 31.12.2008	8,398	9,565	9,800	10,712	10,929	11,520	11,722	
Total disbursed	7,711	8,327	7,530	7,961	7,455	7,557	5,222	51,763
Claims provision	687	1,238	2,270	2,751	3,475	3,963	6,500	20,883
Prior-year claims provision								2,928
Gjensidige Baltic								207
Claims handling expenses								1,180
Total								**25,198**

The subsidiaries in Denmark and Sweden are contained in the table, from 2002. The claims provision in Gjensidige Baltic, as at 31 December 2008, is shown separately.

The table below shows the figures for Gjensidige Forsikring BA.

Table 6 – Analysis of claims development – Gjensidige Forsikring BA

NOK million	2002	2003	2004	2005	2006	2007	2008	Total
GROSS								
Estimated claims cost								
At the end of the accident year	7,502	8,398	8,444	9,244	9,493	10,106	10,236	
- One year leater	7,563	8,428	8,419	9,240	9,446	10,097		
- Two years later	7,568	8,424	8,418	9,229	9,399			
- Three years later	7,585	8,465	8,415	9,187				
- Four years later	7,610	8,427	8,349					
- Five years later	7,604	8,393						
- Six years later	7,558							
Estimated amount as at 31.12.2008	7,558	8,393	8,349	9,187	9,399	10,097	10,236	
Total disbursed	7,067	7,407	6,694	7,106	6,646	6,816	4,702	46,438
Claims provision	491	986	1,655	2,081	2,753	3,281	5,534	16,781
Prior-year claims provision								1,563
Claims handling expenses								1,054
Total								**19,398**

Table 6 – Analysis of claims development – Gjensidige Forsikring BA (cont.)

NOK million	2002	2003	2004	2005	2006	2007	2008	Total
NET OF REINSURANCE								
Estimated claims cost								
At the end of the accident year	7,016	8,275	8,436	9,237	9,487	10,047	10,154	
- One year leater	7,041	8,290	8,402	9,230	9,440	10,046		
- Two years later	7,075	8,289	8,372	9,219	9,354			
- Three years later	7,080	8,339	8,373	9,181				
- Four years later	7,085	8,305	8,305					
- Five years later	7,099	8,273						
- Six years later	7,080							
Estimated amount as at 31.12.2008	7,080	8,273	8,305	9,181	9,354	10,046	10,154	
Total disbursed	6,602	7,288	6,658	7,102	6,631	6,799	4,699	45,779
Claims provision	478	985	1,647	2,079	2,723	3,247	5,455	16,614
Prior-year claims provision								1,469
Claims handling expenses								1,054
Total								**19,137**

Life insurance

The purpose of insurance is for the customer (the insured party) to cover themselves against an unexpected, accidental loss arising from an unforeseen event. Of the products that Gjensidige Pensjonsforsikring offers, these events would primarily be disability leading to a loss of income, death leading to a loss of income for the surviving relatives of the insured party or living longer leading to the risk that the accumulated pension is not sufficient to meet the pension payments for life.

The risk for each individual contract is therefore the probability that the unforeseen event shall occur and the uncertainty of which insurance amount this particular person was covered for. In some contracts it says the insured party has the freedom to choose the sum insured and with that this creates a variation in the portfolio's risk. In other contracts the sum insured is predetermined, but this could either be a fixed sum or be a factor in relation to another variable quantity. This variable quantity in occupational pension contracts would typically be salary and the remaining time in service and that again creates a random variation in the portfolio's risk.

The risk in the portfolio is therefore random, depending on several unknown parameters and as a result must be estimated.

In those particular portfolios the well known methods for calculating the probability are used along with the theory for calculating which insurance premium is necessary to meet the future liabilities. Additionally for a large portfolio technical insurance provision methods will also be used to secure a good estimate on the future liabilities. For smaller portfolios during the start up period it will be sufficient – and necessary due to little data – to make use of simplified provision methods with a conservative estimate.

The challenge for this type of business will be to collect sufficient risk premiums from customers to build up sufficient claim reserves for future liabilities. When a claim occurs, any inadequate claim reserve is not automatically covered by additional insurance premiums from the healthy population.

The largest insurance risk that Gjensidige Pensjonsforsikring faces is if the actual pension payments exceed the amount that is reserved to cover the committed insurance liabilities. This would occur if the disablement among the insured parties is higher than provided for, if the mortality rate rises amongst the insured parties that have dependants covered or if the retirement pensioners live longer than expected. This will also occur if the majority of those disabled have pre-agreed pension payments that are higher than the average pension payments in the insurance portfolio. It is in the nature of the insurance that the insured party has covered themselves for amounts taking account of both who is affected and which cover is agreed, and this will give variations within a probability interval from year to year.

For the insurance business to be able to operate with a sufficient degree of security the portfolio should be both of a certain size and be sufficiently homogeneous in relation to the spread of risk between the best and the worst risk and between the smallest and greatest risk. The bigger the portfolio is and the more homogeneous the particular risk is, the greater the probability will be to meet the future liabilities.

In addition to the discussed factors regarding the probability of disability, mortality and living longer, the concentration around given occupational groups or a few, but large, risks would have a negative impact on the insurance profit.

The mortality risk in the products is mainly related to the surviving relative's payments associated with defined contribution schemes, resulting in a spouse, cohabitant or child pension. The surviving relative's pension is mainly associated with payments into a contribution plan above the statutory two per cent minimum contribution for compulsory occupational pensions. There is also an exposure in connection with the surviving relative's payments in the paid-up pension schemes, but by a clearly lesser extent on the insured amount for each insured party. The surviving relative's payments under defined contribution schemes mostly have a limited payment period, whilst the surviving relative's payments under paid-up pension schemes receive payments for as long as the pension recipient lives (for life).

Since most contracts are based on the regulations for defined contribution schemes with account payments over a 10 year period after reached retirement age, the Company has a very small exposure in «long life risk» under ordinary occupational pension schemes. Most paid-up pensions that are transferred to the Company pay a retirement pension for life and thus have a long life risk. The risk tariff for this cover is also calculated on the K2005 basis and includes safety margins in accordance with orders from the Financial Supervisory Authority of Norway.

The disability risk is related to the contribution exemption from agreed annual contributions for individual members as well as the disability pension. Since the contribution exemption is a compulsory cover under compulsory occupational pension schemes, the largest part of this cover will numerically be in relation to pension contributions based on two per cent of salary. Pension arrangements above the minimum statuary requirements have a larger corresponding cover. Pension arrangements for self employed people (PSN) also have the option to add contribution exemption insurance to their benefits in case of disability. Disability pensions are attached to both defined contribution schemes as well as paid-up pension schemes. The risk premium for the disability risk is based on an internal risk tariff prepared in co-operation with Gjensidige Forsikring BA and is based on both national claim figures (National Insurance) and our own claim figures, primarily in Gjensidige Forsikring.

For paid-up pension schemes there is in addition a yearly guaranteed minimum rate of return which on average amounts to 3.8 per cent.

The number of individuals who are exposed to mortality risk and / or long life risk are very modest compared to the number exposed to disability risk.

The insurance risk as at 31 December 2008 is considered as satisfactory, and the uncertainty around cases which have not yet been reported are safeguarded by the claim provisions. In addition, Gjensidige Pensjonsforsikring has a reinsurance agreement with Gjensidige Forsikring BA that gives a satisfactory cover for any large fluctuations. Gjensidige Forsikring BA has a considerable portfolio within both individual and group personal risk with disability risk, and through close co-operation with the specialist research departments in this company one will discover early changes in the trend of disability development both in society and in the insurance portfolio.

The actual claims paid in 2008 were of a modest size and amounted to under NOK two million. The IBNR provisions for 2008 is still the dominant part of the claims picture and will be for several years to come. The actual claims are well within the expected payment amounts.

For 2009 the actual payments are expected to increase from the 2008 volume since some of the insured parties that became sick in 2007 and 2008 have fulfilled the requirement of a 12 month continuous period of sick leave and so are entitled to the payment of disability pension and contribution exemption in 2009. The number of retirement pensioners is expected to be very low with very modest payments. The payments will either come from the savings account for defined contribution schemes or from the transferred premium reserves from paid-up pensions and individual fund pensions.

Gjensidige Pensjonsforsikring's business is primarily concentrated around defined contribution schemes within the Commercial markets segment and the management of premium reserves for paid-up pensions and individual fund pensions. the latter are not paid through premiums. In addition there is a risk coverage related to the company defined contribution schemes as well as a smaller share of plain risk insurances with disability coverage.

Sensitivity analysis pension insurance

Gjensidige Pensjonsforsikring has been running their business for only three years, which is a very short period compared to other participants within pension insurance. Although the portfolio is clearly growing, the number of insurance cases is still very low. It is therefore too early to be able to do analyses to see whether the calculated premiums and claim occurrences are sufficient to cover the future liabilities.

The mortality risk coverage applies to members of an occupational pension scheme, and these give a basis for a potential spouse, cohabitant or child pension. The period of risk is limited to the member's period of service up to the maximum age limit which is 67 years. Specific information about the member's family situation is not obtained at the time of signing for the pension. The premium is therefore calculated using assumptions about mortality, civil status, number of children as well as knowledge about their age and gender. For Gjensidige Pensjonsforsikring these calculations are based on a new calculation basis - labelled K2005 -, which the insurance industry in Norway has developed jointly with the Norwegian Financial Services Association (FNH). In addition the basis is strengthened with safety margins in relation to requirements from the Financial Supervisory Authority of Norway, and will be further updated with changes in the assumed mortality rate in the population and in the insurance portfolio in Norway.

The agreements with companies are also of a one year disposition such that the risk premium can be modified at each annual renewal. Overall, this gives a very robust premium basis with little probability that the accumulated premium and allotted claim reserves will not be sufficient to cover future liabilities. Since the portfolio is still of a limited size most of the annual risk premium is put aside into the claim reserve. Each year›s risk will be evaluated after some time in relation to reported insurance cases and expected reporting patterns. Since these are business related pension schemes it is assumed that the time from when an insurance case occurs - in this case a death - to the case being reported to the Company will be minimal.

The sensitivity for this part of the insurance portfolio will therefore be proportional to the factor one chooses to use as claim reserve compared to the year's risk premium.

The long life issue – that only affects the Company's paid-up policy portfolio for future retirement pensioners – has an inverted dependency on the mortality rate in the insurance portfolio in relation to the discussed surviving relative's coverage. The Company's risk here is that the retirement pensioners which have pre-agreed life long retirement pensions will live longer than predicted. Also here the new mortality rate basis K2005 is used, but is based on survival probabilities and safety margins "the other way". In addition, the Financial Supervisory Authority of Norway has also stated a need here for additional safety margins. The adequacy of these margins will continually be evaluated by the annual audits of the pension reserves. A possible strengthening of the reserves will have to be financed by the profit the Company has in the portfolio or alternatively by using equity. Based on the fact that the calculation basis is from 2005 along with the corresponding safety margins in both this basis and through the Financial Supervisory Authority of Norway's order it is considered very unlikely that in the short term there will be a need to strengthen the reserves. The number of paid-up policy customers whom receive retirement pensions today is very low and will remain so for the next few years.

The disability risk applies to the disability pension and/or the exemption from paying the agreed annual contributions in accordance with the pension agreement. The payments will end no later than the date normal retirement age is reached, which is usually 67 years. Any claims will come after a 12 month continuous period of sick leave. The risk amount is then dependent on the agreed pension payments and the total payment period up to retirement age. Here Gjensidige Pensjonsforsikring uses assumptions from the same calculation basis K2005 as well as their own developed disability tables based on the recently updated Norwegian disability statistics. The tables are developed in close co-operation with Gjensidige

Forsikring who has a considerable insurance portfolio with disability risk, and further takes into consideration the difference between the disability in the population compared to the disability in the portfolio. The insurance portfolio is usually subject to one or another form of risk evaluation when taking over a disability risk. For occupational pension schemes a separating of the employers into different risk groups by business type is also used. Those customers who take out individual disability pensions are subject to ordinary rules concerning individual risk evaluation based on the insured party›s personal statement of health.

The number of insured parties whom receive some form of disability benefit - either disability pension and/or exemption from agreed contributions – are still modest compared to the number of insured parties. The simplified provision methods are therefore also used here due to the fact that most of the years risk premium is put aside for claim reserves. Each year›s risk will be evaluated after some time in relation to reported insurance cases and expected reporting patterns. Since most of this particular disability risk is related to business related pension schemes it is assumed that the time from when an insurance case occurs - in this case a disability which has lasted longer than 12 months – to the case being reported to the Company will be minimal.

Gjensidige Pensjonsforsikring has an aggregate stop loss reinsurance agreement with Gjensidige Forsikring BA.

Reinsurance

Gjensidige purchases reinsurance to protect the Group's equity capital, and reinsurance is thus a capital management tool. The analysis of what type of reinsurance programmes to purchase utilises the same models and methodology as for deciding the strategic asset allocation and the internal, risk based capital requirement.

The maximum retention level is set by the Board of Directors, and the Reinsurance department is responsible for purchasing and follow-up of reinsurance activities.

Gjensidige's reinsurance programme mainly consists of non-proportional reinsurance. The maximum retention level set by the Board of Directors was for 2008 NOK 250 million, but as a general rule the company purchases reinsurance to limit any single claim or event to NOK 100 million. 2008 still provided a market where it was possible to buy sensible reinsurance protection with a lower retention, so that the retention level varies from NOK 20 to 100 million depending on line of business. This, as for all other reinsurance, is based on analysis of exposure, claims history, and Gjensidige's capital structure.

Gjensidige Forsikring BA provides a corporate function with regard to reinsurance, both by acting as reinsurer for the subsidiaries, and including this inward reinsurance in the outward reinsurance covers. The reinsurance programme for property insurance also includes the mutual fire insurers. The subsidiaries generally have a lower retention, due to their smaller size and capitalization than Gjensidige Forsikring BA. The difference between the retention levels is held for own account by Gjensidige Forsikring BA.

In Norway the exposure to natural perils disasters is handled through the compulsory membership in the Norwegian Natural perils pool. Through this arrangement, Gjensidige Forsikring BA is exposed to the company's market share of the claim for the Norwegian market as a whole, instead of the claims hitting Gjensidige's customers only. The pool has its own reinsurance programme in place, which further reduces the risk exposure. In 2008, Gjensidige participates with 10 per cent on the pool's programme.

This exposure is included in the outward reinsurance programme, resulting in synergy effects, economies of scale and diversification in Gjensidige's programme. In the other countries Gjensidige is operating, natural perils claims are included in the ordinary property reinsurance covers. An event resulting in claims in several countries where Gjensidige has its business will be aggregated into one event in respect of reinsurance.

OVERALL MANAGEMENT OF FINANCIAL RISK – GENERAL INSURANCE

Financial risk is a collective term of various risks related to financial assets. Financial risk can be divided into market risk, credit risk and liquidity risk.

Equity price risk is defined as a loss in value from a decline in equity prices. This is analogue for real estate price risk. See the section about stress test and sensitivity analysis on the next page.

Interest rate risk is defined as the loss in value resulting from a change in interest rates, and is viewed both from the asset-only perspective and in relation to the interest rate sensitivity of the liabilities. The Board of Directors sets a limit on the interest rate risk in the total fixed income portfolio (excluding the hold to maturity bond portfolio), both for 2007 and 2008 at NOK 300 million (loss given a 100 bps shift in the yield curve) for Gjensidige Forsikring BA excluding subsidiaries.

Currency risk is defined as the loss given an adverse movement in exchange rates. Generally, currency risk in the investment portfolio is hedged close to 100 per cent, except for smaller mandates where active currency management is a part.

Credit risk is defined as a loss arising from an issuer defaulting on its obligations, or from increased risk premiums for bonds with credit risk. Credit risk is managed both via credit lines for named counterparties, by limitations based on official credit ratings from credit rating companies, as well as diversification requirements on mandates for corporate bonds. Credit risk in relation to reinsurance is handled through minimum rating requirements for reinsurance companies and close follow-up of receivables and claims provisions.

Liquidity risk is defined as the inability to meet payments at due date, or the need to at a high cost realize investments to meet payments. The Board of Directors has set minimum limits for the amount of assets to be realized without undue transaction costs within various time frames, based on analyses of activities related to the insurance operations. The actual asset allocation is significantly more liquid than the board-approved limits.

These risks arise in the investment activities in the Group, and are managed in an aggregated view and controlled in the capital management policies and investment strategies of the Gjensidige Group and its subsidiaries. Moreover, credit risk related to reinsurance is managed and limited through the Group's reinsurance policy.

Although the investment of assets and the handling of these risks are subject to continuous improvements, Gjensidige has not materially changed the processes used to manage its risks from previous periods. The investment strategy and other risk management policies are approved by the Board of Directors in each company, and are co-ordinated with the parent company's overall policies.

The risk exposure in the investment operation is presented to the Board of Directors at least annually in connection with the decisions on the strategic asset allocation. The Board of Directors sets upper and lower limits per asset class, overall risk tolerance related to the financial results, and gives specific limits for interest rate risk, liquidity risk and foreign currency risk, within which the actual asset allocation needs to be at any time. The table below gives the main overview of the asset allocation for the insurance operations at year-end 2007 and 2008. The actual asset allocation will vary throughout the year according to market movements, tactical allocation and the risk situation. Specifically, due to the negative market development the allocation to equities was reduced during 2008. the remaining equity portfolio at year end 2008 mainly consisted of non-quoted shares (shares in private equity funds) and the shares in Storebrand. The allocation to fixed income instruments was increased correspondingly. During the year the average credit risk exposure in the fixed income portfolio was reduced. The real estate portfolio was reduced by the sale of the Group's head office.

In terms of concentration risk, the main risks remain the shares in Storebrand and the exposure to office properties in the Oslo area. Concentration risk is further analysed under the various market risk factors.

Table 7 – Asset allocation general insurance

	31.12.2008		31.12.2007	
	NOK million	Per cent	NOK million	Per cent
Money Market	11,324.3	23.7 %	11,951.7	25.5 %
Bonds held to maturity	13,710.3	28.7 %	9,247.6	19.8 %
Bonds other	11,550.9	24.2 %	8,076.2	17.3 %
Equities	3,801.9	8.0 %	6,875.7	14.7 %
Property	6,324.4	13.2 %	7,255.6	15.5 %
Hedge funds	1,142.7	2.4 %	2,919.5	6.2 %
Other [1]	(82.7)	(0.2 %)	477.1	1.0 %
Total	**47,771.8**	**100.0 %**	**46,803.4**	**100.0 %**

[1] Other includes derivatives, loans etc.

Gjensidige's strategic asset allocation is determined annually by the Board of Directors. The main goal of the strategic asset allocation is to optimize the balance between expected financial income and risk. The starting point is the insurance business' need to balance expected future outflows against inflows from investments, while other funds in the insurance business are invested to optimize return on equity, given the approved risk tolerance.

The overall risk for the annual net profit before tax for Gjensidige Forsikring BA is measured continuously against the targets set by the Board of Directors. If the risk is deemed too high the strategic asset allocation is changed. This implies that if, intra-year, there is a prolonged period of negative financial income, or a sharp decline in asset values, the allocation to equities will be reduced and the allocation to fixed income instruments will be increased. The risk of falling below this minimum annual net profit is reported periodically to the Senior Group Management and the Board of Directors. Also in 2008 this led to reduction in equity allocation throughout the year.

Stress testing

In addition stress testing is done on the investment assets' exposure to market risk, credit risk and currency risk, relative to the buffer capital (defined as capital above legal minimum requirements), and reported regularly to the Board of Directors. The purpose of the stress test is not to analyse the effect on profit or loss nor the effect on carrying amount of equity, but rather the effect on the capital buffer.

This stress test based on figures as at year-end is shown below (Group figures). The capital buffer is here relative to the capital adequacy requirement for the Group, which is calculated according to Norwegian GAAP. In the calculation of capital adequacy Gjensidige's share in Storebrand is consolidated in the figures. a potential fall in the Storebrand share prices will therefore not have effect on the capital buffer. On the other hand, the financial results for Storebrand are accounted for in Gjensidige's financial statements according to the equity method, and thereby have an influence on the Company's and the Group's capital buffer. Furthermore, the underlying risk of fluctuations in the financial results for the insurance operations are only taken into account to the extent that a weakening of the combined ratio brings this number above 100 per cent. Finally, the risks in the companies whose operations are not general insurance, (Gjensidige Pensjonsforsikring and Gjensidige Bank) are included by assuming ten percentage points reduced return on equity for these companies, and by including the negative results in the calculations.

The large capital surplus is representative for the situation throughout the year, although the precise figures will vary along with changes in asset allocation and year-to-date profit. The excess capital after the stress scenario shows a significant increase from 2007 to 2008. This is due to the reclassification of Storebrand to associated company as mentioned earlier, besides, the decline in value was lower due to reduced allocation to equities other than the Storebrand shares.

Tabell 8 – Stress test financial assets

		Decrease in value	
NOK million	Scenario	2008	2007
Assets / risk			
Equities	20 % drop in value	(193.4)	(679.6)
Interest rate risk	100 bps [1] change	(295.7)	(321.0)
Property	12 % drop in value	(769.0)	(863.6)
Hedge fund	12 % drop in value	(137.1)	(346.4)
Currency	10 % change towards NOK	(70.3)	(56.6)
Credit spread			
AAA	0.15 %	(13.7)	(19.2)
AA	0.15 %	(27.9)	(6.5)
A	0.62 %	(23.9)	(43.1)
BBB	0.75 %	(6.9)	(17.5)
BB	2.03 %	(33.9)	(25.8)
B	3.36 %	(52.7)	(68.7)
CCC or lower	6.72 %	(25.8)	(43.2)
Not rated	1.20 %	(29.0)	(43.6)
Underwriting result	3 percentage points weaker CR		
Claims provisions	2 % strengthening	(511.2)	(462.9)
Catastrophe	135 NOK million	(135.0)	(135.0)
Storebrand	1.3 std. deviation	(490.1)	
Reinsurance receivables	2 % loss	(7.9)	(11.6)
Result subsidiaries (GPS and Bank)	10 % drop in ROE	(263.3)	(249.1)
Total decrease in value of stress test		**(3,086.9)**	**(3,393.4)**
Capital buffer		9,266.6	6,632.0
Capital / surplus in stress scenario		**6,179.7**	**3,238.6**

[1] bps = basis points

Another method to evaluate the downside risk in financial income is by means of value at risk, VaR. which measures how much weaker the financial income will be, compared to the expected value, at various levels of probability (e. g. the probability that the financial income during the next 12 months will not be more than NOK 1,579 million weaker than the expected value, is 90 per cent). The calculation is done on the assumptions of no change in asset allocation during the period, and that all assets, including the bonds held to maturity and the Storebrand shares, are measured at market value.

Table 9 – Value at risk, financial income

NOK million	31.12.2008	31.12.2007
Confidence level		
90,0 per cent	1,579	1,369
95,0 per cent	1,989	1,796
97,5 per cent	2,318	2,134
99,0 per cent	2,759	2,582

The increase in VaR from 2007 to 2008, despite a more conservative asset allocation with less allocation to equity shares and hedge funds, is mainly due to the fact that in estimation of volatility, the volatility in each single market at the time of estimation, which is considerably higher at year end 2008 than at year end 2007, is part of the calculations.

Equity price risk

The equity portfolio of Gjensidige has been considerably reduced during 2008. the remaining exposure to equity shares is mainly in connection with the holding in Storebrand and private equity funds. Concentration risk is shown in the table below. Private equity funds have a large share of Norwegian companies. In terms of geographical exposure, the equity portfolio mainly consists of Norwegian equity shares.

Table 10 – Largest equity exposures

NOK million	31.12.2008
Company	
Storebrand	2,660.6
BecoTek Metal Group	39.0
Elixia Holding	30.0
Wema	28.3
SørcoGruppen	26.4
Technor Holding	25.1
Sector Asset Management	24.8
VIA Travel Group	24.3
Noble Denton Holdings Limited	20.7
Novo Nordisk	19.9
Total ten largest	2,899.1
Total equities	3,801.9

Tabell 11 – Largest equity exposures

NOK million	31.12.2007
Company	
Storebrand	2,765.9
Lindorff	180.3
Sector Asset Management	34.5
Orkla	31.4
StatoilHydro	29.5
Gazprom	29.0
Exxon Mobil	27.3
PetroBras	25.4
General Electric	24.0
EON	21.4
Total ten largest	3,168.7
Total equities	6,875.7

To show the sensitivity of the equity portfolio to a decline in equity prices, the table below shows the effect of a reasonably possible scenario. The figures show the effect on equity, but do not take into account taxation effects. It includes financial assets at fair value through profit or loss. It is taken into account that Storebrand as at 31 December 2008 is treated as an associated company, and that a drop of 10 per cent in the share price will not lead to an impairment loss of the carrying amount. the holding in Storebrand is thus not included in the sensitivity calculation. As the table demonstrates, the sensitivity is considerably lower than in 2008. This is due to the above-mentioned reduction in allocation to equities and the reclassification of the holding in Storebrand.

Table 12 – Sensitivity analysis of equity portfolio

NOK million	31.12.2008	31.12.2007
10 per cent drop in equity prices	(86.9)	(670.0)
Excluding ownership in Storebrand ASA		

Gjensidige Forsikring invests in a number of private equity funds as well as fund-of-funds. Focus has so far been in the Nordic region. Gjensidige will seek to take an active role through a place on the board or advisory committee of the different funds. The portfolio consists of a mixture of venture and buy-out strategies. For investments outside the Nordic region, Gjensidige will generally seek to invest through fund-of-funds.

Table 13 – Largest private equity funds

NOK million	31.12.2008
Fund	
HitecVision Private Equity IV LP	110.7
FSN Capital II LP	78.6
Altor Fund II LP	62.1
Northzone IV K/S	57.6
Teknoinvest VIII KS (incl. Teknoinv. VIII (GP) KS)	49.1
Total five largest	358.3
Total private equity	884.6

In addition to the invested amounts, as at 31 December 2008 Gjensidige has committed capital, not-invested, of NOK 850 million.

Interest rate risk

Within the Group's insurance companies overall exposure to interest rate risk is managed by matching the overall duration and approximately the payment pattern of the insurance liabilities through a portfolio of fixed income instruments. Since insurance liabilities are generally undiscounted in the balance sheet, this implies insurance liabilities are exposed to changes in inflation (but not to interest rates). An economic perspective, however, argues for hedging of interest rate risk, as the present value of the provisions is exposed to changes in the real interest rate. From an accounting perspective the risk from choosing this hedging strategy is reduced, as a major part of the bond portfolio is classified as held to maturity. Furthermore, from an economic perspective the inflation risk is partly reduced by a part of the bonds held to maturity having a coupon tied up to the development of the consumer price index (CPI).

In a part of the Danish operations, Kommunernes Arbejdsskadeforsikring (KA), the long tail workers' compensation line of business is hedged against changes in the real interest rate through swap contracts. The real interest rate risk relates to premium- and claims provisions of approximately NOK 4,000 million (discounted value), where a large part of the claims are paid out as annuities whereas payments are linked to Danish CPI (set by Danish authorities as a function of wage developments). The risk to the present value of these annuities is hedged through a series of swap contracts, stretching out for 40 years, covering inflation and interest rate risk separately so that in net real interest rate risk is removed. The swap contracts are reset each year, reducing counter-party risk, and also resulting in limited carrying amount. The fixed income portfolio in KA is invested with a low duration.

The table below shows the maturity profile of the Group's fixed income portfolio. It does not include the above-mentioned swap arrangement, which has a limited carrying amount, but instead the actual fixed income portfolio in Kommunernes Arbejdsskadeforsikring is included.

Table 14 – Maturity profile (years) fixed income portfolio

NOK million	31.12.2008	31.12.2007
Maturity		
0-1	16,170.4	13,770.8
1-2	4,454.2	5,068.0
2-3	3,169.9	2,909.1
3-4	2,267.5	2,261.6
4-5	4,549.4	1,602.1
5-6	384.6	1,249.2
6-7	771.7	260.6
7-8	564.4	258.9
8-9	717.1	465.3
9-10	1,028.4	1,120.8
>10	2,507.9	309.3
Total	36,585.5	29,275.5

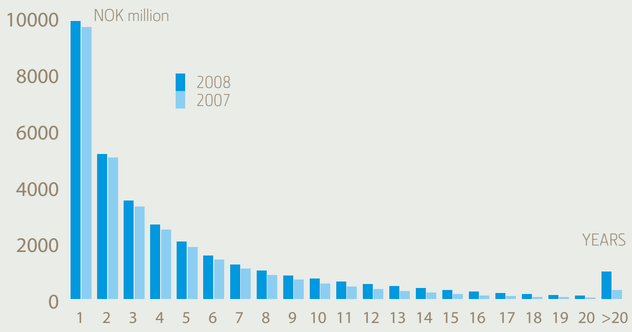
Furthermore the interest rate sensitivity of the fixed income portfolio is shown in the table below. This table does not include bonds held to maturity. The effect on profit or loss and equity is the same. No effect on taxation is included, and the effect of the swap contracts in Kommunernes Arbejdsskadeforsikring is also not included (since they have an opposite effect on the liability side).

Table 15 – Sensitivity fixed income portfolio

NOK million	31.12.2008	31.12.2007
100 bps parallell shift up	(295.7)	(321.0)

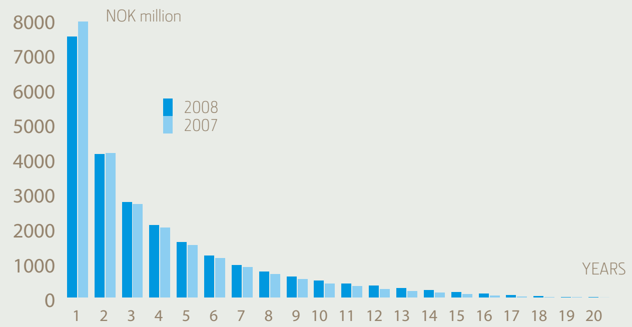
The graph below shows the expected payout pattern for the Group's premium and claims provisions as of year end 2008 and 2007. Approximately one-third of the provisions are expected to be paid out within one year, and the average duration is somewhat above 3 years. A subset of the assets will match these cash flows, but the Group has no formal policy for the maximum allowable deviation.

Figur 5a – Payout pattern for insurance liabilities



The next figure shows the corresponding payout pattern for Gjensidige Forsikring BA. Average duration for Gjensidige Forsikring BA is slightly shorter than the Group payout pattern.

Figure 5b – Payout pattern for insurance liabilities, Gjensidige Forsikring BA



Another way to show the interest rate risk is through the repricing structure of the portfolio, and the focus is then not on the immediate effect on value as above, but on the effect of an interest rate change on the interest income in the following year. The insurance operation has, from an accounting perspective, no interest sensitive insurance technical liabilities except from the Danish workers' compensation portfolio, which is, as mentioned above, hedged through swaps. The table thus only includes the asset side. The effect of an immediate one percentage point decline in interest rate will reduce the net financial income from instruments with floating interest over the next 12 months with approximately NOK 84 million. However, this will be offset by an immediate value increase of the fixed income portfolio of NOK 296 million which will affect the profit and loss. These calculations do not take into account possible effects that might affect the value of other financial assets, such as real estate and equities. The calculations are pre-tax.

Table 16 – Contractual maturities insurance operations

NOK million	Without agreed remaining term	0-1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	Total
Financial assets							
Bonds and certificates	17.0	346.1	2,921.6	8,242.3	5,187.9	3,884.7	20,599.6
Cash accounts and time deposits		1,874.4	13.9	259.5			2,147.7
Bonds held to maturity			18.9	2,372.5	9,229.5	2,089.4	13,710.3
Loans		2.0	0.0	7.8	86.6	377.2	473.6
Shares and similar interests	4,179.3						4,179.3
Hedge funds	1,142.7						1,142.7
Not classified	5,982.0	121.3					6,103.3
Derivatives with positive value	68.2		56.5	43.4			168.1
Total 2008	11,389.3	2,343.8	3,010.9	10,925.5	14,504.0	6,351.2	48,524.7
Total 2007	18,707.0	1,907.8	1,622.4	8,632.6	11,802.8	4,178.6	46,851.2
Financial liabilities							
Derivatives with negative value		(0.9)	(431.3)	(118.6)	(3.9)	(186.7)	(741.4)
Other financial liabilities		(11.5)					(11.5)
Total 2008		(12.4)	(431.3)	(118.6)	(3.9)	(186.7)	(752.8)
Total 2007			(36.7)	(11.0)			(47.7)

Real estate price risk

Real estate constitutes a significant part of the portfolio of Gjensidige Forsikring. The motivation for investing in real estate is firstly that it enhances the risk-adjusted return of the asset portfolio, through an expected rate of return between bonds and equities with a modest correlation to both of them. Secondly, real estate is in the long run assumed to increase in value if the real interest rate declines, and is therefore a hedge against the real interest rate risk of the insurance technical liabilities.

The Group mainly owns its properties directly, although a small part of the portfolio is invested in property funds outside of Norway. In addition to the invested amounts via funds additional NOK 241 million is committed, but not yet drawn. In addition an amount of NOK 76 million is committed in a housing project. The management of the directly owned real estate portfolio is carried out by the wholly owned subsidiary Oslo Areal. The portfolio consists both of property for own use, and investment properties. In February 2008, the Group's main office in Oslo was sold, thus reducing substantially the share of property for own use. During the year there were a few more sales of property, of smaller size. The real estate portfolio has its largest concentration in offices in the Oslo area, but also has property in other major cities in Norway as well as a substantial holding of shopping centres.

Table 17 – Largest real estate holdings

NOK million	31.12.2008	31.12.2007
Total five largest properties	2,465.5	3,027.2
Total properties	6,324.4	7,255.6

Hedge funds

Hedge funds is a common term for funds investing in most types of asset classes with few limitations on the use of derivatives, shorting or leverage in order to earn a return that is partly independent from (has a low correlation with) traditional asset class indices. Gjensidige utilises hedge funds both as an absolute-oriented asset class / set of investment strategies, and as a way to take active risk as measured against these indices. The portfolio consists of investments in fund-of-funds and in single funds. The fund-of-fund manager will perform the selection and follow-up of the underlying hedge funds, thus reducing operational risk.

Table 18 – Largest hedge funds

NOK million	31.12.2008
Horizon Tactical Trad USD-B	342,8
Sector Polaris	272,5
The Winton Evolution Fund	125,8
Russell Alt. Strat. Fund II Total Designated Inves	95,2
Sector EuroPower Fund Class A EUR	86,0
Total five largest hedge funds investments	922,3
Total hedge funds	1.142,7

Currency risk

Currency risk is defined as the loss given an adverse movement in exchange rates. Generally, currency risk in the investment portfolio is hedged close to 100 per cent, except for smaller mandates where active currency management is a part.

The parent company hedges its investment, but not future income, in subsidiaries against currency risk. For Gjensidige Baltic the hedge is partly in LVL, partly in LTL, while the hedge for Gjensidige Sverige is in SEK. In both cases the results are recognised in the profit or loss account, while change in value of the object is recognised directly in equity. For Fair Forsikring the hedge is in DKK. and hedge accounting is implemented, where only the ineffective part of the hedge is recognised in profit or loss. This gives a more consistent reporting of the hedge and the hedged object, and the plan is to implement this principle for the other subsidiaries in the Group. The hedging is done by currency swaps with quarterly adjustment of the amount.

The Group writes insurance business in the Scandinavian and the Baltic countries, and consequently has insurance liabilities in these currencies. The currency risk, both at Group and company level is in general hedged by matching the technical provisions with investments in the corresponding currency. In Gjensidige Baltic there are investments in EUR denominated bonds which are not matched by liabilities. The corresponding currency risk is not considered significant for the Group.

The table on the next side shows the foreign currency exposure by currency type. The gross position is after taking into account the insurance liabilities in the currency, and includes the investment in the subsidiaries as recognised in the parent company. In the net position column, the hedge of the subsidiaries is included.

A rise in NOK of 10 per cent against all other currencies will lead to a reduced equity of approximately NOK 70 million. However, since the translation effect relating to the foreign subsidiaries at year-end is recognised directly in equity, whereas the hedging positions relating to Gjensidige Baltic and Gjensidige Sverige are recognised in profit or loss, the effect for the profit or loss account is opposite, a gain of approximately NOK 55 million.

In case of the opposite, a 10 percent weakening of NOK against all currencies as at 31 December 2008 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Foreign exchange transactions are conducted within strictly defined limits and used both for trading purposes and to hedge financial assets. The table below specifies gross and net positions in the major currencies. Hedging (except hedging of investments in subsidiaries) is performed by means of currency futures or at the portfolio level, and the currency positions are monitored continuously against a total limit.

Table 19 – Currency exposure

NOK million	Gross position in currency	Gross position NOK	Currency contracts	Net position in currency	Net position NOK
AUD	0.0	0.2		0.0	0.2
CAD	(3.1)	(17.9)		(3.1)	(17.9)
CHF	6.6	42.8	(5.3)	1.2	8.1
DKK	2,416.9	3,159.7	(2,339.7)	77.2	100.1
EEK	7.2	4.4		7.2	4.4
EUR	429.1	4,186.4	(386.2)	42.9	427.3
GBP	2.6	26.1	(1.8)	0.8	8.0
HKD	4.3	3.8	(4.0)	0.3	0.3
LVL	19.9	276.7	(17.7)	2.1	33.1
LTL	77.9	221.6	(58.7)	19.2	56.1
JPY	180.4	13.8	(176.7)	3.7	0.3
NZD	0.0	0.0		0.0	0.0
SEK	653.4	620.5	(723.6)	(70.1)	(20.2)
SGD	1.0	5.0	(1.0)	0.0	0.2
USD	323.7	2,265.5	(308.9)	14.8	103.2
Total		**10,808.6**			**703.2**

Credit risk

Gjensidige has exposure to credit risk, which is both the risk that a counterparty will be unable to pay amounts in full when due and the risk that credit spreads (credit risk premiums) will increase. The Group is exposed to credit risk mainly in the investment operations of the insurance companies, through unpaid premiums from customers, receivables from reinsurers and the reinsurers' share of insurance liabilities.

In investment operations the Group structures the levels of credit risk it accepts in several ways. As a starting point there is a credit limit on named counterparties. For issuers with an official rating by a reputable rating agency this is generally used as the criteria. The list of credit limits is approved by the deputy CEO, and is used for all segregated mandates and derivative counterparties. Furthermore, the Board-approved asset allocation sets limits on the allocation to global bonds, both investment and non-investment grade (high yield). The Group's total fixed income portfolio as at 31 December 2008 (including both bonds held to maturity, bonds, certificates and deposits) of NOK 36.586 million consisted of NOK 8.315 million issued by a public sector entity and NOK 28.271 million by non-public entities.

The majority of non-public entities are other financial institutions. The part of the portfolio issued by a public entity has increased significantly during 2008. The split is shown in the figure below.

Table 20 – Fixed income portfolio per sector

	31.12.2008	31.12.2007
Government	22.7 %	13.8 %
Banks and financial institutions	62.2 %	72.0 %
Corporates	15.1 %	14.2 %
Total	**100.0 %**	**100.0 %**

The following tables show the allocation of the fixed income portfolio by rating category for 2008 and 2007

Table 21 – Allocation of fixed income portfolio per rating category

NOK million	31.12.2008	31.12.2007
Rating		
AAA	12,362.8	5,603.8
AA	8,487.7	8,006.0
A	5,348.1	5,586.3
BBB	1,936.5	1,130.9
BB	484.7	305.6
B	513.4	514.6
CCC or lower	271.9	161.2
Not rated	7,180.4	7,967.2
Total	**36,585.5**	**29,275.6**

Table 22 – Allocation of fixed income portfolio per rating category, internal rating included

NOK million	31.12.2008	31.12.2007
Rating		
AAA	12,414.9	5,603.8
AA	8,693.2	8,125.8
A	8,017.6	8,547.8
BBB	4,497.4	5,302.6
BB	484.7	305.6
B	513.4	514.6
CCC or lower	271.9	161.2
Not rated	1,692.4	714.1
Total	**36,585.5**	**29,275.6**

A relatively large part of the Norwegian fixed income portfolio consists of issuers without a rating from an official rating company. However, the asset managers and brokerages conduct their own internal rating, assigning rating categories in the same way as the rating companies. For completeness, the second table includes the allocation also using the internal rating of Gjensidige's main asset manager, Storebrand Kapitalforvaltning.

The following tables show the main concentration risks as at 31 December2008 and 31 December 2007

Table 23 – Top ten issuers

NOK million	31.12.2008
Issuer	
Den Norske Stat	5.575,4
Danske Bank Realkreditt	1.984,5
Nykredit Realkredit	1.923,4
DnB NOR Bank	1.571,4
Dansk Landbrugs Realkreditfond	1.008,7
Skandinaviska Enskilda Banken	953,2
BRF Kredit	856,1
Statkraft	817,8
Citigroup	740,3
Barclays Bank Plc	727,1
Total ten largest issuers	16.157,9
Total fixed income portfolio	36.585,5

Table 24 – Top ten issuers

NOK million	31.12.2007
Issuer	
Nordea	1,370.5
Den Norske Stat	1,344.7
Skandinaviska Enskilda Banken	1,106.3
Nykredit Realkredit	995.4
BRF Kredit	974.2
RD	961.6
DnB NOR Bank	945.5
Dansk Landbrugs Realkreditfond	663.2
Sparebanken Rogaland	579.9
Svenska Handelsbanken	556.8
Total ten largest issuers	9,498.2
Total fixed income portfolio	29,275.6

The overview of largest issuers includes also fixed income portfolio for Gjensidige Pensjonsforsikring and Gjensidige Bank. This is because the concentration risk is monitored at a group level.

Credit risk in the insurance operations

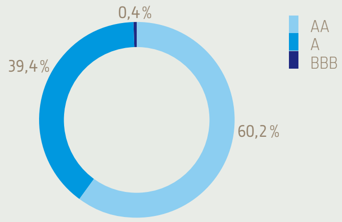
The table below presents the age distribution of the receivables arising out of direct insurance operations and the reinsurance receivables.

Table 25 – Age distribution receivables insurance

NOK million	Direct insurance	Reinsurance
31.12.2008		
Installments not due	2,656.3	16.3
<35 days	249.9	90.7
35-90 days	87.5	
> 90 days	64.7	26.5
Total	3,058.5	133.5
31.12.2007		
Installments not due	2,459.8	11.9
<35 days	304.6	3.8
35-90 days	104.8	
> 90 days	92.3	182.1
Total	2,961.5	197.8

Reinsurance is used to manage insurance risk. This does not, however, discharge Gjensidige from any liability as primary insurer. If a reinsurer fails to pay a claim for any reason, Gjensidige remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by reviewing their financial strength prior to finalisation of any contract. Routines are in place for assessing the creditworthiness of reinsurers by reviewing financial strength ratings provided by rating agencies and other publicly available financial information. Information of recent payment history and the status of any ongoing negotiations between Group companies and these third parties are also used to evaluate the creditworthiness of reinsurers. As a general requirement all reinsurers need to be rated 'A-' or better by S&P (or equivalent from other rating firms) when entering into the contract with Gjensidige. For short-tail lines a 'BBB' rating has occasionally been accepted.

Figure 6 – Reinsurance premium 2008 split by rating category



The following table provides an overview of split of reinsurance receivables and reinsurers' share of outstanding claims per rating category. Approximately 83 per cent of the exposure is towards investment grade counterparties. The exposure in the not rated category relates to prior years' reinsurance arrangements and is split towards a large number of counterparties. In many cases the companies are now in run-off and do not have a rating anymore.

Table 26 – Reinsurance receivables and reinsurers' share of claims provisions

	2008		2007	
Rating	NOK million	Per cent	NOK million	Per cent
AAA	6.2	1.3 %	2.6	0.5 %
AA	242.5	48.9 %	240.6	50.1 %
A	161.4	32.5 %	161.5	33.6 %
BBB	2.1	0.4 %	13.7	2.8 %
BB	0.9	0.2 %		
B				
CCC or lower				
Not rated	83.1	16.7 %	61.6	12.8 %
Total	496.2	100.0 %	480.0	100.0 %

Liquidity risk

Gjensidige is mainly a general insurer and as for most general insurers, the liquidity risk is quite limited. Premium income is paid up front and claims are paid out at a later stage. Future claims payments are not based on contractual payment dates, but rather on when claims occur and how long the claims handling lasts. See the expected payment pattern presented above.

As a going concern that implies a positive net cash flow under normal circumstances. Large net outflows will normally arise only from acquisitions, or a recapitalization of subsidiaries. In case of large claims or catastrophic events, payments will take place some time after the event, and the reinsurers will cover most of the amount within a short time after the payments have been made to the claimants. In an extreme scenario, reinsurers do not honour their obligations after such a catastrophic event. For 2008 the Board of Directors has, based on such a scenario, set a liquidity requirement of NOK 50 million in bank deposits, NOK 3.000 million to be realized within 1 week, and NOK 8.000 million within 1 month. These figures apply for the parent company only. The focus is on the time to liquidate a position in an orderly manner even when the market is suffering a turmoil and not on the maturity of the underlying security itself. The current allocation fulfils these requirements. The table below shows the classification used and amounts as at 31 December 2008 and 31 December 2007 (Group figures).

Table 27 – Liquidity investment assets, insurance

NOK million		31.12.2008	31.12.2007
1 day	Bank deposits	1,873.3	2,890.1
<1 week	Money market, liquid bonds, commodity certificates, global equities	9,784.7	15,618.6
<1 month	Norwegian equities, emerging market equities, investment grade bonds, held to maturity bonds	26,015.6	14,835.9
>1 month	Hedge funds, real estate, below investment grade bonds / private equity	10,098.2	13,458.9
Total		47,771.8	46,803.4

MANAGEMENT OF FINANCIAL RISK – GJENSIDIGE PENSJONSFORSIKRING

Gjensidige Pensjonsforsikring has its own Board-approved capital management strategy, which gives a description of goals and limits, and also sets out the organisation of capital management operations. The Investment Committee, where both Gjensidige Pensjonsforsikring, Gjensidige Investeringsrådgivning and the Group Investment and Capital Management departments are represented, has a consultative function for the CEO in questions of capital management and risk management.

Gjensidige Pensjonsforsikring has set their own strategies for capital in each portfolio –the unit linked, paid-up policy, other group policy and Company portfolios. Gjensidige Pensjonsforsikring does not hold any risk in the unit linked portfolio; here both positive and negative returns are passed on to the customers in full. The remaining portfolios expose the Company's equity to risk. The Company and the other group policy portfolios hold little risk; the capital is mainly invested in bank deposits and fixed income instruments with high credit ratings. The Company portfolio is financed by the Company's equity, and in addition includes a small trading portfolio to support incoming / outgoing capital in the customer portfolios. Other group portfolio is funded by premium reserves and claim provisions for non-reported / unsettled claims. The paid-up policies give a minimum guaranteed interest rate return to customers, and at the same time the customers get a share of any additional returns above this. For the paid-up policy portfolio the objective is therefore over time to be able to offer the customers a competitive return whilst the risk in relation to the strain on the equity stays at a targeted low level, and to follow a balanced strategy where the risk taking is managed at all times by the status of the buffer capital. The business within pension and savings has most of their balance in defined contribution based products, but the paid-up policy portfolio is growing. Gjensidige Pensjonsforsikring is therefore also exposed to the risk types mentioned above, and has their own asset management strategy approved by the Board of Directors that sets the limits for the exposure. The portfolios are stress tested in the same way as the insurance business (see earlier section) to measure whether the buffer capital can stand a given decline in value. The paid-up policy portfolio amounted to NOK 527 million as at 31 December 2008 with an average guaranteed interest rate of 3.8 per cent. Other group policy portfolio amounted to NOK 68 million (mainly capital without a guaranteed interest rate) whilst the Company portfolio had NOK 184 million in financial assets.

Table 28 – Asset allocation Gjensidige Pensjonsforsikring, excluding unit linked portfolio

NOK million	31.12.2008	Per cent
Money market	458.3	58.8 %
Bonds held to maturity	279.1	35.8 %
Bonds other		0.0 %
Equities	41.7	5.4 %
Property		0.0 %
Hedge funds		0.0 %
Other		0.0 %
Total	779.2	100.0 %

The accounting interest rate risk in Gjensidige Pensjonsforsikring's assets is limited by the bonds being classified as held to maturity and other fixed income instruments having a short duration. The following table shows the affect of a one percentage point increase in the interest rate level on the equity in Gjensidige Pensjonsforsikring. The calculation does not take into account tax effects.

Table 29 – Sensitivity interest rate

NOK million	31.12.2008
100 bps parallell shift up	9.0

A large part of the fixed income portfolio in Gjensidige Pensjonsforsikring does not have an official rating. These fixed income securities are mainly invested in Norwegian banks and financial institutions.

Table 30 – Fixed income portfolio per rating

NOK million	2008
Rating	
AAA	
AA	18.0
A	415.8
BBB	
BB	
B	
CCC or lower	
Not rated	303.7
Total	737.5

MANAGEMENT OF FINANCIAL RISK - GJENSIDIGE BANK

The banking business is exposed to credit risk in its loan portfolio and liquidity and interest rate risk through any mismatches of maturity and time of repricing between assets and liabilities. The bank does not invest in equity instruments nor have foreign currency positions. The Board of Directors in Gjensidige Bank approves the Company's credit policy and financial grant regulations. The credit strategy is determined annually. The Board of Directors also determines the limits for market and liquidity risk.

Credit risk constitutes the core of the banking business. Gjensidige Bank only provides loans above 80 per cent of the justified value to defined customer groups, and stress tests the customer's capacity with an interest rate increase of 4.5 percentage points. Gjensidige Bank through its cooperation with Sparebanken Sogn og Fjordane has developed internal models for ranking customers, both in the loan application process and in evaluating the credit risk of ongoing engagements. The loan portfolio only consists of loans to customers in Norway.

The risk in the loan portfolio is evaluated monthly by the internal model. The customers are categorised into three main groups, dependent on risk. The table below shows the allocation as at 31 December 2008, and also includes general loss provisions in each category (general provisions are in addition to amounts that are written-off on loans where a specific payment problem is detected).

Table 31 – Risk classification banking operations

NOK million	Gross lending	Per cent	Individual impairment losses	Group impairment losses
Low risk	5,292.3	79.2 %	0.0	5.6
Medium risk	1,193.3	17.9 %	0.0	4.0
High risk	198.2	3.0 %	0.7	3.3
Total	**6,683.7**	**100.0 %**	**0.7**	**12.9**

The total amount loaned to customers as at 31 December 2008 was NOK 6,684 million. The following table shows unpaid overdue payments and overdrafts.

Table 32 – Payments overdue

NOK million	31.12.2008	31.12.2007
10-30 days	17.0	53.8
30-90 days	1.7	5.4
Over 90 days	4.0	0.7
Total	**22.6**	**59.9**

To measure the interest rate risk in the banking business you must take into account that both the assets and liabilities are sensitive to interest rates. The re-issue structure is shown in the table below. The effect of an immediate one percentage point increase or decrease in the interest rate level on the net interest income over the next 12 months is calculated to be NOK 0 million, under the assumption that the loans and payments are re-issued in line with the table below. The Board of Directors have approved that the maximum loss from a one percent change in the interest rate will be NOK seven million. Utilisation of this limit is reported to the Board of Directors monthly.

Table 33a – Fixed interest period banking operations 2008

NOK million	< 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
ASSETS							
Cash and receivables from central banks	176.5						176.5
Loans to and receivables from credit institutions	179.1						179.1
Loans to and receivables from customers		6,669.9		34.5	7.0		6,711.4
Individual impairment losses of loans to and receivables from customers						(0.7)	(0.7)
Group impairment losses of loans to and receivables from customers						(12.9)	(12.9)
Net loans to customers and credit institutions	**355.6**	**6,669.9**		**34.5**	**7.0**	**(13.6)**	**7,053.5**
Interest-bearing securities	340.3						340.3
Intangible assets						41.5	41.5
Property, plant and equipment						3.2	3.2
Deferred tax assets						24.9	24.9
Other assets						14.3	14.3
Prepaid expenses and earned income							
Total assets	**695.9**	**6,669.9**		**34.5**	**7.0**	**70.3**	**7,477.6**
LIABILITIES							
Liabilities to credit institutions							
Deposits from and liabilities to customers	6,131.4						6,131.4
Liabilities incurred through the issue of securities		350.0		199.9			549.9
Other liabilities	37.2						37.2
Other provisions						1.0	1.0
Total liabilities	**6,168.5**	**350.0**		**199.9**		**1.0**	**6,719.3**

On account of the requirment for notification in the Financial Contracts Act, loans to customers are placed in the 1-3 months period, while customers deposits are plased in the under 1 month period.

Table 33b – Fixed interest period banking operations 2007

NOK million	< 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
ASSETS							
Cash and receivables from central banks	126.4						126.4
Loans to and receivables from credit institutions	72.6						72.6
Loans to and receivables from customers		3,372.2		7.3	1.8		3,381.4
Group impairment losses of loans to and receivables from customers						(6.7)	(6.7)
Net loans to customers and credit institutions	**199.0**	**3,372.2**		**7.3**	**1.8**	**(6.7)**	**3,573.6**
Interest-bearing securities	79.5						79.5
Intangible assets						44.8	44.8
Property, plant and equipment						4.0	4.0
Deferred tax assets						33.8	33.8
Other assets						10.4	10.4
Total assets	**278.5**	**3,372.2**		**7.3**	**1.8**	**86.3**	**3,746.2**
LIABILITIES							
Liabilities to credit institutions	150.0						150.0
Deposits from and liabilities to customers	1,701.1						1,701.1
Liabilities incurred through the issue of securities		950.0	400.0				1,350.0
Other liabilities	29.4						29.4
Total liabilities	**1,880.5**	**950.0**	**400.0**				**3,230.5**

On account of the requirment for notification in the Financial Contracts Act, loans to customers are placed in the 1-3 months period, while customers deposits are plased in the under 1 month period.

Loans to customers are placed in an interval of one to three months, while payments from customers are placed in an interval of less than one month. This reflects the legal regulations regarding the information period facing the customers. A bank can change its interest rates for loans and deposits as it sees fit, with background in the competitive market situation. There is no direct requirement to change the interest rates offered in connection with changes in either market rates or the rates set by the central bank.

As a result, the classification of loans and deposits in the specific intervals above is somewhat arbitrary.

In the banking operations assets and liabilities have contractual maturities. On the liability side, the customers in general may withdraw their deposits at short notice, resulting in a short time to maturity. The Board of Directors has set requirements for liquidity reserves in the form of short-term deposits, liquid securities and / or committed drawing rights which, in a period of reduced access to liquidity in the market, will allow time for necessary adjustments in accordance with instruction given by the Financial Supervisory Authority of Norway.

Table 34a – Liquidity profile banking operations 2008

NOK million	< 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
ASSETS							
Cash and receivables from central banks	176.5						176.5
Loans to and receivables from credit institutions	179.1						179.1
Loans to and receivables from customers	2,618.3	18.9	86.6	500.3	3,487.3		6,711.4
Individual impairment losses of loans to and receivables from customers						(0.7)	(0.7)
Group impairment losses of loans to and receivables from customers						(12.9)	(12.9)
Net loans to customers and credit institutions	**2,973.9**	**18.9**	**86.6**	**500.3**	**3,487.3**	**(13.6)**	**7,053.5**
Interest-bearing securities			100.6	154.4			255.1
Intangible assets	85.2						85.2
Property, plant and equipment						41.5	41.5
Deferred tax assets						3.2	3.2
Other assets						24.9	24.9
Prepaid expenses and earned income						14.3	14.3
Total assets	**3,059.1**	**18.9**	**187.2**	**654.7**	**3,487.3**	**70.3**	**7,477.6**
LIABILITIES							
Liabilities to credit institutions	6,131.4						6,131.4
Deposits from and liabilities to customers	150.0	100.0		299.8			549.9
Liabilities incurred through the issue of securities	37.2						37.2
Other liabilities						1.0	1.0
Total liabilities	**6,318.5**	**100.0**		**299.8**		**1.0**	**6,719.3**

Table 34b – Liquidity profile banking operations 2007

NOK million	< 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	Total
ASSETS							
Cash and receivables from central banks	126.4						126.4
Loans to and receivables from credit institutions	72.6						72.6
Loans to and receivables from customers	1,273.8	10.2	47.0	262.7	1,787.7		3,381.4
Group impairment losses of loans to and receivables from customers						(6.7)	(6.7)
Net loans to customers and credit institutions	**1,472.8**	**10.2**	**47.0**	**262.7**	**1,787.7**	**(6.7)**	**3,573.6**
Interest-bearing securities	79.5						79.5
Intangible assets						44.8	44.8
Property, plant and equipment						4.0	4.0
Deferred tax assets						33.8	33.8
Other assets						10.4	10.4
Total assets	**1,552.3**	**10.2**	**47.0**	**262.7**	**1,787.7**	**86.3**	**3,746.2**
LIABILITIES							
Liabilities to credit institutions	150.0						150.0
Deposits from and liabilities to customers	1,701.1						1,701.1
Liabilities incurred through the issue of securities		300.0	1,050.0				1,350.0
Other liabilities	29.4						29.4
Total liabilities	**1,880.5**	**300.0**	**1,050.0**				**3,230.5**

NOTE 4 - SEGMENT INFORMATION

General insurance in Norway is the Group's core acitivity. For segment information purposes it is distinguished between Private and Commercial. In addition the Group has business within general insurance in Other Nordic and Baltic. The Group also has business within the segments Pension and savings, Online retail banking and Health care services.

The segments are evaluated regularly by Gjensidige's Senior Group Management on the basis of financial and operational information prepared especially for each segment with the objective of following up the performance, and allocating necessary resources.

DESCRIPTION OF THE SEGMENTS

General insurance

Private Norway

Gjensidige is a broad supplier of general insurance products to private consumers in Norway. The company is a market leader in motor insurance and accident and health insurance and agriculture insurance, and it also has a solid position in other types of private insurances.

Commercial Norway

Gjensidige is a complete provider of general and life insurance products for Norwegian businesses. The company has a particularly strong position in the market segment for medium-sized enterprises, and it is the clear market leader in accident and health insurances.

Other Nordic

The segment offers general insurance products to private and commercial customers in Sweden and Denmark. The operations are run under the Gjensidige brand in Sweden, while the Danish operations are run under the brand Fair Forsikring. Furthermore, the Danish operations are the Group's centre of expertise for insurances to municipalities and other public sector entities in Norway, Sweden and Denmark, under the KommuneForsikring brand. The Norwegian branch of the Swedish operations handles the Group's White Label initiativ.

Baltic

The Baltic insurance market is in an early development phase and a significant share of the market is still uninsured. Motor insurances are the most widespread insurance product in these markets. Gjensidige Baltic has operations in each of the three Baltic states.

Pension and savings

The segment offers a broad range of pension, investment and savings products for both the private and commercial market. The products offered includes among others occupational pensions, fund pensions, paid-up policies and fund savings.

Online retail banking

Gjensidige Bank is a nationwide Internet bank aimed at the private, affinity group and agricultural markets in Norway. The bank offers traditional banking products adapted to electronic distribution.

Health care services

Under the brand Hjelp24, a variety of health care services are offered. The service offering includes corporate health care services, personal security alarm services, private hospital and specialist services, and work environment surveys'. The services are offered to private, commercial and public customers.

DESCRIPTION OF THE SEGMENTS' INCOME AND EXPENSE, ASSETS AND LIABILITIES

Segment income consist of earned premiums, net of reinsurance for the general insurance segments and for the Pension and savings segment. Net interest income is segment income for the Online retail banking segment and operating income is segment income for the segment Health care services.

Segment expenses consist of claims incurred, net of reinsurance for the general insurance segments and for the Pension and savings segment, other operating expenses for all segments and interest income and interest expenses and amortisation of excess valuue for those segments where this accounting information is included in the segment profit or loss.

Segment profit or loss is defined as technical profit or loss before amortisation of excess value for the general insurance segments and for the segment Pension and savings, and profit or loss before tax expense for the segments Online retail banking and Health care services.

Income, expenses and profit or loss from the segments Online retail banking and Health care services are reversed because they are not included in profit or loss of technical account before amortisation of excess value in the Group's consolidated income statement. The above mentioned segments' income and expenses are instead included in the lines Other income and Other expenses.

Segment assets for the gerneral insurance segments in Norway consist of assets that can be directly attributable to the general insurance products, mainly receivables and reinsurers' share of insurance-related liabilities. For the other segments segment assets consist of total assets. Segment liabilities for the gerenal insurance segments in Norway consist of liabilities that can be directly attributable to the general insurance products, mainly insurance-related liabilities. For the other segmetents segment liabilities consist of total liabilities.

	GENERAL INSURANCE								
NOK million	Private Norway	Commercial Norway	Other Nordic	Baltic	Pension and savings	Online retail banking	Health care services	Reversal and eliminations [1]	Total
2008									
Segment income									
Segment income - external	7.911,4	4.909,7	2.068,4	592,4	58,1	45,4	503,9	(549,4)	15.539,9
Segment income - Group [2]									
Total segment income	**7.911,4**	**4.909,7**	**2.068,4**	**592,4**	**58,1**	**45,4**	**503,9**	**(549,4)**	**15.539,9**
Segment expenses									
Claims incurred, net of reinsurance	(5.793,0)	(4.218,0)	(1.604,3)	(368,1)	(39,0)			7,2	(12.015,1)
Other segment expenses	(907,4)	18,0	(240,0)	(165,1)	(104,9)	(130,5)	(462,9)	586,1	(1.406,6)
Interest income							0,8	(0,8)	
Interest expenses							(3,6)	3,6	
Amortisation of excess value							(12,8)	12,8	
Segment profit / (loss)	**1.211,0**	**709,7**	**224,1**	**59,2**	**(85,7)**	**(85,1)**	**25,5**	**59,6**	**2.118,2**
- Amortisation of excess value									(94,6)
- Allocated return on investments									(1.344,1)
+ Net return on investments									(220,3)
+ Net other income									(152,0)
Profit / (loss) before tax expense									**307,2**
Segment assets	1.578,7	1.622,0	11.136,8	1.138,7	2.527,9	7.477,6	278,4	(404,4)	25.355,7
Other assets [3]									40.195,7
Total assets									**65.551,4**
Segment liabilities	11.773,8	13.311,5	7.372,6	693,1	2.137,7	6.719,3	182,4	(315,8)	41.874,5
Other liabilities [3]									3.856,8
Total liabilities									**45.731,4**
2007									
Segment income									
Segment income - external	7.729,8	5.072,7	1.685,3	360,2	27,9	11,3	335,5	(346,8)	14.875,9
Segment income - Group [2]									
Total segment income	**7.729,8**	**5.072,7**	**1.685,3**	**360,2**	**27,9**	**11,3**	**335,5**	**(346,8)**	**14.875,9**
Segment expenses									
Claims incurred, net of reinsurance	(5.746,3)	(4.324,3)	(1.376,3)	(229,5)	(19,3)				(11.695,8)
Other segment expenses	(868,3)	115,3	(286,9)	(104,0)	(84,9)	(127,1)	(309,1)	435,7	(1.229,3)
Interest income							2,0	(2,0)	
Interest expenses							(1,6)	1,6	
Amortisation of excess value									
Segment profit / (loss)	**1.115,3**	**863,7**	**22,1**	**26,6**	**(76,3)**	**(115,8)**	**26,8**	**(89,0)**	**1.950,8**
- Amortisation of excess value									(103,3)
- Allocated return on investments									(1.475,1)
+ Net return on investments									2.820,3
+ Net other income									(172,4)
Profit / (loss) before tax expense									**3.020,3**
Segment assets	1.492,9	1.734,6	9.003,8	523,4	977,2	3.832,6	269,3	(334,0)	17.499,8
Other assets [3]									40.660,1
Total assets									**58.159,9**
Segment liabilities	11.188,6	13.387,6	5.848,2	325,9	678,3	3.230,5	190,4	(610,1)	34.239,4
Other liabilities [3]									3.618,0
Total liabilities									**37.857,4**

[1] Other reversals and eliminations are ordinary eliminations of intra-group transactions.
[2] There is no income between the segments at this level in 2008 and 2007.
[3] Other assets and liabilities are either not directly attributable to one single segment or can not be allocated on a reasonable basis to a single segment.

NOTE 5 – INTANGIBLE ASSETS

NOK million	Goodwill	Customer relations	Trade-marks	Internally developed software	Other intangible assets	Total
Cost						
As at 1 January 2007	591.0	146.0	33.9	218.6	977.1	1,966.6
Aquisitions through business combinations	954.3	312.3	115.5		176.9	1,559.0
Addition internally developed				128.2		128.2
Disposal	(56.1)				(6.1)	(62.2)
Foreign currency difference	(30.6)	(18.1)	(6.3)		(3.9)	(58.9)
As at 31 December 2007	**1,458.6**	**440.2**	**143.1**	**346.8**	**1,144.0**	**3,532.7**
Amortisation and impairment losses						
As at 1 January 2007	(33.7)	(8.6)	(11.0)	(4.0)	(765.0)	(822.3)
Amortisation for the year		(38.7)	(34.3)	(15.8)	(176.5)	(265.3)
Disposal					1.8	1.8
As at 31 December 2007	**(33.7)**	**(47.3)**	**(45.3)**	**(19.8)**	**(939.7)**	**(1,085.8)**
Carrying amount						
As at 1 January 2007	557.3	137.4	22.9	214.6	212.1	1,144.3
As at 31 December 2007	**1,424.9**	**392.9**	**97.8**	**327.0**	**204.3**	**2,447.1**
Cost						
As at 1 January 2008	1,458.6	440.2	143.1	346.8	1,144.0	3,532.7
Reclassifications	0.1			263.7	(214.5)	49.2
Aquisitions through business combinations	172.3	7.7		5.4	4.5	189.9
Addition internally developed	(26.1)			72.7	40.9	87.5
Addition				61.0	4.6	65.7
Disposal				(128.1)	(0.3)	(128.4)
Foreign currency difference	192.3	83.4	26.2	34.4	3.9	340.1
As at 31 December 2008	**1,797.1**	**531.3**	**169.3**	**655.9**	**983.2**	**4,136.7**
Amortisation and impairment losses						
As at 1 January 2008	(33.7)	(47.3)	(45.3)	(19.8)	(939.7)	(1,085.8)
Reclassifications				(96.9)	69.7	(27.2)
Amortisation for the year		(43.6)	(19.1)	(112.1)	(54.2)	(229.0)
Disposal	(0.0)			35.3	0.0	35.3
Foreign currency difference		(15.6)	(7.5)	(12.7)	(3.3)	(39.1)
As at 31 December 2008	**(33.7)**	**(106.5)**	**(71.9)**	**(206.1)**	**(927.5)**	**(1,345.8)**
Carrying amount						
As at 1 January 2008	1,424.9	392.9	97.8	327.0	204.3	2,447.1
As at 31 December 2008	**1,763.4**	**424.8**	**97.3**	**449.8**	**55.7**	**2,790.9**
Amortisation method	N/A	Linear	Linear	Linear	Linear	
Useful life (year)		10	1-10	5-8	5-10	

The Group's intangible assets are either acquired through business combinations or internally developed. Goodwill, customer relations and trademarks are all acquired through business combinations, and are a result of a purchase price allocation of initial cost of the acquisition. Internally developed software is developed for use in the insurance business. External and internally assistance regarding development work in connection with implementation or significant upgrade of software, including adjustment of standard systems, are capitalised as intangible assets. Amortisation is included in *Insurance-related administrative expenses including sales expenses*.

Other intangible assets are mainly acquired insurance portfolios, and the amortisation period is based on the expected time horizon for withdrawal of synergy effects, and the insurance portfolios' future income. None of the intangible assets have indefinite useful life. No impairment losses are recognised on intangible assets in 2008.

IMPAIRMENT TESTING OF GOODWILL

Recognised goodwill in the Group was NOK 1.763,4 million as at 31 December 2008. This is mainly related to acquisition of different companies in the period 2006 to 2008.

NOK million	2008
Subsidiary	
Glitne Invest	164,6
Oslo Areal	266,9
Fair Forsikring	790,6
Gjensidige Baltic	188,2
Gjensidige Sverige	353,2
Total	**1.763,4**

Gjensidige Baltic and Gjensidige Sverige are defined as separate cash-generating units, while Fair Forsikring consists of three cash-generating units: Municipality insurance, Private insurance and Commercial insurance.

Commercial insurance was not a part of Fair Forsikring or KommuneForsikring at the time of acquisition, hence no goodwill is attached. For Oslo Areal every underlying property is defined as one cash-generating unit, and goodwill related to Oslo Areal arise as a consequence of provision for deferred tax on temporary differences. For Glitne Invest every subsidiary is one cash-generating unit.

Yearly testing for impairment was performed internally in the third quarter 2008. In addition, an assessment of indicators was performed in the fourth quarter in order to confirm that new circumstances triggering new testing for impairment were not identified. The management's assessment is that recognition of impairment losses for goodwill or other intangible assets related to business combinations are not required.

Recoverable amount for the cash-generating units is determined based on an assessment of value in use. The value in use is based on a discounting of expected future cash flows net of tax, at a discount rate net of tax that reflects time value of money and risk.

Budgets / prognoses and the period in which the cash flows are projected

The projection of cash flows for the Swedish and the Danish companies are based on budgets for the next three years examined by the management and approved by the Boards of Directors. In the period after 2011, principally a yearly growth of three per cent is applied until 2017. The terminal value is calculated in the year 2017. The growth in Denmark and Sweden is explained by the fact that the companies are basically smaller companies, with a solid parent company giving increased opportunities to increase market shares. Hence the cash flows are estimated to a normal level before calculating a terminal value. As a starting point, Gjensidige uses as a ten-year horizon on their models, since the companies are in a period of growth, and a shorter period will give a less correct picture of expected cash flows.

The management's method

As far as possible, the management has attempted to document the assumptions the models are based on by using external information. External information is primarily used in the assessment of discount rate and foreign currency rates. When it comes to future cash flows, the management has also considered the degree of historical achievement of budgets. If expected budgeted results are not achieved, the management has performed a deviation analysis. These deviation analyses are examined by the Board of Directors of the respective subsidiaries, and by the management of Gjensidige Forsikring.

Level of combined ratio (CR)

The expected CR level is considered to be slightly higher in a period of growth compared with calculating the terminal value. See table.

	CR-level in a period of growth	CR-level when calculating terminal value
Subsidiary		
Fair Forsikring Municipality	78,1 - 78,2 %	78,2 %
Fair Forsikring Private	97,9 - 99,1 %	96,6 %
Gjensidige Baltic	97,0 - 97,9 %	97,0 %
Gjensidige Sverige / Tennant	95,5 - 100,4 %	96,0 %

The rate of growth

The determined rate of growth is 3.0 per cent. This is based on following assumptions

Long-term growth in GNP	2-3 %
Long-term expected inflation	2-3 %
Total principal expectation of growth	4-6 %

Based on an overall assessment the management has nevertheless chosen to use 3.0 per cent, because this is more in line with the market's expectations.

Discount rate

Both discount rate and cash flows are net of tax. The cash flows are based on the amount that can be paid to owner after every financial period. The discounting of the cash flow takes into account that the amount paid will not be paid to owner until after the first quarter in the subsequent financial year. The discount rate is a combination of a risk-free interest rate and a risk premium. The risk-free interest rate is similar to average five-year interest rate of government bonds in the respective countries in which the subsidiaries run their businesses. Where a five-year interest rate can not be identified, an average of a three-year interest rate and an eight-year interest rate is applied. This applies to the Baltic States. The risk-free interest rate for testing of impairment in 2008 is 3.6 per cent for Denmark, 4.2 per cent for Sweden and 6.4 per cent for the Baltic States. In addition, a risk premium of 5.5 percentage points in Denmark and Sweden and 6 percentage points in the Baltic is added. The risk premium is increased by a half percentage point compared to the testing of impairment performed in 2007, and is explained by the financial turbulence in the last half year of 2008.

Sensitivity analysis for key assumptions

Excess values related to acquisitions of the individual subsidiaries are based on different key assumptions. If these assumptions develop materially different from predicted in the models for testing of impairment, this might lead to a need for recognition of impairment losses. The models used are particularly sensitive to deviation from expected growth in the underlying companies, and to a certain degree a material change of foreign currency. This is especially applicable for Fair Forsikring and Gjensidige Sverige. See table.

SENSITIVITY TABLE	Discount rate increases by 1 %	Foreign currency reduces by 10 %	Both circumst. applies at the same time
Fair Forsikring			
Private	No need for impairment losses	No need for impairment losses	No need for impairment losses
Municipality	No need for impairment losses	No need for impairment losses	Possible impairment loss of appr. 9 %
Gjensidige Baltic	No need for impairment losses	No need for impairment losses	No need for impairment losses
Gjensidige Sweden	Possible impairment loss of appr. 2 %	No need for impairment losses	Possible impairment loss of appr. ca 2 %

SENSITIVITY TABLE	Growth reduc. by 2 % comp. to expec., next 3 years	CR increases 2 % next 3 years	Both circumst. applies at the same time
Fair Forsikring			
Private	No need for impairment losses	No need for impairment losses	No need for impairment losses
Municipality	No need for impairment losses	No need for impairment losses	No need for impairment losses
Gjensidige Baltic	No need for impairment losses	No need for impairment losses	No need for impairment losses
Gjensidige Sweden	No need for impairment losses	No need for impairment losses	No need for impairment losses

NOTE 6 – INVESTMENTS IN ASSOCIATES

NOK million	2008	2007
As at 1 January	186.6	151.1
Reclassification of assets available for sale	2,566.8	
Sale of company	(214.2)	
Share of profit / (loss) from associates	188.2	39.6
Of this impairment losses on subordinated loans	24.0	
Other equity movements	(88.4)	(4.1)
As at 31 December	**2,662.9**	**186.6**

THE GROUP'S INVESTMENTS ARE AS FOLLOWS			For the whole company				Carrying amount		Listed
	Registered office	Ownership interest	Assets	Liabilities	Revenues	Profit / (loss)	2008	2007	value 2008
Associates owned by Gjensidige Forsikring BA									
Storebrand ASA	Oslo	24.3 %	372,636.4	356,478.3	11,331.7	182.6	2,660.6		1,833.4
Bilskadeinstituttet AS	Oslo	29.5 %	5.3	0.5	1.6	0.1	1.4	1.3	I/A
Forsikring og Finans AS	Sandnes	34.0 %	0.3			0.0	0.1	0.1	I/A
Forsikringskontoret Johansen og Torkelsen AS	Sandnes	34.0 %	0.5				0.2	0.2	I/A
Fossmark Assuranse AS	Stavanger	34.0 %	0.2				0.1	0.1	I/A
Vervet AS (incl. subordinated loan)	Tromsø	25.0 %	104.0	97.0	0.7	(28.5)	0.3	28.3	I/A
Total owned by Gjensidige Forsikring BA			**372,746.8**	**356,575.8**	**11,334.0**	**154.2**	**2,662.6**	**30.0**	
Associates owned by subsidiaries									
Botrygt Prinsegården AS	Fetsund	50 %	0.9	0.4			0.2	0.3	
Lindorff AB (sold in 2008)	Oslo					34.0		180.2	
Total owned by subsidiaries			**0.9**	**0.4**		**34.0**	**0.2**	**180.5**	
Total owned by the Group			**372,747.7**	**356,576.2**	**11,334.0**	**188.2**	**2,662.9**	**210.6**	
Of this subordinated loan Vervet								(24.0)	
Total investments in associates in the Group							**2,662.9**	**186.6**	

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

NOK million	Owner-occupied property	Plant and equipm. [1]	Total
Cost			
As at 1 January 2007	1,138.4	741.4	1,879.8
Acquisitions through business combinations	89.4	34.1	123.5
Addition	50.7	163.3	214.1
Disposal	(12.2)	(24.7)	(37.0)
Foreign currency difference	(1.2)	(0.5)	(1.7)
As at 31 December 2007	**1,265.0**	**913.7**	**2,178.7**
Uncompleted projects	0.3	70.1	70.4
As at 31 December 2007, including uncompleted projects	**1,265.3**	**983.8**	**2,249.1**
Depreciation and impairment losses			
As at 1 January 2007	(207.5)	(510.8)	(718.3)
Depreciation for the year	(44.3)	(117.2)	(161.5)
Disposal	4.0	12.7	16.6
Foreign currency difference		(1.5)	(1.5)
As at 31 December 2007	**(247.8)**	**(616.9)**	**(864.7)**
Carrying amount			
As at 1 January 2007	930.9	252.1[2]	1,183.0
As at 31 December 2007	**1,017.5**	**366.9**	**1,384.3**
Cost			
As at 1 January 2008	1,265.0	913.7	2,178.7
Reclassifications		(31.7)	(31.7)
Transferred to investment property	(88.6)		(88.6)
Acquisitions through business combinations	2.5	13.5	16.0
Addition	30.2	200.2	230.4
Disposal	(849.3)	(438.3)	(1,287.6)
Foreign currency difference	25.3	10.1	35.3
As at 31 December 2008	**385.1**	**667.6**	**1,052.8**
Uncompleted projects		66.4	66.4
As at 31 December 2008, including uncompleted projects	**385.1**	**734.0**	**1,119.2**
Depreciation and impairment losses			
As at 1 January 2008	(247.8)	(616.9)	(864.7)
Reclassifications		9.8	9.8
Transferred to investment property	22.4		22.4
Depreciation for the year	(15.7)	(100.3)	(116.0)
Disposal	187.0	304.0	490.9
Foreign currency difference	(0.2)	(5.7)	(6.0)
As at 31 December 2008	**(54.4)**	**(409.3)**	**(463.7)**
Carrying amount			
As at 1 January 2008	1,017.5	366.9	1,384.3
As at 31 December 2008	**330.7**	**324.7**	**655.4**

1 Plant and equipment consist mainly of machinery, vehicles, fixtures and furniture.
2 Includes uncompleted projects of NOK 21.5 million.

Each component of property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land is not depreciated. Estimated useful life for the period and comparable periods is between ten and 50 years for property, with technical installations having the highest depreciation rate, and between three and ten years for plant and equipment.

There are no restrictions on property, plant and equipment. Property, plant and equipment are not pledged as security for liabilities.

The market value of owner-occupied property exceeds the carrying amount as shown below. For plant and equipment there is no material difference between the carrying amount and the market value. Some equipment, such as furniture, is fully depreciated but still in use.

NOK million	2008	2007
Market value of owner-occupied property	369.3	1,737.5
Carrying amount of owner-occupied property	330.7	1,017.5
Surplus	**38.6**	**720.0**

NOTE 8 – INVESTMENT PROPERTIES

NOK million	2008	2007
Income statement		
Rental income from investment properties	381.7	363.0
Other income from investment properties	2.1	1.9
Direct costs from investment properties generating rental income during the period	(84.5)	(73.4)
Total	**299.3**	**291.5**
Change in fair value	(719.8)	369.4
Total income from investment properties	**(420.6)**	**660.8**
Balance sheet		
As at 1 January	6,041.7	7,157.9
Acquired through business combinations	356.8	
Addition, subsequent costs and capital improvements	114.7	82.0
Disposal	(244.8)	(1,567.5)
Change in fair value	(719.8)	369.4
Transfer to / (from) owner-occupied property	70.3	
As at 31 December	**5,618.9**	**6,041.7**

The Gjensidige Insurance Group uses fair value for their investment properties. Investment properties consist of commercial properties that are rented to tenants outside the Group, and that are aquired in accordance with the company's capital management strategy. Properties used by the Group's own business are classified as owner-occupied property (note 7). In properties that are both rented to tenants outside the Group and that are used by the Group's own business, the parts held for rent that can be sectioned are classified as investment property

The investment properties are mainly located in Oslo and the surrounding area, and Stavanger, Bergen and Trondheim. In 2007 and 2008 Gjensidige did not own any investment properties outside Norway. The average rental period is 4.8 years, and the portfolio of investment properties includes offices, shopping centres and education buildings. In 2007 all investment properties were valued by external advisors. In 2008 the Group's own valuation model has been used both in the quarterly statements and at year end. In addition, two independent external advisors were brought in to value selected parts of the portfolio at year end, thus ensuring that more than 90 per cent of the carrying amounts has been benchmarked against one or two externally assessed values.

The Group's valuation model values each property separately. The most important inputs are yield, market rent, contractual rent, potentially vacant premises and the properties' long-term normalised operating costs. Yield is determined based on a normal required rate of return adjusted for the location of the property, type, technical standard and the contracts. The normal required rate of return is determined from the required rate of return that can be derived from transactions in the market, and expectations of interest level and risk adjustment. The market rent is determined from existing contracts on the propery and comparable properties, observations from contractual negotiations, requests for offers and information from realtors on recently signed contracts on comparable properties.

Based on market rent, contractual rent, potentially vacant premises and the long-term normalised operating costs, an annual net rent is calculated and discounted by the required rate of return in order to determine the fair value of the property. In addition corrections are made when the need for upgrades is considerable or there are planned reconstructions or rehabilitations.

For 2008 the following parameters have been used in the valuation of investment property, which yield the following average value per square meter

NOK	Yield	Average market rent	Average contractual rent	Average value per sqm
Office and education	6.83 %	1,434.0	1,313.0	18,156.0
Shopping center	6.38 %	1,260.0	1,123.0	17,384.0
Combined portfolio	6.73 %	1,392.0	1,267.0	18,067.0

The adoption of the above parameters implies a significant level of judgement. Emphasis is put on this judgement being consistent with that observed in the market and that the judgement is applied consistently from period to period. The table below shows how the sensitivity of the yield and the market rent affects the value of the portfolio, as it stands at 31 December 2008:

NOK million	Market rent reduced by 10 %	Market rent as at 31.12.2008	Market rent increased by 10 %
Yield increases by 0,25%	5,229.0	5,634.0	6,038.0
Yield 6,69 %	5,422.0	5,848.0	6,274.0
Yield decreases by 0,25 %	5,630.0	6,079.0	6,528.0

There are no restrictions with regard to the sale of the investment properties or how income and cash flows generated by the investment properties can be used. There are no contractual obligations to buy, build or develop investment properties , except for an obligation to invest NOK 76.0 million in a housing development. The liability matures in the period 2009 to 2013 dependent on the progress of the project.

The Group has no investment properties for leasing or classified as available for sale.

There are no loans with collateral in investment properties in 2007 or 2008.

NOTE 9 – FINANCIAL ASSETS

NOK million	2008	2007
Financial derivatives (Note 10)	289.8	279.1
Financial assets at fair value through profit or loss, initial recognition	23,547.9	23,361.8
Financial assets held to maturity	13,683.7	8,885.6
Loans and receivables (Note 11)	7,170.2	3,850.0
Financial assets available for sale		2,765.9
Total financial assets	**44,691.5**	**39,142.4**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equity securities		
- Listed	2,334.2	4,925.3
- Unlisted	2,424.2	2,180.8
Total equity securities	**4,758.4**	**7,106.1**
Debt securities		
- Listed	17,029.2	10,136.2
- Unlisted	1,760.3	6,119.5
Total debt securities	**18,789.5**	**16,255.7**
Total financial assets at fair value through profit or loss	**23,547.9**	**23,361.8**
FINANCIAL ASSETS HELD TO MATURITY		
Debt securities - fixed interest rate		
- Listed	10,514.6	7,062.7
- Unlisted	3,169.0	1,661.0
Total debt securities - fixed interest rate	**13,683.7**	**8,723.7**
Provision for impairment		
- Listed		144.0
- Unlisted		17.9
Total provision for impairment		**161.9**
Total financial assets held to maturity	**13,683.7**	**8,885.6**
FINANCIAL ASSETS AVAILABLE FOR SALE		
- Listed		2,765.9
Total equity securities		**2,765.9**
Total financial assets available for sale		**2,765.9**

NOK million	Held to maturity	Available for sale	At fair value through profit or loss	Total
As at 1 January 2007	7,537.4	2,434.1	20,701.6	30,673.1
Foreign currency differences on monetary assets			(38.7)	(38.7)
Addition	2,784.3	1,123.1	5,858.6	9,766.0
Disposal (sale and redemption)	(1,352.1)	(455.1)	(2,412.8)	(4,220.0)
Fair value net gain (excluding net realised gain)			158.5	158.5
Impairment				
- Debt securities - listed	(56.8)		(72.7)	(129.5)
- Debt securities - unlisted	(27.2)		(1.7)	(28.9)
- Equity securities - listed		(336.2)	(831.2)	(1,167.3)
As at 31 december 2007	**8,885.6**	**2,765.9**	**23,361.8**	**35,013.3**
As at 1 January 2008	8,885.6	2,765.9	23,361.8	35,013.3
Foreign currency differences on monetary assets	124.5		2,186.0	2,310.5
Addition	6,845.2	1,546.8	44,310.5	52,702.6
Disposal (sale and redemption)	(2,178.1)		(44,784.9)	(46,963.0)
Transferred to associates		(2,701.9)		(2,701.9)
Fair value net gain (excluding net realised gain)			(1,358.1)	(1,358.1)
Designated at fair value through profit or loss upon initial recognition			11.8	11.8
Impairment				
- Debt securities - listed	3.1		(9.1)	(6.1)
- Debt securities - unlisted	3.3		(17.6)	(14.3)
- Equity securities - listed		(1,610.9)	(2.7)	(1,613.6)
- Equity securities - unlisted			(149.8)	(149.8)
As at 31 december 2008	**13,683.7**		**23,547.9**	**37,231.5**

NOTE 9 – FINANCIAL ASSETS (CONT.)

All financial assets measured at fair value through profit or loss have been included in this category upon initial recognition.

Gain or loss on financial assets held to maturity is recognised in profit and loss through the amortisation process, when the financial asset is derecognised, or if it is impaired.

Financial assets held to maturity are not presented on the balance sheet at fair value. Fair value of assets held to maturity is NOK 13,988.3 million in 2008 and NOK 8,905.9 in 2007. The fair value of these investments are based on quoted prices.

FAIR VALUE

Fair value is the amount an asset can be sold at or a liability can be settled to in a transaction carried out at arm's length distance between well-informed, willing parties. All financial instruments are recognised initially at fair value. In the normal course of business, fair value of a financial instrument on initial recognition is the transaction price. The best estimate of fair value is quoted prices in an actively traded market. Subsequent to initial recognition, the fair value of financial instruments will be measured at fair value based on quoted prices in active markets, which are based on bid prices for assets held and offer prices for liabilities issued.

When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where observable market prices exist, market transactions recently carried out at arm's length distance between well-informed and willing parties, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair value can also be determined by using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. For financial instruments where this is relevant, fair value derived is more judgemental. Non-observable market data in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would likely occur, and that the value therefore must be determine based on other information available.

For unlisted debt instruments, valuations are based on contractual cash flows, observable yield curves and estimated credit spreads for the relevant issues. For private equity investments, the valuations are carried out by the managers, according to Equity Venture Capital Association (EVCA) principles, implying that actual earnings and book equity figures are applied to observable pricing multiples with a discount. Due to late reporting, the values are being set based on last quarters valuations. The values are therefore adjusted with objective events in the individually funds since the last reporting date. In case of significant market changes, one-time effects are considered made, on basis of market analyses. The major decline in market values following the financial crisis has caused Gjensidige to make an impairment loss of the private equity portfolio of NOK 143.8 million in the fourth quarter, corresponding to 16.8 per cent. This decision involves a high degree of judgement. For hedgefunds, the net asset value for each fund is provided by independent administrators.

VALUATION HIERARCHY

The valuation of financial instruments is preferentially carried out in accordance with quoted prices in active markets. A financial instrument is considered quoted in an active market if quoted prices are easily and regularly available from an exchange, a dealer, a broker, an industry group, a pricing service or a regulatory authority, and these prices represent actual and regularly occuring transactions at arm's length distance. Such pricing is categorised as level 1 in the valuation hierarchy.

Quoted prices in an active market are not always available for all financial instruments. In cases where there are no available market prices in active markets, the valuation of instruments is primarily attempted through valuation techniques based on observable input and / or approximately similar financial instruments / «products». Such pricing is categorised as level 2 in the valuation hierarchy.

If pricing in accordance with level 1 and 2 is not possible, valuation techniques based on non-observable information are applied. This is classified as level 3 in the valuation hierarchy. Compared to 2007, the uncertainty associated with valuation is greater for assets valuated based on non-observable assumptions. These securities are discussed in detail below, with reference to class of security and valuation method.

BONDS HELD TO MATURITY

Bonds held to maturity were traded in active markets at the time of acquisition. The Norwegian bonds are successively rarely traded in the second-hand market, and quotes are thus not available in active markets. Bonds held to maturity are measured at amortised cost using the effective interest method in the financial statements. The market value of bonds held to maturity is subject to fluctuations, but when coupon and face value are paid according to contract, the default risk of the counterparty is considered to be immaterial / non-existing.

Bonds held to maturity are valued at fair value in the valuation hierarchy, and thus not reconcilable with carrying amount at the reporting date.

VALUATION METHODS

Certificates and bonds

The main part of the Norwegian interest securities are issued by the Norwegian government or by Norwegian financial institutions. Norwegian government bonds are priced according to quoted prices in active markets, and thus classified as level 1. Securities issued by Norwegian financial institutions are priced through one of two valuation methods; «discounted margin» and «theoretical price». Both methods are valuation techniques based on observable information, and are classified as level 2. Securities with floating interest rate issued by Norwegian financial institutions are priced using «discounted margin» while Norwegian fixed-interest securities are priced using «theoretical price».

All listed foreign bonds are priced using quotes from Bloomberg. Unlisted foreign bonds are externally valuated on request. Foreign bonds are primarily categorised as level 2.

Private equity

Private equity funds are classified as level 3 in the valuation hierarchy.

NOTE 9 – FINANCIAL ASSETS (CONT.)

DEVELOPMENT FROM 2007 TO 2008

Level 1

The interest share in Storebrand is reclassified from available for sale to associates, and is not included in the 2008 table.

Level 2

The holdings of bonds held to maturity has increased, mainly by Norwegian bonds which are theoretically priced through yield curves and credit spreads.

Level 3

The change in level 3 is due to increased investments in private equity and real estate funds.

VALUATION HIERARCHY NOK million	LEVEL 1 Quoted prices in active markets	LEVEL 2 Valuation technique based on observable market data	LEVEL 3 Valuation technique based on non-observable market data	Total
2008				
Financial derivatives	37.8	(611.0)		(573.2)
Financial assets at fair value through profit and loss	10,303.7	11,572.9	1,257.0	23,133.6
Financial assets held to maturity	1,543.1	12,445.2		13,988.3
Loans and receivables	284.8		471.3	756.1
Total	**12,169.4**	**23,407.1**	**1,728.3**	**37,304.8**
2007				
Financial derivatives		316.4		316.4
Financial assets at fair value through profit and loss	8,964.7	13,188.7	1,130.0	23,283.9
Financial assets held to maturity	1,300.1	7,605.9		8,905.9
Loans and receivables			475.0	475.3
Financial assets available for sale	2,765.9			2,765.9
Total	**13,030.8**	**21,111.0**	**1,606.0**	**35,747.5**

The tables include earned, not received interest on the respective instruments.

NOK million		Sensitivity of level 3 investments 2008
Private equity	Decrease in value 20 %	(134.0)
Real estate funds	Decrease in value 12 % including gearing	(55.3)
Loans and receivables	Amortised cost	N/A
Total		**(189.4)**

NOTE 10 – FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

NOK million	Principal 31.12.08	Principal average 2008	Market value as at 1.12.08 Asset	Market value as at 1.12.08 Liability	Of this market value hedge as at 31.12.08 Asset	Of this market value hedge as at 31.12.08 Liability	Principal 31.12.07	Principal average 2007	Market value as at 31.12.07 Assets	Market value as at 31.12.07 Liability
Interest-related contracts										
Forward contracts	17,667.2	47,254.3	43.4	(138.7)			47,142.8	45,899.9	13.8	(13.6)
Interest rate futures	1,585.4	1,194.5								
Interest rate options										
Interest rate swaps	4,797.2	6,412.1	51.7	(116.8)			4,750.0	5,741.7	(8.1)	(1.0)
Currency-related contracts										
Forward contracts	9,997.3	14,760.1	131.0	(603.1)		(151.4)	18,348.1	14,077.3	272.6	(25.1)
Currency options	25.0	66.3	3.3	(5.1)			156.2	92.1	0.9	
Equity-related contracts										
Equity options	285.1	793.4	60.4				1,030.6	2,079.9		
Equity contracts		36.2								
Equity futures		308.0					399.6	671.0		
Total derivatives	**34,357.2**	**70,825.0**	**289.8**	**(863.7)**		**(151.4)**	**71,827.4**	**68,561.9**	**279.1**	**(39.6)**

NOTE 10 – FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING (CONT.)

Derivatives are used in accordance with «Regulations on General Insurance Companies' Asset Management» in order to improve the efficiency of capital management and risk management.

The principal volume of derivatives is a gross quantity, and is a measure of the extent of derivatives within the different categories of contracts. The principal average is the average gross principal volume throughout the year. The market value of assets and liabilities state the carrying amount of derivatives as at 31 December 2008.

In each asset class the individual asset managers use appropriate derivatives, and most of the financial derivatives mentioned below are used regularly. The use of derivatives is restricted by the agreement with the individual manager, and requirements are made for approved product lists and sufficient expertise and systems on the part of the manager. Short positions (undertakings to sell securities that the company does not already own, or to purchase securities without having sufficient liquid funds to complete the transaction) are normally not permitted. The manager in each asset class may never expose the company to a greater amount than specified in the management mandate.

The Group's overall foreign exchange risk is hedged almost entirely using currency futures. The overall level of risk in the equity portfolio was reduced during the year by buying options on broad indices rather than buying shares. Financial derivates that constitute a part of hedge funds are not included in the note.

Interest-related contracts consist mainly of

- Interest rate swaps, which are agreements to exchange interest terms on nominal amounts with customers or banks.
- Forward rate agreements, which are agreements that set an interest rate on a nominal amount for a future period.
- Interest rate futures (IRF), which are agreements that secure the buyer a particular interest rate on an amount for a future period.
- Bond options, which are agreements giving the right / obligation to purchase or sell bonds at a particular price at or before a future date.
- Bond futures, which are agreements to purchase or sell bonds at a particular price at a future date.

Currency-related contracts consist mainly of

- Currency futures, which are agreements to purchase or sell a particular amount of currency at a specified exchange rate at a future date.
- Currency swaps, which are agreements with banks to swap certain amounts of different currencies at a specified exchange rate and to pay interest on these amounts for an agreed period.
- Currency options, which are agreements giving the right / obligation to purchase or sell currency at a specified exchange rate at a future date.

Equity-related contracts consist mainly of

- Equity options, which are agreements giving the right / obligation to buy or sell equities at a certain price at or before a future date.
- Equity swaps, which are agreements to swap equities at a certain price at a future date.
- Equity futures, which are agreements to buy or sell equities at a certain price at a future date.

Commodity-related contracts consist mainly of

- Commodity options, which are agreements giving the right / obligation to buy or sell commodity futures at a certain price at or before a future date.

These transactions are carried out mainly with banks as counterparties. The credit risk from these activities is considered to be marginal. Both interest-related and currency-related transactions are conducted within established position limits.

Hedge accounting

Gjensidige Forsikring BA utilizes fair value hedging of the net exposure to foreign currency. The hedging efficiency is measured per hedging object. The hedging derivatives are rolled over continously so that the principal value is approximately similar to that of the hedged object.

		Market value as at 31.12.08		
NOK million	Principal	Assets	Liability	Inefficiency recognised in profit or loss
Forward contracts	3,180.9		(151.4)	(1.3)
Hedged object	3,202.0	3,202.0		
	2nd q.	3rd q.	4th q.	
Hedging efficiency - prospective	99.0 % - 101.0 %	99.0 % - 101.0 %	94.9 %	
Hedging efficiency - retrospective	94.9 %	100.8 %	100.1 %	

Gjensidige Forsikring BA initiated hedge accounting of the currency exposure of the investment in the fully owned subsidiary Fair Forsikring A/S on 10 April 2008. The net investment is hedged through swap contracts that are renewed every quarter with an amount equivalent to the value of the investment in Fair Forsikring in Gjensidige's consolidated financial statements. The credit risk associated with the hedging derivatives is within the limits of Gjensidige's credit policy.

The effect of the hedge accounting is a loss on the hedging derivatives of NOK 590.2 million, which is recognised in translation difference on the net investment.

NOTE 11 – LOANS AND RECEIVABLES

NOK million	2008	2007
Mortgage loans	6,716.3	3,387.0
Other loans	471.4	448.8
Provision for bad debts	(18.9)	(11.1)
Subordinated loans	1.3	25.3
Total loans and other receivables	**7,170.2**	**3,850.0**

Mortgage loans consist mainly of loans from Gjensidige Bank ASA, which started its operations in 2007. The bank targets the private segment through the internet. The majority of the lending customers are located in Eastern Norway.

Other loans are primarily interest-free loans to agricultural customers. The loans are in their entirety intended for installment of fire detection systems with these customers. There is no mortgage attached to the loans, and the terms varies from three years to over 20 years. Gjensidige Forsikring has not offered this type of loan to its customers in 2008. The default rate is 1.13 per cent at year end, compared to 0.88 per cent in 2007.

The discounted value of the fire detection loans is, as a result of the zero per cent interest rate, lower than nominal value. The discounted value is recognised through profit or loss over the maturity of the loans. The annual effective interest rate is 4.66 per cent on these loans.

As at 31 December 2008, the carrying amount of subordinated loans is in its entirety a loan to Four Seasons Venture III AS of NOK 1.3 million (NOK 1.4 million in 2007). The nominal value of the loan is NOK 2.8 million, unchanged from 2007. The loan is interest-free.

NOK million	2008	2007
Assets in life insurance with investment options	1,421.7	497,5
Total assets in life insurance with investment options	**1,421.7**	**497,5**

Assets in life insurance with investment options consist of equity funds, money market funds, bond funds, combination funds and cash. These assets belong to the customers and the customers bear all risk associated with the investments. A corresponding amount is thus carried as a liability under *Liabilities in life insurance with investment options*.

NOK million	2008	2007
Receivables from policy holders	3,060.9	2,974.7
Receivables from brokers	18.9	2.5
Receivables related to reinsurance	133.5	182.1
Total receivables related to direct operations and reinsurance	**3,213.3**	**3,159.3**

Gjensidige considers the credit- and liquidity risk associated with policy holders to be small, since the outstanding amount per policyholder is relatively small. Provisions for potentially irrecoverable amounts have been made.

Receivables related to reinsurance arise when Gjensidige issues claims towards reinsurers in accordance with reinsurance contracts. Provisions for potentially irrecoverable amounts have been made.

NOK million	2008	2007
Receivables in relation with property	118.6	70.0
Receivables in relation with asset management	79.1	37.5
Other receivables and assets	238.3	269.2
Total other receivables	**436.0**	**376.7**

An essential portion of receivables in relation with property as at 31 December 2008 is settlement from sale of a property where settlement was received in January 2009.

An essential portion of receivables in relation with asset management as at 31 December 2008 is short-term receivables arising from sale of securities.

NOK million	2008	2007
Earned, not received interest income	573.9	332.2
Other prepaid expenses and earned, not received income	83.8	196.4
Total prepaid expenses and earned, not received income	**657.7**	**528.7**

NOTE 12 – CASH AND CASH EQUIVALENTS

NOK million	2008	2007
Deposits with financial institutions	283.8	2,078.6
Cash balances	2,727.9	2,013.7
Total cash and cash equivalents	**3,011.6**	**4,092.3**

Cash balances consist of cash and bank deposits available for day to day business. Deposits with financial instistutions consist of short-term currency deposits and other short-term credit deposits.

Weighted average rate for interest earned on cash, bank deposits and other short term assets is approximately 5.2 per cent (2007: appr 4.4 per cent).

NOTE 13 – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY NOK million	Foreign currency differences	Available for sale	Actuarial gains and losses on pension	Other retained earnings	Total equity
As at 1 January 2007	(28.3)	324.8	(227.2)	18,948.1	19,017.4
Profit for the year				2,479.0	2,479.0
Foreign currency differences	(137.1)				(137.1)
Change in assets available for sale		(430.7)			(430.7)
Tax on equity items				105.4	105.4
Actuarial gains and losses on pension			(431.5)		(431.5)
Other adjustments					
Total recognised income and expense	**(137.1)**	**(430.7)**	**(431.5)**	**2,584.4**	**1,585.1**
Donation to the Gjensidige Foundation				(300.0)	(300.0)
As at 31 December 2007	**(165.4)**	**(105.9)**	**(658.7)**	**21,232.5**	**20,302.5**
Profit for the year				486.3	486.3
Foreign currency differences	152.6				152.6
Change in assets available for sale		105.9			105.9
Tax on equity items				291.4	291.4
Actuarial gains and losses on pension			(407.9)		(407.9)
Other adjustments				(89.4)	(89.4)
Total recognised income and expense	**152.6**	**105.9**	**(407.9)**	**688.4**	**538.9**
Dividend paid				(1,021.4)	(1,021.4)
As at 31 December 2008	**(12.9)**		**(1,066.6)**	**20,899.4**	**19,820.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY PER CLASS CAPITAL	Class I capital					Class II capital				
NOK million	Equity certificate capital	Premium reserve	Equali-sation fund	Other equity	Total class I capital	Retained earnings	Compen-sation fund	Other equity	Total class II capital	Total equity
Equity as at 1 January 2007	3,860.0			894.3	4,754.3	14,263.0			14,263.0	19,017.4
Ownership fraction					25 %				75 %	
Foreign currency differences				(34.3)	(34.3)			(102.8)	(102.8)	(137.1)
Assets available for sale				(107.6)	(107.6)			(323.0)	(323.0)	(430.6)
Dividend paid				(75.0)	(75.0)			(225.0)	(225.0)	(300.0)
Actuarial gains and losses on pension				(107.9)	(107.9)			(323.7)	(323.7)	(431.5)
Tax on equity items				26.4	26.4			79.1	79.1	105.5
Profit for the year			619.7		619.7	963.9		895.3	1,859.2	2,479.0
Equity as at 31 December 2007	**3,860.0**		**619.7**	**595.9**	**5,075.6**	**15,226.9**			**15,226.9**	**20,302.5**
Foreign currency differences				38.1	38.1			114.4	114.4	152.6
Assets available for sale				26.5	26.5			79.4	79.4	105.9
Tax on equity items				72.9	72.9			218.6	218.6	291.4
Dividend paid			(255.4)		(255.4)	(766.1)			(766.1)	(1,021.4)
Actuarial gains and losses on pension				(102.0)	(102.0)			(305.9)	(305.9)	(407.9)
Other adjustments				(22.3)	(22.3)			(67.0)	(67.0)	(89.4)
Profit for the year			121.6		121.6	364.8			364.8	486.3
Equity as at 31 December 2008	**3,860.0**		**486.0**	**609.0**	**4,955.0**	**14,825.6**		**39.4**	**14,865.0**	**19,820.0**
Ownership fraction					25 %				75 %	
Total number of equity certificates					77,200,000					
Profit per equity certificate (profit for the year / number of equity certificates)					NOK 1.57					

A total of 77,200,000 equity certificates have been issued, and this gives a dividend of NOK 3,31 per equity certificate for the year 2007. There is not proposed any dividend for the year 2008.

NOTE 13 – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

EQUITY

The total of class I-capital (owned by the equity certificate capital holders) and class II-capital (owned by the customers) constitute the company's equity. The ratio between the classes determines the allocation of the company's valuables and value added between the classes (ownership fraction). To ensure correct allocation of valuables (which is equal and independent of the risk allocation) and risk allocation (which is non-equal) the classes are split in corresponding funds.

Class I (equity certificate holders' capital)

Equity certificate capital

Equity certificate capital is nominal value primary capital certificate. The capital is undistributable equity, and is the least vulnerable for losses (lowest risk). As at 31 December 2008 the equity certificate capital constitute NOK 3,860,000,000, split between 77,200,000 equity certificates (primary capital certificates) at NOK 50. The allocation between the owners of the equity certificate capital is determined through number of certificates held.

Premium reserve

Premium reserve is undistributable equity that either increases as a result of transfer from equity certificate capital or by payment related to new issues. The purpose of this reserve is the same as for limited companies to ensure a correct allocation of valuables between new and old equity certificate capital, and is functioning in the same manner as premium reserve in limited companies, however in such a way that a part of the paid in premium reserve shall be allocated to compensation fund (class II's corresponding fund) to counteract undesirable change of ownership fraction in disfavour of the capital owned by the customers. The fund's priority is equal to the compensation fund and higher priority than all other funds except for the equity certificate capital.

Equalisation fund

The equalisation fund is distributable equity, and comprises the equity certificate capital owners' part of profit for the year that is not paid out as dividend. Transfers from fund for unrealised gains can also be allocated to the equalisation fund. The equalisation fund can be used to maintain dividend to the equity certificate capital owners. The fund has the last priority, is ranked equal to the class II fund «retained earnings» and is charged proportionally.

Other equity

Other equity comprises all other equity items and is distributed proportionally according to the ownership fraction between the class I and class II capital. Changes in these funds will be relevant in relation to recognition of equity items following changes of accounting principles, correction of earlier years' financial statements and other similar recognitions not following the principle of congruity. Class I and class II are equally treated (in relation to ownership fraction) and hence a ranging of these funds in form of risk / priority is without significance.

Class II-capital

Retained earnings

Retained earnings are the customers recognised equity capital. The capital is earned and hence distributable equity. The customers' ownership to the capital is limited to corresponding dividend to the owners of the equity certificate capital split between the customers based on rules applied by the General Meeting. The part of profit for the year not paid as dividend is transferred to the retained earnings.

Compensation fund

Compensation fund is undistributable equity and increases as a result of new issues of equity certificates where premium reserve is paid. The General Meeting that decies a possible issue, is also deciding the part of premium reserve that shall be allocated to the compensation fund. The fund's priority is equal to the premium reserve and higher than all other funds except for the equity certificate capital.

Other equity

Other equity comprises all other equity items and is distributed proportionally according to the ownership fraction between the class I and class II capital. Changes in these funds will be relevant related to equity items followed by changes of accounting principles, corrections of prior years' financial statements and other similar recognitions not following the principle of congruity. Class I and class II is equally treated (in relation to ownership fraction) and hence a ranging of these funds in form of risk / priority is without significance.

Other equity for class I and II comprises the following undistributable funds

Natural perils fund

Natural perils fund is a fund for coverage of claims related to future natural perils. The fund was reclassified from liability to equity in relation to changed Norwegian Financial Reporting Regulations for Insurance Companies as of 4 April 2008. The fund is undistributable equity.

Administration provision

Administration provision is a provision for payment of those adminstration expenses accruing related to claims settlements in relation to a possible liquidation of the company. The fund was reclassified from liability to equity in relation to the changed Norwegian Financial Reporting Regulations for Insurance Companies as of 4 April 2008. The fund is undistributable equity.

Guarantee scheme

Guarantee scheme is a provision to secure that the policy holders after direct claims agreements terminated in Norway is receiving correct settlement of claims following the agreement. The fund was reclassified from liability to equity in relation to the changed Norwegian Financial Reporting Regulations for Insurance Companies as of 4 April 2008. The fund is undistributable equity.

Funds related to valuation differences

Funds related to valuation differences comprise positive differences between carrying amount and cost of the company's investments in subsidiaries and associates recognised according to the equity method. The fund is reducing the dividend base of Gjensidige Forsikring BA.

Fund related to unrealised gains

Fund related to unrealised gains comprise the difference between fair value and cost of assets at fair value through profit or loss, according to NRS (V) Fund for unrealised gains. In Gjensidige Forsikring BA the fund comprises unrealised increases in fair value of investment properties. The fund is reducing the dividend base of the company.

NOTE 14 – INSURANCE-RELATED LIABILITIES AND REINSURERS' SHARE

NOK million	2008	2007
Short-term insurance contracts, gross		
Provision for unearned premiums	6,760.9	6,060.2
Claims reported and claims handling costs	13,246.0	11,915.5
Claims incurred, but not reported	12,315.5	11,231.6
Total claims provision, gross	**25,561.5**	**23,147.1**
Total insurance-related liabilities, gross	**32,322.4**	**29,207.3**
Short-term insurance contracts, reinsurers' share		
Reinsurers' share of other provisions	12.5	
Reinsurers' share of unearned premiums	15.6	4.7
Claims reported and claims handling costs	306.3	186.7
Claims incurred, but not reported	56.5	111.2
Total reinsurers' share of claims provision, gross	**362.7**	**297.9**
Total reinsurers' share of insurance-related liabilities	**390.8**	**302.6**
Short-term insurance contracts, net of reinsurance		
Other provisions	(12.5)	
Provision for unearned premiums	6,745.3	6,055.5
Claims reported and claims handling costs	12,939.7	11,728.8
Claims incurred, but not reported	12,259.0	11,120.4
Total claims provision, net of reinsurance	**25,198.8**	**22,849.2**
Total insurance-related liabilities, net of reinsurance	**31,931.6**	**28,904.7**

Movements in insurance-related liabilities and reinsurers' share	Gross	2008 Reinsurers' share	Net of re-insurance	Gross	2007 Net of re-insurance	Reinsurers' share
(a) Claims and claims handling costs						
Claims reported and claims handling costs	11,915.5	(186.7)	11,728.8	9,756.9	(404.8)	9,352.1
Claims incurred, but not reported	11,231.6	(111.2)	11,120.4	7,799.7	(18.2)	7,781.5
Total as at 1 January	**23,147.1**	**(297.9)**	**22,849.2**	**17,556.7**	**(423.0)**	**17,133.6**
Acquisitions through business combinations	47.2	(5.1)	42.1	4,157.2	(86.9)	4,070.3
Claims paid, prior year claims	(5,237.8)	287.6	(4,950.2)	(4,809.7)	95.7	(4,714.0)
Increase in liabilities						
Arising from current year claims	12,331.2	(36.5)	12,294.7	11,919.4	(96.2)	11,823.2
- of this paid	(5,848.1)	3.1	(5,845.0)	(5,346.6)	110.7	(5,235.9)
Arising from prior year claims (run-off)	(408.9)	(8.4)	(417.3)	(144.2)	92.5	(51.8)
Other changes, including effects from discounting	266.5	(292.4)	(25.9)	7.7		7.7
Foreign currency differences	1,264.3	(13.2)	1,251.1	(193.3)	9.3	(184.0)
Total as at 31 December	**25,561.5**	**(362.7)**	**25,198.8**	**23,147.1**	**(297.9)**	**22,849.1**
Claims reported and claims handling costs	13,246.0	(306.3)	12,939.7	11,915.5	(186.7)	11,728.8
Claims incurred, but not reported	12,315.5	(56.5)	12,259.0	11,231.6	(111.2)	11,120.4
Total as at 31 December	**25,561.5**	**(362.7)**	**25,198.8**	**23,147.1**	**(297.9)**	**22,849.2**
(b) Provisions for unearned premiums, gross, short-term insurances						
As at 1 January	6,060.2	(4.7)	6,055.5	5,737.9	(23.7)	5,714.2
Increase in the period	6,098.0	(80.0)	6,018.1	6,060.2	(4.7)	6,055.5
Release in the period	(5,411.4)	71.8	(5,339.6)	(5,722.3)	23.7	(5,698.6)
Foreign currency differences	14.0	(2.7)	11.3	(15.6)		(15.6)
Total as at 31 December	**6,760.9**	**(15.6)**	**6,745.3**	**6,060.2**	**(4.7)**	**6,055.5**

NOTE 15 – PENSION

DEFINED BENEFIT PLAN

Gjensidige Forsikring has an occupational pension insurance plan pursuant to the Tax Act (TPES) with a standard retirement age of 67. Gjensidige is also required to have an occupational pension plan pursuant to the Mandatory Occupational Pension Act. The company's plan meets the requirements of the Act. A retirement age of 65 apply to underwriters.

The retirement pension constitutes 70 per cent of the pension base, based on the number of years of service and final salary. The plan also includes pension for surviving spouses, children and disability pension subject to specific rules. In addition, Gjensidige Forsikring has pension liabilities for some employees with a lower retirement age, employees with salaries above 12 times the social security base amount, and supplementary pensions.

Employees are entitled to apply for a contractual pension (AFP) from the age of 62. AFP is classified as an unfunded plan.

Pension liabilities are measured at the present value of future pension benefits that for accounting purposes are considered as accrued at the reporting date. Future pension benefits are calculated on the basis of expected final salary. When measuring accrued pension liabilities, estimated values at the reporting date are used. Pension funds are measured at fair value. For the valuation of pension funds, estimated values at the reporting date are used. Actuarial gains and losses are recognised directly in equity.

Net pension liability is the difference between the present value of the pension liability and the fair value of the plan assets. In accordance with IAS 19, employers' national insurance contributions are taken into account in periods of underfunding. Net pension liabilities for funded and unfunded plans are presented in the balance sheet under the line *Pension liabilities*.

The defined benefit plan was closed to new employees in 2006 and the plan was transferred to the Gjensidige Pensjonskasse.

In 2007 the calculation was based on a new and revised mortality table. This resulted in a one-time effect in the form of actuarial gains and losses of about NOK 200 million recognised directly in equity. In the calculation for 2008 a combination of higher growth in salary and changes in actuarial assumptions - including a reduction in discounting rate - yielded a negative effect on equity of about NOK 400 million.

Gjensidige Forsikring's subsidiaries have different pension plans, both defined benefit plans and defined contribution plans. The extent of coverage and assumptions regarding the pension plans varies considerably.

NOK million	2008	2007
Present value of the defined benefit obligation		
As at 1 January	2,746.8	2,177.3
Adjustment of opening balance	(5.5)	
Current service cost	101.1	98.5
Interest cost	118.6	93.8
Actuarial gains and losses	261.4	499.2
Benefits paid	(133.1)	(121.2)
Foreign currency exchange rate changes	11.3	(0.8)
As at 31 December	**3,100.7**	**2,746.8**
Amount recognised in the balance sheet		
Present value of unfunded plans	597.0	528.4
Present value of funded plans	2,503.7	2,218.4
Present value of the defined benefit obligation	**3,100.7**	**2,746.8**
Fair value of plan assets	(1,858.1)	(1,660.5)
Net defined benefit obligation	**1,242.6**	**1,086.3**
Employers' national insurance contributions	183.6	147.0
Liability recognised in the balance sheet for defined benefit obligation	**1,426.3**	**1,233.3**
Fair value of plan assets		
As at 1 January	1,660.5	1,357.0
Adjustment of opening balance	(0.3)	
Expected return on plan assets	96.5	80.3
Actuarial gains and losses	(81.4)	58.7
Contributions by the employer	313.4	241.6
Benefits paid	(130.7)	(77.1)
As at 31 December	**1,858.1**	**1,660.5**
Expense recognised in profit or loss		
Current service cost	101.1	98.5
Interest cost	118.6	93.8
Expected return on plan assets	(96.5)	(80.3)
Actuarial gains and losses	(0.3)	(0.4)
Administration cost	0.6	0.6
One time effect		27.5
Employers' national insurance contributions	17.4	15.5
Total defined benefit pension cost	**140.9**	**155.2**

NOTE 15 – PENSION (CONT.)

NOK million	2008	2007
The expense is recognised in the following line items in the income statement		
Administrative expenses including sales expenses	140.9	155.2
Actuarial gains and losses recognised in statement of recognised income and expense		
Cumulative amount as at 1 January	(658.7)	(227.2)
Recognised during the period	(407.9)	(431.5)
Cumulative amount as at 31 December	**(1,066.6)**	**(658.7)**
Plan assets comprise		
Treasury bills	15.4 %	18.4 %
Equities	3.8 %	2.7 %
Corporate bonds	47.9 %	21.1 %
Money market funds	13.5 %	40.0 %
Properties	12.8 %	12.3 %
Other	6.6 %	5.5 %
Total plan assets	**100.0 %**	**100.0 %**
Expected rates of return on plan assets		
Treasury bills	4.3 %	5.3 %
Equities	8.0 %	9.0 %
Corporate bonds	7.0 %	6.0 %
Money market funds	4.3 %	5.0 %
Properties	5.6 %	8.0 %
Other	6.0 %	7.0 %

The overall rates of return are based on expected return within each asset category and on current asset allocations. The expected return is developed in conjunction with external advisers and take into accounts both current and future market expectations when these are available, and historical returns. The actual return on plan assets amounted to negative 2.84 per cent.

In calculating pension costs and net pension liabilities, the following assumptions have been made. The discount rate is based on ten years government bonds in Norway. Salary rates, pension adjustments, and change in hsocial security base amount are based on historical observations and expected future inflation of 2.5 per cent.

	2008	2007
Actuarial assumptions		
Discount rate	3.90 %	4.50 %
Expected return on plan assets	5.80 %	5.50 %
Future salary increases	3.80 %	4.30 %
Change in social security base amount	3.75 %	4.25 %
Future pension increases	2.00 %	2.00 %
Employers national insurance contributions	14.10 %	14.10 %
Staff turnover before / after 40 years	Ladder	Ladder
Probability of AFP early retirement	40.00 %	40.00 %

The discount rate is the assumption that has the largest impact on the value of the liability. Regarding sensitivity analysis see note 2.

NOK million	2008	2007	2006	2005	2004
Historical information					
Present value of the defined benefit obligation	3,100.7	2,746.8	2,177.3	2,386.9	2,073.7
The fair value of the plan assets	(1,858.1)	(1,660.5)	(1,357.0)	(1,873.7)	(1,632.2)
Deficit in the plan	**1,242.6**	**1,086.3**	**820.3**	**513.2**	**441.5**

The Group expects to contribute NOK 325.4 million to the defined benefit plan in 2009.

DEFINED CONTRIBUTION PLAN

The amount recognised as expense for the defined contribution plan is NOK 51.6 million.

Contributions to the defined contribution plan is recognised as an expense in the financial year in which the contribution is paid. In the parent company the employees are given contributions in accordance with the limits for tax-free contributions, at the time being five per cent of salary from 1 to 6 of the social security base amount and eight per cent from 6 to 12 of the social security base amount.

NOTE 16 – PROVISIONS AND OTHER LIABILITIES

NOK million	2008	2007
Restructuring costs [1]	8.0	120.4
Other provisions	86.8	128.3
Total other provisions for liabilities	**94.8**	**248.7**
Deposits from and liabilities to customers without maturity date	6,050.4	1,677.6
Deposits from and liabilities to customers with maturity date	80.9	23.5
Deposits from and liabilities to customers, bank	**6,131.4**	**1,701.1**
Deposits from financial institutions [2]	0.0	150.0
Intercompany Fire Mutuals	170.5	146.1
Certificates and other short-term securities, bank	549.9	1,350.0
Cash credit	54.1	0.0
Accounts payable	171.6	260.2
Liabilities in relation with properties	29.4	1.2
Liabilities in relation with asset management	0.0	23.8
Liabilities to public authorities	425.1	338.4
Taxes payable	479.3	59.8
Other liabilities	224.3	666.4
Total other liabilities	**2,104.2**	**2,996.0**
Liabilities related to direct insurance	283.9	235.1
Liabilities related to reinsurance	73.7	34.1
Total liabilities related to insurance	**357.6**	**269.2**
Liabilities in life insurance with investment options	1,421.7	497.5
Total liabilities in life insurance with investment options	**1,421.7**	**497.5**
Liabilities to public authorities	20.6	186.6
Other accrued expenses and deferred income	180.3	15.7
Total accrued expenses and deferred income	**200.9**	**202.3**
Restructuring costs [1]		
Provision as at 1 January	120.4	224.6
Reversal of unused provisions	(69.6)	
Provisions used during the year	(42.8)	(104.2)
Provision as at 31 December	**8.0**	**120.4**

1 In 2006 it was decided to restructure the company in order to achieve a reduction in operating costs of NOK 350 million with effect from 2008. During 2008, severance payments of NOK 42.8 million has been paid. Comparable amount was NOK 104.2 million in 2007. The remaining provision of NOK 8.0 million at year end are severance agreements which as at 31 December has not been paid.

2 Carrying amount of deposits from financial institutions is equal to market value.

NOTE 17 – TAX

NOK million	2008	2007
Specification of tax expense		
Tax payable	(566.6)	(59.8)
Wealth taxes	(30.0)	(8.0)
Correction previous years	102.0	(53.1)
Change in deferred tax	673.7	(420.4)
Total tax expense	**179.1**	**(541.3)**

Deferred tax and deferred tax assets

Deferred tax and deferred tax assets are offset when there is a legally enforceable right to offset those assets / liabilities, and when deferred tax assets relate to the same fiscal authority. The amounts offset are as follows

Taxable temporary differences		
Other financial assets		19.1
Intangible assets	513.9	398.0
Property	1,284.8	1,782.4
Security provision etc	2,989.0	5,072.8
Profit and loss account	61.2	2.9
Total taxable temporary differences	**4,848.9**	**7,275.2**

NOTE 17 – TAX (CONT.)

NOK million	2008	2007
Deductible temporary differences		
Shares, bonds and similar assets	(703.0)	(123.4)
Loans	(59.8)	(81.1)
Plant and equipment	(164.9)	(176.6)
Provisions according to NGAAP	(18.0)	(250.2)
Claims provision	(78.1)	
Other deductible differences	(17.0)	
Pension liability	(1,355.5)	(1,184.3)
Total deductible temporary differences	**(2,396.3)**	**(1,815.6)**
Tax exempted part of temporary differences		(336.4)
Net temporary differences	**2,452.6**	**5,123.2**
Loss carried forward	(178.6)	(56.3)
Valuation allowance	257.5	37.3
Net taxable temporary differences	**2,531.5**	**5,104.2**
Deferred tax / (deferred tax asset)	**681.9**	**1,424.1**
Reconciliation of tax expense		
Profit before tax	307.2	3,020.3
Tax on profit before tax expense (28 %)	(86.0)	(845.7)
Tax effect of		
Tax rate different from 28 % and change in tax rate	4.5	5.4
Valuation allowance on losses carried forward in foreign subsidiary	(30.6)	(10.5)
Dividend received	27.1	18.8
Tax exempted income and expenses	(343.2)	108.9
Associates	52.7	11.1
Non deductible expenses	(14.9)	(5.4)
One-time effect of Natural perils fund	554.4	
Transition to full tax liability [1]	(20.3)	
Other permanent differences	(36.5)	182.4
Wealth tax	(30.0)	(8.0)
Correction previous years	102.0	1.7
Total tax expense	**179.1**	**(541.3)**
Effective rate of income tax	(58.3 %)	17.9 %
Total loss and dividend tax deduction carried forward		
2010		
2011		
2012	0.0	
2013	0.0	
2014	0.9	
2015	1.0	
2016	0.9	
Later or no due date	175.8	56.3
Total loss and dividend tax deduction carried forward	**178.6**	**56.3**
Change in deferred tax liability		
Deferred tax liability as at 1 January	1,424.1	1,134.4
Change deferred tax recognised in profit or loss	(673.7)	420.4
Change deferred tax recognised directly in the balance		
Pensions	(113.3)	(105.5)
Hedge accounting	(53.5)	
Companies sold and purchased	91.7	(21.7)
Foreign currency differences	6.7	(3.6)
Deferred tax liability as at 31 December	**681.9**	**1,424.1**
Tax recognised directly in equity		
Pensions	113.3	105.5
Deferred tax hedge accounting	53.5	
Tax payable hedge accounting	111.7	
Tax payable on dividend expenses	12.3	
Foreign currency differences	0.4	
Total tax expense recognised directly in equity	**291.4**	**105.5**

[1] Gjensidige Forsikring has up to and including 2007 been tax exempted for its fire and pet insurances. In the Government's fiscal budget for 2009 this tax exemption is cancelled for mutual fire and livestock insurance companies as from the year 2008. This implies one-time effects in 2008 that are shown on separate lines in the explanation of tax expense. Included in one-time effects is also effect of not calculated deferred tax on the Natural perils fund as from 2008.

NOTE 18 – EXPENSES

INSURANCE-RELATED OPERATING EXPENSES INCL. SALES EXPENSES

NOK million	2008	2007
Depreciation, amortisation and impairment losses (Note 5 and 7)	185.3	167.6
Employee benefit expenses	1,325.7	1,306.8
Fee for customer representatives	5.1	7.3
Software costs	321.1	340.4
Auditor's fee	12.3	13.0
Consultants' and lawyers' fees	84.7	188.9
Commissions	380.7	319.9
Other expenses	439.4	377.0
Total	**2,754.2**	**2,720.9**

FINANCIAL RELATED OPERATING EXPENSES

NOK million	2008	2007
Depreciation, amortisation and impairment losses (Note 5)	36.9	52.2
Employee benefit expenses	12.8	11.2
Auditor's fee	1.8	1.0
Other expenses	95.7	130.2
Total	**147.2**	**194.6**

OTHER EXPENSES

NOK million	2008	2007
Depreciation, amortisation and impairment losses (Note 5 and 7)	40.7	20.6
Employee benefit expenses	349.4	304.9
Auditor's fee	2.8	2.7
Other expenses	297.6	224.2
Total	**690.5**	**552.4**
Total operating expenses	**3,591.9**	**3,467.9**

OTHER SPECIFICATIONS

NOK million	2008	2007
Auditor's fee (incl. VAT)		
Statutory audit	9.1	8.2
Other non-assurance services	6.4	8.5
Tax consultant services	1.5	
Total	**16.9**	**16.7**
Employee benefit expenses		
Wages and salaries	1,301.9	1,175.6
Social security cost	193.5	257.4
Pension cost - defined contribution plan (Incl. empl.nat.ins.contr.)	51.6	34.7
Pension cost - defined benefit plan (Note 15 incl. empl.nat.ins.contr.)	140.9	155.2
Total	**1,687.9**	**1,622.9**

NOTE 19 – SALARIES AND REMUNERATIONS

	2008	2007
Average number of employees	4,071	3,467

COMBINED REMUNERATION OF SENIOR GROUP MANAGEMENT

The Board of Directors' statement concerning the adoption of salaries and other remuneration of the CEO and Senior Group Management.

Gjensidige's compensation policy

In accordance with Gjensidige's compensation policy, which applies to all employees in the Group, it is stated that:

- Gjensidige shall not be a salary leader, but shall nevertheless have a competitive level of compensation.
- Gjensidige expects that the employees have a comprehensive view of what Gjensidige offers in the form of salary and benefits.
- The company's compensation systems shall be open, perfomance-based, fair and predictable.
- Compensation shall be linked to achievement of the company's defined strategic and financial goals. In addition, it is expected that employees espouse the company's values and act loyally.

Recommended guidelines for the coming financial year

Remuneration of the CEO

The CEO's salary and other financial benefits shall be approved by the Board of Directors based on an overall assessment, emphasising financial result, customer satisfaction, employee satisfaction and the Group's reputation. Bonuses are determined on a discretionary basis based on the CEO's contractual goals and deliveries, and can not exceed 50 per cent of the fixed annual salary. The CEO is not granted result based benefits exceeding the mentioned bonus.

In addition, the CEO may be granted benefits in kind, such as company car, free mobile and payment of broadband. Assignment of benefits in kind shall be related to the CEO's function in the Group or be according to commercial practice, and should not be material compared to the CEO's fixed salary.

The retirement age for the CEO is 62 years. Retirement at the age of 60 is possible if requested by the Board of Directors or the CEO himself. The CEO has pension rights in accordance with Gjensidige's closed defined benefit pension plan. In accordance with his individual employment contract, he is entitled to a pension of 100 per cent of his annual salary upon retirement at the age of 62, which reduces subsequently to 70 per cent of salary from the age of 67. On retirement by 60 years the corresponding contractual terms are subsequently de-escalation from 100 per cent upon retirement to 70 per cent until reaching the age of 67.

Car schemes and other benefits are maintained until reaching the age of 67.

The CEO has no severance pay agreement if he resigns before reaching retirement age.

Remuneration of other members of the Senior Group Management

The CEO determines the financial terms for members of the Senior Group Management according to a statement given to the Remuneration committee. Gjensidige's compensation policy is used as a basis.

Additional financial benefits may be offered to members of the Senior Group Management depending on market conditions and taking into account the fact that the benefit is related to the employee's job function in Gjensidige.

Bonus to Senior Group Management can be granted based on specific measurement of results in defined goal areas and descretionary assessment based on goal criteria derived from the company's strategies and goals. Possible bonus shall, in addition to the annual salary, ensure that Gjensidige is able to attract and hold on to expertise necessary to implement its strategies and accomplish its goals. An upper limit for bonus payments has been set at 30 per cent of the annual salary. The CEO may under special circumstances make exceptions to this policy in consultation with the Remuneration committee. There is an individual bonus scheme agreement for one of the members of the Senior Group Management.

Members of the Senior Group Management have a retirement age of 62. All current members of the Senior Group Management are members of the closed defined benefit pension plan. Everyone with a full contribution period is entitled to a pension of 70 per cent. The company will maintain previous individual pension agreements for two members of the Senior Group Management.

There are no severance pay agreements for managers that resign from their positions in Gjensidige.

Binding guidelines concerning allotment of shares etc. for the coming year

CEO and members of the Senior Group Management will be allowed to participate in subscription programmes for the purchase of equity certificate capital by employees in the same manner as other employees in Gjensidige.

Executive remuneration policy previous financial year

The Board of Directors confirms that the remuneration policy concerning Senior Group Management for 2008 has been carried out in accordance with the previous year's statement.

NOTE 19 – SALARIES AND REMUNERATIONS (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION

NOK thousand	Fixed and variable salary	Calculated total value of non-cash benefits	Rights earned in the financial year according to defined benefit pension plan [9]	Loans, advance payments, guaran. (outstanding amount)	Interest rate [7]	Applicable conditions and installment plan	Retirement conditions
Remuneration of							
The Senior Group Management							
Helge Baastad, CEO	4,892.1	251.9	1,888.8				2
Tor Lønnum, Deputy CEO	3,294.3	210.0	1,010.1				3
Bjørn Asp, Executive Vice President	2,379.0	172.1	559.9	5,743.2	5.6	20.7.2033	3
Erica Blakstad, Executive Vice President	1,790.2	191.0	1,430.7				3
Petter Bøhler, Executive Vice President	2,149.9	184.2	997.1	1,078.8	4.8	20.5.2013	3
Trond Delbekk, Executive Vice President	2,431.9	194.7	756.6				3
Jørgen Ringdal, Executive Vice President	2,435.2	193.2	839.3				2
Bjørn Walle, Executive Vice President	1,817.6	220.3	1,723.8				4
Hege Toft Karlsen, Executive Vice President (01.01 - 01.06) [1]	665.9	61.4	179.2	2,420.0	4.8	20.4.2017	3
Odd Røste, Executive Vice President 01.01 - 01.06) [1]	700.3	72.1	136.8	1,401.2	4.8	15.5.2018	3
Geir Bergskaug, Executive Vice President 01.01 - 01.06) [1]	914.2	82.3	338.2	2,976.0	4.8	25.8.2017	3
Ove Ådland, Executive Vice President 01.01 - 01.06) [1]	824.7	66.8	292.0				3
Nils Arne Fagerli, Executive Vice President 01.01 - 01.06) [1]	657.6	67.2	212.5	3,678.9	4.8	20.3.2029	3
The Board of Directors [6]							
Inge K. Hansen, Chairman (26.03 - 31.12) [1]	266.0	1.5					
Jørgen Tømmerås, Chairman (01.01 - 26.03) [1]	129.5	17.7					
Jorund Stellberg, Deputy Chairman (01.01 - 19.11) [1]	320.6	25.4					
Magne Revheim (01.01 - 26.03) [1]	51.3	0.2					
Randi B. Sætershagen	304.1	20.7					
Hans Ellef Wettre	196.0	11.0					
Tor Øwre	310.3	24.9					
Cato Litangen	225.0	15.9					
Marianne Lie	211.8	12.6					
Hans-Erik F. Andersson (26.03 - 31.12) [1]	153.8	3.8					
Karen Marie Hjelmeseter (26.03 - 31.12) [1]	18.7	0.5					
Gunnhild Heggen Andersen, employee (26.03 - 31.12) [8]	138.8						
Kjetil Kristensen, employee (26.03 - 31.12) [8]	141.5						
Odd Kristian Hamborg, employee (01.01 - 26.03) [8]	51.3						
Petter Aasen, employee (01.01 - 26.03) [8]	46.3						
Marianne Bø Engebretsen, employee [8]	185.0						
Gunnar Mjåtvedt, employee [8]	186.5						
The Board of Directors, deputies [6]							
Tove Jebens (01.01 - 26.03) [1]	2.8	1.3					
Harald Milli	11.0						
Odd Samuelsen (01.01 - 26.03) [1]	2.8	3.5					
Valborg Lippestad	28.5						
Christian Kristensen, employee (26.03 - 31.12) [1]	8.3						
John Ove Ottestad (26.03 - 31.12) [1]	8.3						
Trine Vekseth (26.03 - 31.12) [1]	34.3	1.3					
Ingvild Solli Andersen, employee	11.0						
Control committee [6]							
Marit Tønsberg, Chairman (19.04 - 31.12) [1]	94.5	0.4					
Kåre Lund, Chairman (01.01 - 19.04) [1]	137.0	2.2					
Snorre Inge Roald (Deputy Chairman)	3.5	1.4					
Tove Melgård	88.0	3.5					
Representantskap							
Kirsten Indgjerd Værdal, Chairman (19.04 - 31.12) [1]	104.0	4.3					
Randi Braathe, Chairman (01.01 - 19.04) [1]	76.0						
Trond Bakke, Deputy Chairman	34.3	0.1					

In addition
41 representatives from regions / Fire Mutuals / organisations / employees. [5]

[1] The stated remuneration applies to the period the individual in question has held the position or office.
[2] Age 62, 100 per cent salary reducing gradually to 70 percent at age 67.
[3] Age 62, 70 per cent salary until age 67, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] Age 60, 70 per cent salary until age 67, then Gjensidige Forsikring's ordinary pension terms will take effect.
[5] Annual fee of NOK three thousand, in addition to a per meeting fee of NOK three thousand.
There have been two ordinary meetings with fees of NOK three thousand, NOK three thousand, five hundred, respectively in 2008.
[6] The fee includes a fee for subsidiaries.
[7] The interest rate is 4.8 nominell, unless other is stated.
[8] For employees only remuneration for the current position is stated.
[9] Everyone in the Senior Group Management has defined benefit pension plans.

NOTE 20 – NET INCOME AND EXPENSES FROM FINANCIAL ASSETS

NOK million	2008	2007
Financial income		
Income from associates	188.2	39.6
Gain from sale of associates	935.9	
Income from and revaluation of property	(292.2)	881.4
Unrealised gains and reversal of unrealised losses	39.2	82.8
Fair value gains / (losses) on foreign exchange trade	11.6	12.9
Gain from sale of assets available for sale		265.8
Dividend income	111.5	187.3
Interest income	1,929.6	1,195.1
Interest income from financial assets held to maturity	565.9	396.4
Gain from sale of financial assets at fair value through profit or loss	5,973.1	3,140.9
Other financial income	8.1	45.1
Total financial income	**9,470.8**	**6,247.2**
Financial expenses		
Administration expenses on property	(108.1)	(137.7)
Other financial expenses	(11.0)	(56.9)
Interest expenses	(831.7)	(619.7)
Other expenses related to financial assets	(84.9)	(71.7)
Unrealised losses and reversal of unrealised gains	(2,948.0)	(940.4)
Loss on sale of financial assets at fair value through profit or loss	(5,707.4)	(1,600.6)
Total financial expenses	**(9,691.1)**	**(3,427.0)**
Net income and expenses from financial assets	**(220.3)**	**2,820.3**

NET FINANCIAL INCOME SPLIT PER CLASS OF ASSET

Net income and gains / (losses) from properties		
Income from investment properties and owner-occupied property, excl. unrealised gain / (loss)	427.6	512.0
Net revaluation property	(719.8)	369.4
Net gain / (loss) from sale of investment properties and owner-occupied property	780.8	
Administration expenses related to properties	(108.1)	(137.7)
Net income and gains / (losses) from properties	**380.5**	**743.7**
Net income and gains / (losses) from financial assets at fair value through profit or loss		
Net interest income / (expense)	264.1	187.3
Dividend income	870.1	119.6
Net gain / (loss) from shares and similar interests	(2,191.3)	1,704.1
Net gain / (loss) from bonds and certificates	(117.1)	3.6
Net gain / (loss) from derivatives	494.7	(774.0)
Administration expenses	(82.3)	(126.1)
Net income and gains / (losses) from financial assets at fair value through profit or loss	**(761.9)**	**1,114.5**
Net income and gains from loans and receivables		
Net interest income / (expense) from loans and receivables	51.7	456.9
Net gain / (loss) from subordinated loans	16.9	2.0
Total net income and gains from loans and receivables	**68.6**	**458.9**
Net income and gains / (losses) from assets held to maturity		
Net interest income on assets held to maturity	587.5	396.4
Net gain / (loss) on assets held to maturity	28.9	(27.2)
Total net income and gains / (losses) from assets held to maturity	**616.5**	**369.2**
Net income and gains / (losses) from shares available for sale		
Gain on sale of shares available for sale		265.8
Dividend income	68.9	367.6
Unrealised loss on shares available for sale through profit or loss	(1,716.9)	(538.9)
Total net income and gains / (losses) from shares available for sale	**(1,647.9)**	**94.5**
Net income from associates	188.2	39.6
Gain from sale of associates	935.9	
Net income and expenses from financial assets	**(220.3)**	**2,820.3**

NOTE 20 – NET INCOME AND EXPENSES FROM FINANCIAL ASSETS (CONT.)

NOK million	2008	2007
Surplus value shares available for sale, recognised in equity		
As at 1 January	(105.9)	324.8
Disposals shares available for sale	105.9	(259.4)
Unrealised loss on shares available for sale through profit or loss		(171.3)
As at 31 December		**(105.9)**
Specification of interest income and expenses		
Interest expenses on deposits from customers	(356.1)	(30.2)
Interest expenses on bonds and derivatives	(0.2)	(100.5)
Interest expenses on financial derivatives	(271.1)	(313.6)
Interest expenses on other financial liabilities	(204.2)	(175.4)
Total interest expenses	**(831.7)**	**(619.7)**
Interest income on bonds held to maturity	565.9	396.4
Interest income on loans and receivables	407.8	487.1
Interest income on other financial assets at fair value through profit or loss	1,521.8	708.0
Total interest income	**2,495.5**	**1,591.5**

NOTE 21 – FOREIGN EXCHANGE GAINS AND LOSSES

NOK million	2008	2007
Agio / disagio in profit or loss allocated to balance items		
Shares	(33.1)	(395.7)
Equity funds	(19.3)	(137.7)
Bonds	14.8	(26.4)
Index bonds	698.9	(92.6)
Hedge funds	239.2	(445.0)
Certificates		0.6
Forward currency contracts	19.6	305.3
Currency swaps	(1,356.1)	839.8
Others [1]	193.2	(7.1)
Total foreign exchange gains and losses	**(248.8)**	**40.9**

[1] Included in others are bank deposits, commission reserves, premium reserves, loss reserves (RBNS), receivables and liabilities.

NOTE 22 – OTHER INCOME

NOK million	2008	2007
Sales income	521.6	339.3
Other income	16.9	40.7
Total	**538.5**	**380.0**

NOTE 23 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

NOK million	2008	2007
Guarantees and committed capital at the reporting date		
Gross guarantees	0.6	0.6
Commited capital, not paid	1,091.0	1,222.0

As part of its ongoing financial management, the company has pledged to invest up to NOK 1,091.0 million in various private equity and real estate fund investments, over and above the amounts recognised in the balance sheet.

The timing of the outflow of capital is dependent on when the funds are making capital calls from their investors. Remaining operating time for the funds is between five and ten years.

Gjensidige Forsikring is responsible externally for any insurance claim arising from the cooperating Fire Mutuals' operations.

CONTINGENT ASSETS

Gjensidige Forsikring had no contingent assets as at 31 December 2008, after the receivable from the Gjensidige Foundation had been settled in 2008.

NOTE 24 – RELATED PARTY TRANSACTIONS

OVERVIEW OF RELATED PARTIES

Gjensidige Forsikring is the Group's ultimate parent. As at 31 December 2008 the following companies are the company's related parties

	Registered office	Share
Subsidiaries		
Fair Forsikring A/S	Copenhagen, Denmark	100 %
Fair Financial Ireland Limited	Copenhagen, Denmark	100 %
Gjensidige Bank Holding AS	Førde, Norway	100 %
Gjensidige NOR Forsikring Eiendom AS	Oslo, Norway	100 %
Gjensidige Norge AS	Oslo, Norway	100 %
Gjensidige Pensjon og Sparing Holding AS (GPS)	Oslo, Norway	100 %
Glitne Invest AS	Oslo, Norway	100 %
Oslo Areal AS	Oslo, Norway	100 %
Gjensidige Baltic	Riga, Latvia	100 %
Samtrygd Eigedom AS	Førde, Norway	100 %
Strandtorget Drift AS	Oslo, Norway	100 %
Strandtorget Eiendom AS	Oslo, Norway	100 %
Gjensidige Sverige AB	Stockholm, Sweden	100 %
Associates		
Storebrand ASA	Oslo, Norway	24.3 %
Bilskadeinstituttet AS	Oslo, Norway	29.5 %
Forsikring og Finans Sandnes AS	Sandnes, Norway	34.0 %
Forsikringskontoret Johansen og Torkelsen AS	Sandnes, Norway	34.0 %
Fossmark Assuranse AS	Stavanger, Norway	34.0 %
Vervet AS	Tromsø, Norway	25.0 %
Other related parties		
Fire Mutuals	All over the country, Norway	
Gjensidige Pensjonskasse	Oslo, Norway	

Percentage of votes held is the same as percentage of shares held.

TRANSACTIONS WITH RELATED PARTIES

PROFIT AND LOSS

The table below shows a summary of transactions with related parties recognised in profit or loss

	2008		2007	
NOK million	Income	Expense	Income	Expense
Provisions				
Gjensidige Investeringsrådgivning ASA (owned by GPS)	0,2		0,2	
Gjensidige Pensjonsforsikring AS (owned by GPS)	0,8		3,6	
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	3,9		0,3	
Interest				
Fair Financial Ireland Limited				3,5
Gjensidige Bank ASA [1]		6,0		
Administration expenses property				
Oslo Areal AS		7,0		8,2
Total	**4,9**	**13,0**	**4,1**	**11,7**

[1] The interest expense applies to interest on bank account for dividend and is part of the dividend payment.

NOTE 24 – RELATED PARTY TRANSACTIONS (CONT.)

GROUP CONTRIBUTIONS AND DIVIDENDS

The table below shows a summary of contributions and dividends received / given from / to subsidiaries

	2008		2007	
NOK million	Received	Given	Received	Given
Contributions				
Gjensidige Pensjon og Sparing Holding AS			4.5	
Gjensidige Pensjonsforsikring AS (owned by GPS)		66.9		70.3
Gjensidige Investeringsrådgivning ASA (owned by GPS)		52.1		55.3
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)		82.0		120.0
Glitne Invest AS	1,079.5			
Gjensidige Norge AS (previous Norge Forsikring AS)	0.4		0.2	
Oslo Areal AS	146.5		124.0	
Dividends				
Oslo Areal AS	119.9		66.4	
Total group contributions and dividends	**1,346.3**	**201.0**	**195.1**	**245.6**

PURCHASE AND SALE OF ASSETS

The table below shows a summary of purchases / sales of assets from / to subsidiaries, associates or other related parties

			2008		2007	
NOK million			Purchases	Sale	Purchases	Sale
Subsidiaries	**Asset**	**Type**				
Oslo Areal AS	Drammen Torget Vest AS and HPS Handel AS	Shares (100 %)				577.3

INTERCOMPANY

The table below shows a summary of receivables / liabilities at / to subsidiaries, associates and other related parties

	2008		2007	
NOK million	Receivables	Liabilities	Receivables	Liabilities
Within the Group				
Fair Forsikring A/S (including subsidiaries)	214.0	90.1		275.3
Gjensidige Baltic Ltd	6.9	0.3		
Gjensidige Sverige AB	1.0	24.9		
Gjensidige Norge AS	0.4	0.0	0.2	
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	2.0	82.0	3.1	120.0
Gjensidige Pensjon og Sparing Holding AS	1.9		7.6	
Gjensidige Pensjonsforsikring AS (owned by GPS)	6.4	66.9	0.0	70.3
Gjensidige Investeringsrådgivning ASA (owned by GPS)	2.8	51.2	0.0	55.3
Glitne Invest AS	1,079.5			
Hjelp 24 NIMI AS (owned by Glitne Invest AS)	4.7		1.3	
Glitne Oppgjørssentral AS (owned by Glitne Invest AS)	0.2			
Oslo Areal AS	146.5	3.7	111.2	12.8
Total due for payment in less than one year	**1,466.1**	**319.1**	**123.4**	**533.7**
Samtrygd Eigedom AS			2.8	
Total due for payment in more than one year			**2.8**	
Total intercompany within the Group	**1,466.1**	**319.1**	**126.2**	**533.7**
Co-operating companies [1] and other related parties				
Fire Mutuals		170.5		145.3
Gjensidige Pensjonskasse			80.0	
Gjensidige Pensjonskasse for supplemental payments			1.0	
Vervet AS (subordinated loan impaired)			25.3	
Lindorff AB (associate owned by Glitne Invest AS sold in 2008)			0.3	
Total intercompany	**1,466.1**	**489.6**	**289.8**	**679.8**

[1] Co-operating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

GUARANTEES

Gjensidige Forsikring is responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 23.

NOTE 25 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events after the balance sheet date.

NOTE 26 – CAPITAL RATIO

NOK million	2008	2007
Equity parent company	18,806.2	15,441.0
Index bonds in associates, proportion	432.1	
Subordinated loans in associates, proportion	1,470.7	
Effect of administration prov., guarantee scheme prov. and Natural perils fund prov.	(3,827.2)	
Goodwill	(1,763.4)	(1,302.9)
Deferred tax asset	(501.3)	(391.1)
Intangible assets	(1,027.6)	(1,020.8)
Investment properties, unrealised gains, proportion	(215.6)	(620.7)
Reinsurance provision, minimum requirement	(5.5)	(21.0)
Actuarial losses on defined benefit plans, proportion	195.5	390.9
Primary capital	**13,564.0**	**12,475.4**
Primary capital in other financial institutions		(2,914.6)
Net primary capital (A)	**13,564.0**	**9,560.8**
Assets with 0 % risk weight	40,632.9	1,949.4
Assets with 10 % risk weight	5,041.2	54.7
Assets with 20 % risk weight	34,037.8	15,417.4
Assets with 35 % risk weight	16,428.2	
Assets with 50 % risk weight	6,866.1	3,505.0
Assets with 100 % risk weight	48,185.6	34,583.8
Assets with 150 % risk weight	100.7	
Other non-weighted assets		
Goodwill	1,763.4	1,302.9
Deferred tax assets	501.3	391.1
Other intangible assets	1,027.6	1,020.8
Loss provisions	(20.0)	(11.1)
Derivatives	222.4	239.5
Total assets	**154,787.1**	**58,453.5**
Assets with 0 % risk weight	0.0	0.0
Assets with 10 % risk weight	504.1	5.5
Assets with 20 % risk weight	6,807.6	3,083.5
Assets with 35 % risk weight	5,749.9	
Assets with 50 % risk weight	3,433.1	1,752.5
Assets with 100 % risk weight	48,185.6	34,583.8
Assets with 150 % risk weight	151.1	
Total risk weighted assets	**64,680.2**	**39,425.3**
Weighted reinvestment cost derivatives	43.0	108.2
Primary capital in other financial institutions		(2,914.6)
Loss provisions	(20.0)	(11.1)
Risk weighted calculation base (B)	**64,703.2**	**36,607.6**
Capital ratio (A/B)	21.0 %	26.1 %
FSAN minimum requirement	*8.0 %*	*8.0 %*

NOTE 27 – SOLVENCY MARGIN

NOK million	2008	2007
Primary capital	13,387.6	14,882.2
Proportion of security provision	1,108.0	1,088.8
Proportion of Natural perils fund (25 % of the Natural perils fund is included)	562.7	532.5
Solvency margin capital	**15,058.3**	**16,503.5**
Solvency margin minimum requirement	*5,658.8*	*2,824.2*
In excess of requirement	**9,399.5**	**13,679.2**
Solvency margin capital in percentage of requirement	266.1 %	584.4 %

NOTE 28 – RESTRICTED FUNDS

NOK million	2008	2007
Source-deductible tax accounts	73.0	71.4
Securities placed as security for insurance operations	17.6	14.2
Deposits placed as security for insurance operations	1.1	8.2
Total	**91.7**	**93.8**

NOTE 29 – SHARES AND SIMILAR INTERESTS

NOK million	31.12.2008
GJENSIDIGE FORSIKRING BA	
Norwegian financial shares	
Indre Sogn Sparebank (primary capital certificate)	0.3
Total Norwegian financial shares	**0.3**
Other Norwegian shares	
Finansnæringens Hus AS	9.0
Helgeland Vekst AS	4.0
Tun Media (Landbrukets Medieselskap AS)	3.7
Norchip AS	2.5
Rogaland Kunnskapsinvest AS	2.5
Norinnova AS	2.5
Berger Eiendom AS	1.7
Såkorninvest Sør AS	1.5
Nortura Hå Eiendom AS	1.5
Not specified	19.1
Total other Norwegian shares	**47.9**

NOTE 29 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	31.12.2008
Private equity funds	
HitecVision Private Equity IV LP	110.7
FSN Capital II LP	78.6
Altor Fund II LP	62.1
Northzone IV K/S	57.6
Teknoinvest VIII KS (inkl. Teknoinv. VIII (GP) KS)	49.1
Partners Group European Buyout 2005 (A) LP	42.6
Energy Ventures II KS	40.1
Norvestor IV LP	39.4
Viking Venture II AS	34.9
Northzone V K/S	34.5
Partners Group Direct Investments 2006 LP	30.8
Norvestor V LP	30.8
Verdane Capital VI K/S	20.0
HitecVision Private Equity III AS	19.5
LGT Crown European Private Equity PLC	18.8
Energy Ventures IS	16.0
Convexa Capital VIII AS - class B	15.9
NeoMed Innovation IV LP	15.8
HitecVision Private Equity V LP	11.7
Energy Ventures III LP	10.8
Convexa Capital VI AS - class B	10.5
BaltCap PEF LP	10.0
Teknoinvest VIII B DIS	9.6
Viking Venture AS	8.4
Convexa Capital VIII AS - class A	8.3
Verdane Capital V B K/S	8.0
Convexa Capital VI AS - class A	5.1
Energy Growth Holding	4.2
Convexa Cap. IV AS	3.7
KapNord fond AS	2.1
Viking Venture III DIS	1.1
Not specified	3.7
Total private equity funds	**814.7**
Hedge funds	
Horizon Tactical Trad USD-B	342.8
Sector Polaris	272.5
The Winton Evolution Fund	125.8
Russell Alt. Strat. Fund II Total Designated Inves	95.2
Sector EuroPower Fund Class A EUR	86.0
Sector Healthcare - A USD	82.5
Sector Speculare IV Fund Class A USD	59.0
Sector Speculare III Fund Class A USD	32.9
Sector Speculare II Fund Class A USD	20.1
Total hedge funds	**1,116.9**
Equity funds	
DnB NOR Globalspar II	0.1
Total equity funds	**0.1**

NOTE 29 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	31.12.2008
Real estate funds	
CEREP I	116.7
CEREP II	203.7
CEREP III	48.5
La Salle	3.2
Total real estate funds	372.1
Bond funds	
Fidelity Inst. Global Bond Fund EUR	2,179.1
Putnam Global High Yield Bond Fund	1,263.7
Total bond funds	3,442.8
Total shares and similar interests owned by Gjensidige Forsikring BA	5,794.9
Of which listed	4,559.8
OTHER GROUP COMPANIES	
Shares and similar interests owned by Gjensidige Pensjonsforsikring AS	165.1
Shares and similar interests owned by Gjensidige Bank ASA	85.2
Shares and similar interests owned by Fair Forsikring A/S	275.2
Shares and similar interests owned by Gjensidige Baltic	4.6
Total shares and similar interests owned by group companies	530.1
TOTAL SHARES AND SIMILAR INTERESTS OWNED BY THE GJENSIDIGE INSURANCE GROUP	6,324.9

INCOME STATEMENT GJENSIDIGE FORSIKRING BA

NOK million	Notes	1.1.-31.12.2008	1.1.-31.12.2007
Premiums			
Gross premiums written	4	13,130.6	13,375.3
Ceded reinsurance premiums		(300.7)	(598.3)
Premiums written, net of reinsurance		**12,829.9**	**12,777.0**
Change in gross provision for unearned premiums		48.5	(23.1)
Change in provision for unearned premiums, reinsurerers' share		(57.3)	48.7
Total earned premiums, net of reinsurance		**12,821.1**	**12,802.6**
Allocated return on investments transferred from the non-technical accounts		1,211.1	1,389.3
General insurance claims			
Gross paid claims	4	(9,162.2)	(8,607.9)
Paid claims, reinsurers' share		258.3	187.3
Change in gross provision for claims	4	(675.8)	(1,357.2)
Change in provision for claims, reinsurers' share		(142.8)	48.1
Total claims incurred, net of reinsurance		**(9,722.6)**	**(9,729.8)**
Premium discounts and other profit agreements		(4.2)	(18.0)
Insurance-related operating expenses			
Insurance-related administration expenses including commissions for received reinsurance and sales expenses	5,7,15,18,19	(2,342.7)	(2,395.5)
Received commissions for ceded reinsurance and profit share		7.7	34.4
Total insurance-related operating expenses		**(2,335.0)**	**(2,361.1)**
Profit / (loss) of technical account before security provisions		**1,970.4**	**2,082.9**
Change in security provisions etc.			
Change in security provision		(42.6)	(141.2)
Total changes in security provisions etc.		**(42.6)**	**(141.2)**
Profit / (loss) of technical account general insurance		**1,927.8**	**1,941.7**

NOK million	Notes	1.1.-31.12.2008	1.1.-31.12.2007
Net income from investments			
Income from investments in subsidiaries and associates		790.3	266.8
Interest income and dividend etc. from financial assets		1,753.8	1,456.9
Net operating income from property		106.0	279.3
Changes in fair value on investments		(2,895.2)	(566.3)
Realised gain and loss on investments		267.4	1,459.6
Administration expenses related to investments, including interest expenses		(379.5)	(514.5)
Total net income from investments	20	(357.3)	2,381.8
Allocated return on investments transferred to the technical account		(1,211.1)	(1,389.3)
Profit / (loss) of non-technical account		(1,568.4)	992.5
Profit / (loss) before tax expense		359.4	2,934.2
Tax expense	17	159.9	(502.7)
PROFIT / (LOSS) BEFORE OTHER COMPONENTS OF INCOME AND EXPENSES		519.3	2,431.5
Other components of income and expenses			
Actuarial gains and losses on defined benefit plans - employee benefits		(399.9)	(406.5)
Foreign currency differences from foreign operation		152.0	(140.4)
Gains and losses on financial assets available for sale		105.9	(430.7)
Portion of other components of income and expenses by applying the equity method		(95.6)	
Tax on other components of income and expenses		289.6	98.5
COMPREHENSIVE INCOME		571.3	1,552.5

BALANCE SHEET
GJENSIDIGE FORSIKRING BA

NOK million	Notes	31.12.2008	31.12.2007
ASSETS			
Intangible assets			
Intangible assets	5	221.5	285.0
Total intangible assets		**221.5**	**285.0**
Investments			
Buildings and other real estate			
Investment properties	8	1,170.7	2,011.1
Owner-occupied property	7	190.7	904.8
Subsidiaries and associates			
Shares in subsidiaries	6	10,299.2	8,766.5
Shares in associates	6	2,662.6	6.0
Receivables from associates	6,11		24.0
Financial assets measured at amortised cost			
Bonds held to maturity	9	13,127.6	8,830.7
Loans and receivables	9,11	384.6	447.0
Financial assets measured at fair value			
Shares and similar interests	9	5,794.9	9,388.2
Bonds and other fixed-income securities	9	8,350.0	10,363.2
Financial derivatives	9,10	222.4	278.5
Reinsurance deposits		0.7	0.6
Total investments		**42,203.3**	**41,020.6**
Reinsurers' share of insurance-related liabilities in general insurance, gross			
Reinsurers' share of provision for unearned premiums, gross	14	2.1	59.3
Reinsurers' share of claims provision, gross	14	261.0	398.8
Total reinsurers' share of gross insurance-related liabilities in general insurance, gross		**263.1**	**458.1**
Receivables			
Receivables related to direct operations		2,587.3	2,629.7
Receivables related to reinsurance		133.5	139.8
Receivables from subsidiaries and associates	24	1,466.1	126.2
Other receivables	11	311.8	223.2
Total receivables		**4,498.7**	**3,118.8**
Other assets			
Plant and equipment	7	247.9	301.5
Cash and cash equivalents	12,28	939.6	3,050.3
Deferred tax assets	17	59.9	
Total other assets		**1,247.3**	**3,351.8**
Prepaid expenses and earned, not received income			
Earned, not received interest income		416.0	324.3
Other prepaid expenses and earned, not received income		2.5	(4.8)
Total prepaid expenses and earned, not received income	**11**	**418.6**	**319.5**
TOTAL ASSETS		48,852.5	48,553.8

NOK million	Notes	31.12.2008	31.12.2007
EQUITY AND LIABILITIES			
Paid in equity			
Equity certificates		3,860.0	3,860.0
Total paid in equity		**3,860.0**	**3,860.0**
Retained equity			
Funds etc.			
Fund for valuation variances		754.8	22.8
Fund for unrealised gains		225.7	464.2
Administration provision		759.0	742.9
Natural perils fund provision		2,250.8	1,575.4
Guararentee scheme provision		376.1	395.0
Other retained earnings		10,580.0	12,196.2
Total retained equity		**14,946.2**	**15,396.4**
Total equity	**13**	**18,806.2**	**19,256.4**
Insurance-related liabilities in general insurance, gross			
Provision for unearned premiums, gross	4,14	5,368.5	5,416.8
Claims provision, gross	4,14	18,343.4	17,618.0
Provision for premium discounts and other profit agreements		45.1	38.4
Security provision	4	2,462.2	2,419.6
Total insurance-related liabilities in general insurance, gross		**26,219.1**	**25,492.7**
Provision for liabilities			
Pension liabilities	15	1,301.3	1,123.4
Current tax		436.1	154.0
Deferred tax liabilities	17		675.1
Other provisions for liabilities	16	18.0	169.1
Total provision for liabilities		**1,755.4**	**2,121.5**
Liabilities			
Liabilities related to direct insurance		212.0	189.3
Liabilities related to reinsurance		62.1	34.1
Financial derivatives	10	674.1	39.6
Other liabilities	16	798.5	788.9
Liabilities to subsidiaries and associates		203.9	520.9
Total liabilities		**1,950.6**	**1,572.8**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	16	121.1	110.4
Total accrued expenses and deferred income		**121.1**	**110.4**
TOTAL EQUITY AND LIABILITIES		48,852.5	48,553.8

CASH FLOW STATEMENT
GJENSIDIGE FORSIKRING BA

NOK million	1.1-31.12.2008	1.1-31.12.2007
Cash flow from operating activities		
Premiums paid, net of reinsurance	12,787.5	12,969.0
Claims paid, net of reinsurance	(9,380.5)	(8,429.0)
Operating expenses paid, including commission	(1,960.1)	(2,208.9)
Net receipts / payments on lending and borrowing	81.6	68.6
Net receipts / payments from investments		
Shares and other equity participations	2,191.1	820.0
Bonds and other fixed-income securities	(4,715.8)	(525.6)
Financial derivatives and other financial instruments	(1,119.9)	620.2
Investment properties	98.7	93.1
Received group contribution and liquidation dividend	244.1	(75.5)
Interest and other financial income	818.2	731.7
Net receipts / payments - property activities	25.1	40.3
Taxes paid	(7.5)	(4.0)
Net cash flow from operating activities	**(937.5)**	**4,099.8**
Cash flow from investing activities		
Payments on purchase of subsidiaries		(2,324.4)
Net receipts / payments on owner-occupied property	1,445.9	1.5
Net receipts / payments on sale / purchase of plant and equipment	(144.9)	(264.1)
Net cash flow from investing activities	**1,300.9**	**(2,587.0)**
Cash flow from financing activities		
Dividend paid	(939.9)	
Net receipts / payments - equity transactions	(1,534.3)	(352.0)
Net cash flow from financing activities	**(2,474.2)**	**(352.0)**
Net cash flow for the period	**(2,110.7)**	**1,160.9**
Cash and cash equivalents at the beginning of the period	3,050.3	1,889.4
Cash and cash equivalents at the end of the period	**939.6**	**3,050.3**
Net movement in cash and cash equivalents	**(2,110.7)**	**1,160.9**

NOTES

NOTE 1 – ACCOUNTING POLICIES

REPORTING ENTITY

Gjensidige Forsikring BA is a mutually owned company domiciled in Norway. The company's head office is located at Drammensveien 288, Oslo. The activity of the company is general insurance. The company does business in Norway.

The accounting policies applied in the consolidated financial statements are described below.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the Norwegian Accounting Act and the Norwegian Financial Reporting Regulations for Insurance Companies (FOR 1998-12-16 nr 1241). The Norwegian Financial Reporting Regulations for Insurance Companies is to a great extent based on IFRSs endorsed by EU, and interpretations.

Basis of measurement

The financial statements have been prepared based on the historical cost principle with the following exceptions

- derivatives are measured at fair value
- financial assets at fair value through profit or loss are measured at fair value
- financial assets available for sale are measured at fair value
- investment properties are measured at fair value

Functional and presentation currency

The consolidated financial statements are presented in NOK, which is Gjensidige Forsikring's functional currency. All financial information is presented in NOK, unless otherwise stated.

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

Due to amended Norwegian Financial Reporting Requirements for Insurance Companies as of 4 April 2008 corresponding figures are changed accordingly.

SEGMENT REPORTING

According to IFRS 8, the operating segments are determined based on the company's internal organisational management structure and the internal financial reporting structure to the chief operating decision maker. In Gjensidige Forsikring the Senior Group Management is responsible for evaluating and following up the performance of the segments and is considered the chief operating decision maker within the meaning of IFRS 8. In contrast to the former reporting structure, Gjensidige Forsikring reports on two operating segments, which are independently managed by managers responsible for the respective segments depending on the products and services offered, distribution and settlement channels, brands and customer profiles. The identification of the segments is based on the existence of segment managers who report directly to the Senior Group Management / CEO and who are responsible for the performance of the segment under their charge. Based on this Gjensidige Forsikring reports the following operating segments

- General insurance Private Norway
- General insurance Commercial Norway

The recognition and measurement principles for Gjensidige Forsikring's segment reporting are based on the IFRS principles adopted in the financial statements.

Prior-year figures have been adjusted accordingly.

SUBSIDIARIES AND ASSOCIATES

Subsidiaries and associates are accounted for using the equity method. The company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the company's share of income, expenses, and movements in equity, after adjustments to align the accounting policies with those of the company, from the date that significant influence commences until the date that the significant influence ceases.

RECOGNITION OF REVENUE AND EXPENSES

Insurance premiums for general insurance

Insurance premiums are recognised over the term of the policy. Gross premiums written include all amounts the company has received or is owed for insurance contracts where the insurance period starts before the end of the accounting period. At the end of the period provisions are recorded, and premiums written that relate to subsequent periods will be adjusted for in *Change in the gross provision for unearned premiums* in the income statement.

Reinsurance

Ceded reinsurance premiums reduce gross premiums written, and are adjusted for according to the insurance period. Premiums for inward reinsurance are classified as gross premiums written, and are earned according to the insurance period.

Interest income and expenses related to financial assets

For all financial instruments measured at amortised cost, interest income and expenses are recognised using the effective interest method, and the calculation includes all fee income and directly attributable expenses that is an integral part of the effective interest rate.

Allocated return on investments

The allocated return on investments is calculated based on the average of the technical provisions throughout the year. The average yield on government bonds with three years remaining until maturity is used for the calculation. The Financial Supervisory Authority of Norway has calculated the average technical yield for 2008 and 2007 to be 4.6 and 4.8 per cent, respectively. The allocated return on investments is transferred from the non-technical account to the technical account.

Claims incurred

Claims incurred consist of gross paid claims less reinsurers' share, in addition to a change in provision for claims, gross, also less reinsurers' share. Direct and indirect claims processing costs are included in claims incurred. The claims incurred contain run-off gains / losses based on previous years' claims provisions.

Insurance-related operating expenses
Insurance-related operating expenses consist of insurance-related administration expenses including commissions for received reinsurance and sales expenses less received commissions for ceded reinsurance.

FOREIGN CURRENCY
Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of the respective Group entities at exchange rates at the date of the transaction.

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

Foreign currency differences arising on retranslations are recognised in profit or loss, except for differences arising on financial liabilities designated as hedge of a net investment in a foreign operation that qualifies for hedge accounting. These are recognised directly in equity.

TANGIBLE ASSETS
Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. In cases where equipment or significant items have different useful lives, they are accounted for as separate components.

Owner-occupied property is defined as property that is used by Gjensidige Forsikring for conducting its business. If the properties are used both for the company's own use and as investment properties, the classification of the properties is based on the actual use of the properties.

Subsequent costs
Subsequent costs are included in the asset's carrying amount and are recognised as a separate asset, but only when it is probable that the future economic benefits associated with the asset will flow to the company, and the cost of the asset can be measured reliably. All other repairs and maintenances are recognised in profit or loss in the period in which they are incurred. If the subsequent cost is a replacement cost for part of an item of property, plant and equipment, the cost is capitalized and the carrying amount of what has been replaced is derecognised.

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

Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows

- property 10-50 years
- plant and equipment 3-10 years

Depreciation methods, expected useful life and residual values are reassessed annually. An asset's carrying amount is impaired if the recoverable amount is less than the carrying amount.

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

Investment properties are measured at fair value, and any changes in fair value are recognised in profit or loss.

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

Investment properties are measured initially at fair value, i.e. the purchase price including directly attributable expenses associated with the purchase.

Investment properties are not depreciated.

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

INTANGIBLE ASSETS
Internally developed software and other intangible assets
Internally developed software and other intangible assets that are acquired separately or as a group are recognised at historical cost less accumulated amortisation and accumulated impairment losses. New intangible assets are capitalized only if future economic benefits associated with the asset are probable and the cost of the asset can be measured reliably.

Development expenditures (both internally and externally generated) is capitalized only if the development expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the company intends to and has sufficient resources to complete the development and to use or sell the asset.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of each intangible asset, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows

- internally developed software 5–8 years
- other intangible assets 5–10 years

The amortisation period and amortisation method are reassessed annually. The asset's carrying amount is impaired if the recoverable amount is less than the carrying amount.

TECHNICAL PROVISIONS
Technical provisions are assessed in accordance with section 12-2 in the Norwegian Insurance Act and the transitional rule in section 17-2 concer-

ning regulations pursuant to the Norwegian Insurance Activity Act. The Financial Supervisory Authority of Norway has set separate minimum requirements for the various types of provisions. These are provision for unearned premiums (premium provision), claims provision, gross, security provision and administration provision. In the premium and claims provision categories, the minimum requirements shall also be met for each line of business, and for the security provision per each line of business group.

Provision for unearned premiums

The provision for unearned premiums reflects the accrual of premiums written. The provision corresponds to the unearned portions of the premiums written. No deduction is made for any expenses before the premiums written are accrued.

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

Claims provisions for general insurance

The claims provision comprise provisions for anticipated future claims payments in respect of claims incurred, but not fully settled at the end of the accounting period. These include both claims that have been reported to the company (RBNS – reported but not settled) and those that have not yet been reported (IBNR – incurred but not reported). The provisions related to reported claims are assessed individually by the Claims Department, while the IBNR provisions are calculated based on empirical data for the time it takes from a loss or claim occurring (date of loss) until it is reported (date reported). Based on experience and the development of the portfolio, a statistical model is prepared to calculate the scope of post-reported claims. The appropriateness of the model is measured by calculating the deviation between earlier post-reported claims and post-reported claims estimated by the model.

Adequacy test

A yearly adequacy test is performed to verify that the level of the provisions is sufficient compared to the company's liabilities. Current estimates for future claims payments for the company's insurance liabilities at the reporting date, as well as related cash flows, are used to perform the test. This includes both claims incurred before the reporting date (claims provisions) and claims that will occur from the reporting date until the next annual renewal (premium provisions). Any negative discrepancy between the original provision and the liability adequacy test will entail provision for insufficient premium level.

Reinsurance assets

Reinsurers' share of insurance-related liabilities is classified as asset in the balance sheet. Reinsurers' share of provision for unearned premiums and reinsurers' share of claims provision are included in reinsurers' share of insurance-related liabilities, gross. The reinsurers' share is less expected losses on claims based on objective evidence of impairment losses.

Security provision

The premium provision and claims provision are intended to cover the company's anticipated future claims payments under the current insurance contracts. The security provision is intended to protect the company's finances against unforeseen increases in claims payments. The total of premium, claims and security provisions must, with at least 99 per cent probability, cover the company's commitments at the reporting date.

The security provision for one-year risk life insurances must exceed a statutory minimum. This is an integral part of the security provision for commercial insurances.

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and liabilities are recognised when Gjensidige Forsikring becomes a party to the instrument's contractual terms. Initial recognition is at fair value. For instruments not measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition or issuance of the financial asset or the financial liability, are included. Subsequent to initial recognition the instruments are measured as described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the company transfers the financial asset in a transaction where all or practically all the risk and rewards related to ownership of the assets are transferred.

Financial assets are classified in one of the following categories
- at fair value through profit or loss
- available for sale
- investments held to maturity
- loans and receivables
- derivatives

At fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. All financial assets and liabilities can be designated at fair value through profit or loss if
- the classification reduces a mismatch in measurement or recognition that would have arisen otherwise as a result of different rules for the measurement of assets and liabilities
- the financial assets are included in a portfolio that is measured and evaluated regularly at fair value

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

Financial assets at fair value through profit or loss are measured at fair value at the reporting date. Changes in fair value are recognised in profit or loss.

Available for sale

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

Investments held to maturity

Investments held to maturity are non-derivative financial assets with payments that are fixed or which can be determined in addition to a fixed maturity date, in which a business has intentions and ability to hold to maturity with the exception of
- those that the business designates as at fair value through profit or loss at initial recognition
- those that meet the definition of loans and receivables

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

Loans and receivables

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

Interest-free loans are issued to finance fire alarm systems within agriculture for loss prevention purposes. These loans are repaid using the discount granted on the main policy when the alarm system is installed.

Derivatives

Financial derivatives are used in the management of exposure to equities, bonds and foreign exchange in order to achieve the desired level of risk and return. The instruments are used both for trading purposes and for hedging of other balance sheet items. Trading of financial derivatives is subject to strict limitations.

All derivatives are recognised initially at fair value, with subsequently measurement at fair value when values fluctuate.

Gjensidige Forsikring uses financial derivatives, amongst other to hedge foreign currency exchanges arising from the ownership of foreign subsidiaries with other functional currency.

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

Fair value

Fair value is the amount an asset can be sold at or a liability can be settled to in a transaction carried out at arm's length distance between well-informed, willing parties. All financial instruments are recognised initially at fair value. In the normal course of business, fair value of a financial instrument on initial recognition is the transaction price. The best estimate of fair value is quoted prices in an actively traded market. Subsequent to initial recognition, the fair value of financial instruments will be measured at fair value based on quoted prices in active markets, which are based on bid prices for assets held and offer prices for liabilities issued.

When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where observable market prices exist, market transactions recently carried out at arm's length distance between well-informed and willing parties, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair value can also be determined by using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. For financial instruments where this is relevant, fair value derived is more judgemental. Non-observable market data in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would likely occur, and that the value therefore must be determine based on other information available.

Amortised cost

Subsequent to initial recognition, investments held to maturity, loans and receivables and financial liabilities that are not measured at fair value are measured at amortised cost using the effective interest method. When calculating effective interest rate, future cash flows are estimated, and all contractual terms of the financial instrument are taken into consideration. Fees paid or received between the parties in the contract and transaction costs that are directly attributable to the transaction, are included as an integral component of determining the effective interest rate.

IMPAIRMENT OF FINANCIAL ASSETS

Loans, receivables and investments held to maturity

For financial assets that are not measured at fair value, an assessment of whether there is objective evidence that there has been a reduction in the value of a financial asset or group of assets is made on each reporting date. Objective evidence might be information about credit report alerts, defaults, issuer or borrower suffering significant financial difficulties, bankruptcy or observable data indicating that there is a measurable reduction in future cash flows from a group of financial assets, even though the reduction cannot yet be linked to an individual asset.

An assessment will be made first as to whether there is objective evidence of impairment of financial assets that are individually significant. Financial assets that are not individually significant or that are assessed individually, but not impaired, will be assessed in groups with respect to impairment. Assets with similar credit risk characteristics will be grouped together.

If there is objective evidence that the asset is impaired, impairment loss will be calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original effective interest rate.

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

Available for sale

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

If a decline in fair value of an available-for-sale financial asset, compared to cost, is significant (20 per cent) or has lasted longer than nine months, the cumulative loss – measured as the difference between the historical cost and current fair value, less impairment loss on that financial asset that previously has been recognised in profit or loss - will be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

Impairment losses recognised in profit or loss are not reversed through profit or loss, but through equity.

DIVIDEND

Dividend from investments is recognised when the company has an unconditional right to receive the dividend. Dividend paid is recognised as a liability pursuant to the Norwegian Accounting Act, in accordance with the Simplified application of International Financial Reporting Standards Regulations (FOR 2008-01-21 nr 57). This means that dividend is derecognised from equity in the financial year it is provided for.

PROVISIONS
Provisions are recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that this will entail the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of an outflow of resources is remote.

Restructuring
Provisions for restructuring are recognised when the company has ap□proved a detailed and formal restructuring plan which has commenced or has been announced. Provisions are not made for future expenses attributed to the operations.

PENSIONS
Gjensidige Forsikring has both defined contribution and defined benefit plans for its employees. The defined benefit plan has been placed in a separate pension fund and is closed to new employees.

The defined contribution plan is a post-employment benefit plan under which Gjensidige Forsikring pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligatory contributions are recognised as employee benefit expenses in profit or loss when they are due.

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

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

Actuarial gains and losses related to defined benefit plan is recognised directly in equity.

TAX
Income tax expense comprises the total of the current tax and deferred tax.

Current tax
Current tax is tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred tax is determined based on differences between the carrying amount and the amounts used for taxation purposes, of assets and liabilities at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that they can be offset by future taxable income. If deferred tax arises in connection with the initial recognition of a liability or asset acquired in a transaction that is not a business combination, and it does not affect the financial or taxable profit or loss at the time of the transaction, then it will not be recognised.

Deferred tax liabilities are recognised for temporary differences resulting from investments in subsidiaries and associates, except in cases where Gjensidige Forsikring is able to control the reversal of temporary differences, and it is probable that the temporary difference will not be reversed in foreseeable future. Deferred tax assets that arise from deductible temporary differences for such investments are only recognised to the extent that it is probable that there will be sufficient taxable income to utilise the asset from the temporary difference, and they are expected to reverse in the foreseeable future.

Current and deferred tax
Current tax and deferred tax are recognised as an expense or income in the income statement, with the exception of deferred tax on items that are recognised directly in equity, where the tax is recognised directly in equity or in cases where deferred tax arises as a result of a business combination. For business combinations, deferred tax is calculated on the difference between fair value of the acquired assets and liabilities and their carrying amount. Goodwill is recognised without provision for deferred tax.

RELATED PARTY TRANSACTIONS
The provider of intra-group services, that are not considered core activities, will as a main rule, allocate its incurred net costs (all costs included) based on a Cost Contribution Arrangement as described in OECD Guidelines chapter 8 and on the basis of paragraph 13-1 in the Norwegian Tax Act.

Identified functions that are categorized as core activities will be charged out with a reasonable mark up or alternatively at market price if Comparable Uncontrolled Prices can be identified.

TRANSACTIONS WITH AFFILIATED COMPANIES
The Mutual Fire insurers receive commission payments for performing a number of functions on behalf of Gjensidige Forsikring. These payments are offset for those services that Gjensidige Forsikring provides for the Mutual Fire insurers. Due to the fire policy reinsurance plan, Gjensidige Forsikring also manages assets on behalf of the Mutual Fire insurers who are credited interest for interest earned.

NOTE 2 – USE OF ESTIMATES

The preparation of the financial statements under the Norwegian Accounting Act and the Norwegian Financial Reporting Regulations for Insurance Companies, and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. The estimates and associated prerequisites are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

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

INVESTMENT PROPERTIES

Fair value is based on market prices and generally accepted valuation models where there are no market prices. A key parameter of the valuation is the long-term required rate of return for the individual property. A further description of the real estate price risk and a sensitivity analysis of investment properties are given in note 8. The carrying amount of investment properties as at 31 December 2008 was NOK 1,170.7 million (NOK 2,011.1 million as at 31 December 2007). See note 8.

EQUIPMENT, OWNER-OCCUPIED PROPERTY AND INTANGIBLE ASSETS

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

The carrying amount of equipment as at 31 December 2008 (2007) was NOK 247.9 million (301.5), of owner-occupied property was NOK 190.7 million (904.8) and of other intangible assets was NOK 221.5 million (285.0). See notes 5 and 7.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

IMPAIRMENT OF FINANCIAL ASSETS

For financial assets that are not measured at fair value, it is assessed whether there is objective evidence that there has been a reduction in the value of a financial asset or a group of financial assets on each balance sheet date. The carrying amount of loans and other receivables as at 31 December 2008 was NOK 384.6 million (NOK 447.0 million as at 31 December 2007). See note 11.

ACTUARIAL PROVISIONS

Use of estimates in calculation of technical provisions is primary applicable to claims provisions. Insurance products are divided in general into two main categories; lines with short or long settlement periods. The settlement period is defined as the length of time that passes after a loss or injury occurs (date of loss) until the claim is reported and then paid and settled. Short-tail lines are e.g. property insurance, while long-tail lines primarily involve insurances of the person. The uncertainty in short-tail lines of business is linked primarily to the size of the loss.

For long-tail lines, the risk is linked to the fact that the ultimate claim costs must be estimated based on experience and empirical data. For certain lines within insurances of the person, it may take 10-15 years before all the claims that occurred in a calendar year are reported to the company. In addition, there will be many instances where information reported in a claim is inadequate to calculate a correct provision. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party's future work capacity etc. Many personal injury claims are tried in the court system, and over time the level of compensation for such claims has increased. This will also be of consequence to claims that occurred in prior years and have not yet been settled. The risk linked to provisions for lines related to insurances of the person is thus affected by external conditions. To reduce this risk, the company calculates its claims liability based on various methods and follows up that the registered provisions linked to ongoing claims cases are updated at all times based on the current calculation rules.

The carrying amount of the claims provision, gross as at 31 December 2008 was NOK 18,343.4 million (NOK 17,618.0 million as at 31 December 2007). See note 3 and 14.

PENSIONS

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

The carrying amount of the pension liabilities as at 31 December 2008 was NOK 1,301.3 million (NOK 1,123.4 million as at 31 December 2007). See note 15.

A one per cent change in the discount rate and expected salary growth would change the pension benefits accrued during the year and pension liability in the following manner:

SENSITIVITY	+1 % discount rate	-1% discount rate	+1 % salary adjustment	-1 % salary adjustment
2008				
Change in pension benefits accrued during the year	(19 %)	25 %	20 %	(16 %)
Change in pension liability	(12 %)	17 %	10 %	(6 %)
2007				
Change in pension benefits accrued during the year	(20 %)	27 %	22 %	(17 %)
Change in pension liability	(14 %)	18 %	9 %	(7 %)

NOTE 3 – MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

For information about insurance risk and financial risk please refer to note 3 in the notes to the consolidated financial statements, that covers both Gjensidige Forsikring BA and the Gjensidige Insurance Group.

NOTE 4 – PREMIUMS AND CLAIMS ETC. IN GENERAL INSURANCE

For segment information according to IFRS 8 please refer to note 4 in the consolidated financial statements, where Gjensidige Forsikring constitutes the two segments general insurance Private Norway and general insurance Commercial Norway. The information below is worked out based on the requirements in the Norwegian Financial Reporting Regulations for Insurance Companies.

PRIVATE INSURANCES

NOK million	Comprehensive (incl. fire)	Motor	Of which third party liability	Of which other classes	Small craft and pleasure craft	Accident	Travel	Other private	Total private
Underwriting result									
Gross premiums written	1,523.2	3,836.6	1,649.7	2,186.9	196.1	488.6	364.0	116.1	6,524.6
Gross premiums earned	1,533.0	3,882.6	1,677.3	2,205.3	196,2	468.2	359.6	112.4	6,552.0
Gross claims incurred	(1,204.6)	(2,813.7)	(1,238.0)	(1,575.7)	(135.3)	(319.6)	(267.2)	(87.0)	(4,827.4)
Operating expenses gross	(268.5)	(676.0)	(292.0)	(384.0)	(32.6)	(145.1)	(98.8)	(34.8)	(1,255.9)
Underwriting result	**59.9**	**392.9**	**147.2**	**245.7**	**28.3**	**3.5**	**(6.4)**	**(9.4)**	**468.7**
Gross claims incurred									
Incurred during the year	(1,147.7)	(2,912.3)	(1,317.0)	(1,595.3)	(126.1)	(346.6)	(265.6)	(87.8)	(4,886.1)
Incurred previous years	(56.9)	98.6	78.9	19.7	(9.2)	27.0	(1.6)	0.8	58,7
Gross claims incurred	**(1,204.6)**	**(2,813.7)**	**(1,238.0)**	**(1,575.7)**	**(135.3)**	**(319.6)**	**(267.2)**	**(87.0)**	**(4,827.4)**
Technical provisions									
Provision for unearned premiums, gross	731.2	1,831.0	787.3	1,043.7	81.5	178.3	166.3	58.0	3,046.3
Claims provision, gross	778.6	4,034.5	3,582.6	451.9	50.9	1,249.4	133.1	17.2	6,263.7
FSAN [1] gross loss liablitity	*640.9*	*2,833.6*			*49.6*	*998.2*	*102.7*	*15.8*	*4,640.8*

COMMERCIAL INSURANCES

NOK million	Comprehensive - industrial risks	Comprehensive - other comm. risks	Motor	Of which third party liability	Of which other classes	General liability	Workers' pension	Collective accident and health	Livestock	Aquaculture	Cargo	Other comm. - non-marine	One-year risk life insurance	Total comm. - non-marine
Underwriting result														
Gross premiums written	890.1	1,033.8	678.4	206.9	471.5	284.4	744.4	477.8	74.7	61.9	72.9	14.9	1,510.3	5,843.6
Gross premiums earned	895.9	1,041.4	666.9	207.4	459.5	287.0	763.0	470.2	72.1	64.0	73.7	15.3	1,533.0	5,882.5
Gross claims incurred	(861.4)	(681.0)	(558.2)	(178.6)	(379.6)	(269.0)	(681.8)	(302.5)	(102.9)	(103.8)	(24.6)	35.2	(963.4)	(4,513.4)
Operating expenses gross	(144.3)	(167.7)	(134.1)	(41.7)	(92.4)	(79.8)	(102.6)	(73.3)	(21.7)	(15.4)	(17.7)	(2.7)	(238.9)	(998.0)
Underwriting result	**(109.8)**	**192.7**	**(25.4)**	**(12.9)**	**(12.5)**	**(61.8)**	**(21.4)**	**94.4**	**(52.5)**	**(55.2)**	**31.4**	**47.8**	**330.7**	**371.1**
Gross claims incurred														
Incurred during the year	(836.0)	(731.9)	(545.8)	(174.7)	(371.1)	(251.6)	(703.5)	(379.4)	(96.8)	(89.8)	(35.9)	(8.4)	(1,084.1)	(4,763.2)
Incurred previous years	(25.4)	50.9	(12.4)	(3.9)	(8.5)	(17.4)	21.7	76.9	(6.1)	(14.0)	11.3	43.6	120.7	249.8
Gross claims incurred	**(861.4)**	**(681.0)**	**(558.2)**	**(178.6)**	**(379.6)**	**(269.0)**	**(681.8)**	**(302.5)**	**(102.9)**	**(103.8)**	**(24.6)**	**35.2**	**(963.4)**	**(4,513.4)**
Technical provisions														
Provision for unearned premiums, gross	344.4	469.4	325.9	99.4	226.5	112.0	215.8	77.7	33.8	6.1	16.0	1.6	522.3	2,125.0
Claims provision, gross	688.7	669.7	802.4	693.3	109.1	478.3	4,309.5	2,222.0	68.2	36.1	53.3	43.6	1,960.0	11,331.8
FSAN [1] gross loss liablitity	*683.6*	*590.0*	*473.5*			*475.2*	*4,134.4*	*2,002.6*	*36.7*	*14.6*	*14.4*	*43.6*	*1,960.0*	*10,428.6*

[1] The Financial Supervisory Authority of Norway.

NOTE 4 - PREMIUMS AND CLAIMS ETC. IN GENERAL INSURANCE (CONT.)

NOK million	MARINE AND ENERGY INSURANCES Blue water hull	Coastal hull	Energy	Total marine and energy insurances	INWARD REINSURANCE Proportional	Non proportional	Total inward reinsurance	OTHER Pool arrangements	Total Gjensidige Forsikring
Underwriting result									
Gross premiums written		341.0		341.0	5.1	115.2	120.3	301.1	13,130.6
Gross premiums earned		328.0		328.0	5.1	113.3	118.4	298.3	13,179.2
Gross claims incurred	(1.7)	(358.1)	(2.5)	(362.3)	(2.4)	(44.4)	(46.8)	(88.1)	(9,838.0)
Operating expenses gross		(75.7)	(0.6)	(76.3)	(0.6)	(3.5)	(4.1)		(2,334.3)
Underwriting result	(1.7)	(105.8)	(3.1)	(110.6)	2.0	65.4	67.5	210.2	1,006.8
Gross claims incurred									
Incurred during the year		(309.9)		(309.9)		(46.8)	(46.8)	(91.7)	(10,097.7)
Incurred previous years	(1.7)	(48.2)	(2.5)	(52.4)	(2.4)	2.4		3.6	259.7
Gross claims incurred	(1.7)	(358.1)	(2.5)	(362.3)	(2.4)	(44.4)	(46.8)	(88.1)	(9,838.0)
Technical provisions									
Provision for unearned premiums, gross		68.4		68.4		0.3	0.3	128.6	5,368.6
Claims provision, gross	29.0	339.1	79.6	447.7		157.2	157.2	143.0	18,343.4
FSAN [1] gross loss liablitity	*12.4*	*152.0*	*56.2*	*220.6*		*157.2*	*157.2*	*143.0*	*15,590.2*
Security provision									2,462.2
FSAN [1] minimum requirement									*2,462.2*

NOK million	PROVISION FOR UNEARNED PREMIUMS Gross	Net of reinsurance	CLAIMS PROVISION Gross	Net of reinsurance
Pool arrangements				
Norwegian Natural perils fund	128.6	128.6	74.6	74.6
Norwegian Occupational Injury Insurers' Bureau			38.6	38.6
Norwegian Motor Insurers' Bureau			24.2	24.2
Norwegian Pharmapool			5.5	5.5
Total pool arrangements	**128.6**	**128.6**	**143.0**	**143.0**

NOTE 5 – INTANGIBLE ASSETS

NOK million	Internally developed software	Other intangible assets	Total
Cost			
As at 1 January 2007	196.2	881.2	1,077.4
Addition internally developed	68.0		68.0
Disposal	(5.3)		(5.3)
As at 31 December 2007	**258.9**	**881.2**	**1,140.1**
Amortisation and impairment losses			
As at 1 January 2007	12.5	(775.3)	(762.8)
Amortisation for the year	(42.0)	(52.2)	(94.2)
Disposal	1.8		1.8
As at 31 December 2007	**(27.7)**	**(827.5)**	**(855.2)**
Carrying amount			
As at 1 January 2007	208.6	105.9	314.6
As at 31 December 2007	**231.2**	**53.7**	**285.0**
Cost			
As at 1 January 2008	258.9	881.2	1,140.1
Reclassifications	49.2		49.2
Addition internally developed	72.7		72.7
Disposal	(94.7)		(94.7)
As at 31 December 2008	**286.0**	**881.2**	**1,167.2**
Amortisation and impairment losses			
As at 1 January 2008	(27.7)	(827.5)	(855.2)
Reclassifications	(27.2)		(27.2)
Amortisation for the year	(62.0)	(36.9)	(98.8)
Disposal	35.6		35.6
As at 31 December 2008	**(81.3)**	**(864.4)**	**(945.7)**
Carrying amount			
As at 1 January 2008	231.2	53.7	285.0
As at 31 December 2008	**204.7**	**16.8**	**221.5**
Amortisation method	Linear	Linear	
Useful life (year)	5-8	5-10	

Internally developed software is developed for use in the insurance business. External and internally assistance regarding development work in connection with implementation or significant upgrade of software, including adjustment of standard systems, are capitalised as intangible assets. Amortisation is included in *Insurance-related administrative expenses including commission for received reinsurance and sales expenses.*

Other intangible assets are mainly acquired insurance portfolios, and the amortisation period is based on the expected time horizon for withdrawal of synergy effects, and the insurance portfolios' future income. None of the intangible assets have indefinite useful life. No impairment losses are recognised on intangible assets in 2008.

NOTE 6 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

SUBSIDIARIES NOK million	Registered office	Interest held	Cost	Profit / (loss) [1]	Carrying amount 31.12.08	Carrying amount 31.12.07
Fair Financial Ireland Limited	København	100 %	231.6	(12.0)	223.8	193.6
Fair Forsikring AS	København	100 %	2,668.7	(5.3)	3,214.9	2,633.4
Gjensidige Bank Holding AS	Førde	100 %	1,088.1	(60.6)	842.5	625.5
Gjensidige NOR Forsikring Eiendom AS	Oslo	100 %	0.1		0.3	0.3
Gjensidige Norge AS	Oslo	100 %	195.7	0.3	7.1	7.0
Gjensidige Pensjon og Sparing Holding AS	Oslo	100 %	595.5	(99.3)	390.2	298.9
Glitne Invest AS	Oslo	100 %	340.1	1,015.3	359.6	410.1
Oslo Areal AS	Oslo	100 %	4,403.1	(196.0)	4,261.7	3,854.9
Gjensidige Baltic	Riga	100 %	351.5	26.3	445.6	202.9
Samtrygd Eigedom AS	Førde	100 %	5.9	(0.1)	5.0	2.4
Storgata 90 AS (Sold in 2008)	Tromsø	100 %	15.7			0.1
Strandtorget Drift AS	Oslo	100 %	0.1		0.2	0.2
Strandtorget Eiendom AS	Oslo	100 %	0.1		0.1	0.1
Gjensidige Sverige AB	Stockholm	100 %	568.3	(15.5)	548.0	537.0
Internal eliminations				(16.9)		
Total shares in subsidiaries			**10,464.6**	**636.1**	**10,299.2**	**8,766.5**

[1] 1 Including the subsidiaries' profit / (loss) and amortisation of excess values, excl. internal gains.

ASSOCIATES NOK million	Registered office	Interest held	Listed value 31.12.08	Cost	For the whole company Assets	For the whole company Liabilities	For the whole company Income	Profit / (loss)	Carrying amount 31.12.08	Carrying amount 31.12.07
Storebrand ASA	Oslo	24.3 %	1,833.4	2,566.8	372,636.4	356,478.3	11,331.7	182.6	2,660.6	
Bilskadeinstituttet AS	Oslo	29.5 %	I/A	0.2	5.3	0.5	1.6	0.1	1.4	1.3
Forsikring og Finans Sandnes AS	Sandnes	34 %	I/A		0.3				0.1	0.1
Forsikringskontoret Johansen og Torkelsen AS	Sandnes	34 %	I/A		0.5				0.2	0.2
Fossmark Assuranse AS	Stavanger	34 %	I/A		0.2				0.1	0.1
Vervet AS including subordinated loan [2]	Tromsø	25 %	I/A	30.0	104.0	97.0	0.7	(28.5)	0.3	28.3
Total shares and receivables in associates				**2,597.1**	**372,746.8**	**356,575.8**	**11,334.0**	**154.2**	**2,662.6**	**30.0**

[2] Subordinated loan of NOK 24 million is included in cost.

Total shares and receivables in subsidiaries and associates	790.3	12.961.8	8.796.5

Equity movement in subsidiaries	
Equity as at 31. December 2007	8,614.5
Change in accounting policy [3]	152.0
Equity as at 1 January 2008	**8,766.5**
Group contribution / dividend paid (Specification in note 24)	147.3
Group contribution net of tax / dividend received (Specification in note 24)	(1,289.9)
Reversal of internal eliminations	16.9
Profit for the year	636.1
New share capital	1,319.2
Tax on equity items	1.9
Actuarial gains and losses on pension	(8.0)
Foreign currency difference excluding hedge accounting	709.4
Equity in subsidiaries as at 31 December 2008	**10,299.2**

[3] Mainly reversal of amortisation of goodwill.

Equity movement in associates	
Equity as at 1 January 2008	30.0
Reclassification from assets available for sale	2,566.8
Profit for the year	154.2
New share capital	0.3
Sold companies	0.3
Other equity changes	(6.9)
Actuarial gains and losses on pension	(112.5)
Foreign currency difference	30.6
Share of equity in associates as at 31 December 2008	**2,662.6**

For all investments voting rights is equal to interest held.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

NOK million	Owner-occupied property	Plant and equipment [1]	Total
Cost			
As at 1 January 2007	2,793.4	657.6	3,451.0
Transferred to investment property	(1,655.0)		(1,655.0)
Addition	24.6	147.5	172.1
Disposal	(11.0)	(15.6)	(26.6)
As at 31 December 2007	**1,152.0**	**789.5**	**1,941.5**
Uncompleted projects		70.1	70.1
As at 31 December 2007, including uncompleted projects	**1,152.0**	**859.6**	**2,011.6**
Depreciation and impairment losses			
As at 1 January 2007	(443.8)	(468.8)	(912.6)
Transferred to investment property	236.3		236.3
Depreciation for the year	(43.7)	(99.5)	(143.2)
Disposal	4.0	10.2	14.2
As at 31 December 2007	**(247.2)**	**(558.1)**	**(805.3)**
Carrying amount			
As at 1 January 2007	2,349.6	210.3[2]	2,559.9
As at 31 December 2007	**904.8**	**301.5**	**1,206.3**
Cost			
As at 1 January 2008	1,152.0	789.5	1,941.5
Reclassifications		(49.2)	(49.2)
Transferred to investment property	(88.6)		(88.6)
Addition	28.3	166.8	195.1
Disposal	(848.7)	(407.2)	(1,255.9)
As at 31 December 2008	**243.0**	**499.9**	**742.9**
Uncompleted projects		66.4	66.4
As at 31 December 2008, including uncompleted projects	**243.0**	**566.3**	**809.3**
Depreciation and impairment losses			
As at 1 January 2008	(247.2)	(558.1)	(805.3)
Reclassifications		27.2	27.2
Transferred to investment property	22.4		22.4
Depreciation for the year	(15.2)	(74.8)	(90.0)
Disposal	187.7	287.2	474.8
As at 31 December 2008	**(52.3)**	**(318.4)**	**(370.8)**
Carrying amount			
As at 1 January 2008	904.8	301.5	1,206.3
As at 31 December 2008	**190.7**	**247.9**	**438.6**

[1] Plant and equipment consists mainly of machinery, vehicles, fixtures and furniture.
[2] Includes uncompleted projects of NOK 21.5 million.

Each component of property, plant and equipment are depreciated using the straight-line method over estimated useful life. Land is not depreciated. Estimated useful life for the period and comparable periods are between ten and 50 years for property, with technical installations having the highest depreciation rate, and between three and ten years for plant and equipment.

There are no restrictions on property, plant and equipment. Property, plant and equipment are not pledged as security for liabilities.

The market value of owner-occupied property exceeds the carrying amount as shown below. For plant and equipment there is no material difference between the carrying amount and the market value. Some equipment, such as furniture, is fully depreciated but still in use.

NOK million	2008	2007
Market value of owner-occupied property	229,2	1 625,5
Carrying amount of owner-occupied property	190,7	904,8
Surplus	**38,6**	**720,7**

NOTE 8 – INVESTMENT PROPERTIES

NOK million	2008	2007
Income statement		
Rental income from investment properties	118.7	119.5
Other income from investment properties	2.1	1.9
Direct costs from investment properties generating rental income during the period	(29.1)	(28.3)
Total	**91.7**	**93.1**
Change in fair value	(231.0)	146.0
Total income from investment properties	**(139.4)**	**239.1**
Balance sheet		
As at 1 January	2,011.1	1,834.1
Addition, subsequent costs and capital improvements	87.8	66.6
Disposal	(767.5)	(35.5)
Change in fair value	(231.0)	146.0
Transfer to / (from) owner-occupied property	70.3	
As at 31 December	**1,170.7**	**2,011.1**

Gjensidige Forsikring uses fair value for their investment properties. Investment properties consist of commercial properties that are rented to tenants outside the Group, or are aquired in accordance with the company's capital management strategy. Properties used by Group companies are classified as owner-occupied property (note 7). In properties that are both rented to tenants outside the Group and that are used by the Group's own business, the parts held for rent that can be sectioned are classified as investment property.

Gjensidige Forsikring owns no investment properties outside of Norway. The average rental period is 4.8 years, and the portfolio of investment properties includes offices, shopping centres and education buildings. In 2007 all investment properties were valued by external advisors. In 2008 the Gjensidige Forsikring's own valuation model has been used both in the quarterly statements and at year end. In addition, two independent external advisors were brought in to value selected parts of the portfolio at year end, thus ensuring that more than 90 per cent of the carrying amount has been benchmarked against one or two externally assessed values.

Gjensidige Forsikring's valuation model values each property separately. The most important inputs are yield, market rent, contractual rent, potentially vacant premises and the properties' long-term normalised operating costs. Yield is determined based on a normal required rate of return adjusted for the location of the property, type, technical standard and the contracts. The normal required rate of return is determined from the required rate of return that can be derived from transactions in the market, and expectations of interest level and risk adjustment. The market rent is determined from existing contracts on the propery and comparable properties, observations from contractual negotiations, requests for offers and information from realtors on recently signed contracts on comparable properties.

Based on market rent, contractual rent, potentially vacant premises and the long-term normalised operating costs, an annual net rent is calculated and discounted by the required rate of return in order to determine the fair value of the property. In addition corrections are made when the need for upgrades is considerable or there are planned reconstructions or rehabilitations.

For 2008 the following parameters have been used in the valuation of investment property, which yield the following average value per square meter

NOK	Yield	Average marked rent	Average contractual rent	Average value per sqm
Combined portfolio	6.69 %	1,242.0	1,185.0	16,455.0

The adoption of the above parameters implies a significant level of judgement. Emphasis is put on this judgement being consistent with that observed in the market and that the judgement is applied consistently from period to period.

The table below shows how the sensitivity of the yield and the market rent affects the value of the portfolio, as it stands at 31 December 2008:

NOK million	Market rent reduced by 10 %	Market rent as at 31.12.08	Market rent increased by 10 %
Yield increases by 0.25%	1,259.3	1,350.2	1,441.1
Yield 6,69%	1,304.1	1,400.0	1,495.4
Yield decreases by 0.25%	1,352.4	1,453.6	1,554.8

There are no restrictions with regard to the sale of the investment properties or how income and cash flows generated by the investment properties can be used. There are no contractual obligations to buy, build or develop investment properties.

Gjensidige Forsikring has no investment properties for leasing or classified as available for sale.

There are no loans with collateral in investment properties in 2007 or 2008.

NOTE 9 – FINANCIAL ASSETS

NOK million	2008	2007
Financial derivatives (Note 10)	222.4	278.5
Financial assets at fair value through profit or loss, initial recognition	14,144.9	16,985.6
Financial assets held to maturity	13,127.6	8,830.7
Loans and receivables (Note 11)	384.6	447.0
Financial assets available for sale		2,765.9
Total financial assets	**27,879.4**	**29,307.8**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equity securities		
- Listed	872.9	4,760.7
- Unlisted	1,592.0	1,861.7
Total equity securities	**2,465.0**	**6,622.4**
Debt securities		
- Listed	9,919.6	4,640.7
- Unlisted	1,760.3	5,722.4
Total debt securities	**11,679.9**	**10,363.2**
Total financial assets at fair value through profit or loss	**14,144.9**	**16,985.6**
FINANCIAL ASSETS HELD TO MATURITY		
Debt securities - fixed interest rate		
- Listed	10,104.2	7,151.8
- Unlisted	3,023.4	1,678.9
Total debt securities - fixed interest rate	**13,127.6**	**8,830.7**
Total financial assets held to maturity	**13,127.6**	**8,830.7**
FINANCIAL ASSETS AVAILABLE FOR SALE		
Equity securities		
- Listed		2,765.9
Total equity securities		**2,765.9**
Total financial assets available for sale		**2,765.9**

All financial assets measured at fair value through profit and loss have been included in the original classification since initial recognition.

Gain or loss on financial assets held to maturity is recognised in profit or loss through the amortisation process, when the financial asset is derecognised, or if it is impaired.

Financial assets held to maturity are not recognised in the balance sheet at fair value. The fair value of assets held to maturity is NOK 13,728.8 million in 2008 and NOK 8,851.0 million in 2007.

NOK million	Held to maturity	Available for sale	At fair value through profit or loss	Total
As at 1 January 2007	7,487.3	2,434.1	19,579.7	29,501.1
Foreign currency differences on monetary assets			(13.3)	(13.3)
Addition	2,722.6	1,123.1		3,845.7
Disposal (sale and redemption)	(1,352.0)	(455.1)	(1,831.6)	(3,638.7)
Fair value net gain (excluding net realised gain)			156.3	156.3
Impairment				
- Debt securities - listed			(72.7)	(72.7)
- Debt securities - unlisted	(27.2)		(1.7)	(28.9)
- Equity securities - listed		(336.2)	(831.2)	(1,167.3)
As at 31 december 2007	**8,830.7**	**2,765.9**	**16,985.6**	**28,582.3**
As at 1 January 2008	8,830.7	2,765.9	16,985.6	28,582.3
Foreign currency differences on monetary assets	82.6		844.7	927.3
Addition	5,589.0	1,546.8	35,299.8	42,435.7
Disposal (sale and redemption)	(1,374.8)		(37,589.2)	(38,964.0)
Transferred to associates		(2,701.9)		(2,701.9)
Fair value net gain (excluding net realised gain)			(1,210.4)	(1,210.4)
Impairment				
- Equity securities - listed		(1,610.9)		(1,610.9)
- Equity securities - unlisted			(185.6)	(185.6)
As at 31 december 2008	**13,127.6**		**14,144.9**	**27,272.5**

NOTE 9 – FINANCIAL ASSETS (CONT.)

FAIR VALUE

Fair value is the amount an asset can be sold at or a liability can be settled to in a transaction carried out at arm's length distance between well-informed, willing parties. All financial instruments are recognised initially at fair value. In the normal course of business, fair value of a financial instrument on initial recognition is the transaction price. The best estimate of fair value is quoted prices in an actively traded market. Subsequent to initial recognition, the fair value of financial instruments will be measured at fair value based on quoted prices in active markets, which are based on bid prices for assets held and offer prices for liabilities issued.

When independent prices are not available, fair value is determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where observable market prices exist, market transactions recently carried out at arm's length distance between well-informed and willing parties, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair value can also be determined by using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. For financial instruments where this is relevant, fair value derived is more judgemental. Non-observable market data in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would likely occur, and that the value therefore must be determine based on other information available.

For unlisted debt instruments, valuations are based on contractual cash flows, observable yield curves and estimated credit spreads for the relevant issues. For private equity investments, the valuations are carried out by the managers, according to Equity Venture Capital Association (EVCA) principles, implying that actual earnings and book equity figures are applied to observable pricing multiples with a discount. Due to late reporting, the values are being set based on last quarters valuations. The values are therefore adjusted with objective events in the individually funds since the last reporting date. In case of significant market changes, one-time effects are considered made, on basis of market analyses. The major decline in market values following the financial crisis has caused Gjensidige to make an impairment loss of the private equity portfolio of NOK 143.8 million in the fourth quarter, corresponding to 16.8 per cent. This decision involves a high degree of judgement. For hedgefunds, the net asset value for each fund is provided by independent administrators.

VALUATION HIERARCHY

The valuation of financial instruments is preferentially carried out in accordance with quoted prices in active markets. A financial instrument is considered quoted in an active market if quoted prices are easily and regularly available from an exchange, a dealer, a broker, an industry group, a pricing service or a regulatory authority, and these prices represent actual and regularly occuring transactions at arm's length distance. Such pricing is categorised as level 1 in the valuation hierarchy.

Quoted prices in an active market are not always available for all financial instruments. In cases where there are no available market prices in active markets, the valuation of instruments is primarily attempted through valuation techniques based on observable input and / or approximately similar financial instruments / «products». Such pricing is categorised as level 2 in the valuation hierarchy.

If pricing in accordance with level 1 and 2 is not possible, valuation teqniques based on non-observable information are applied. This is classified as level 3 in the valuation hierarchy.

Compared to 2007, the uncertainty associated with valuation is greater for assets valuated based on non-observable assumptions. These securities are discussed in detail below, with reference to class of security and valuation method.

BONDS HELD TO MATURITY

Bonds held to maturity were traded in active markets at the time of acquisition. The Norwegian bonds are successively rarely traded in the second-hand market, and quotes are thus not available in active markets. Bonds held to maturity are measured at amortised cost using the effective interest method in the financial statements. The market value of bonds held to maturity is subject to fluctuations, but when coupon and face value are paid according to contract, the default risk of the counterparty is considered to be immaterial / non-existing.

Bonds held to maturity are valued at fair value in the valuation hierarchy, and thus not reconcilable with carrying amount at the reporting date.

VALUATION METHODS

Certificates and bonds

The main part of the Norwegian interest securities are issued by the Norwegian government or by Norwegian financial institutions. Norwegian government bonds are priced according to quoted prices in active markets, and thus classified as level 1. Securities issued by Norwegian financial institutions are priced through one of two valuation methods; «discounted margin» and «theoretical price». Both methods are valuation techniques based on observable information, and are classified as level 2. Securities with floating interest rate issued by Norwegian financial institutions are priced using «discounted margin» while Norwegian fixed-interest securities are priced using «theoretical price».

All listed foreign bonds are priced using quotes from Bloomberg. Unlisted foreign bonds are externally valuated on request.
Foreign bonds are primarily categorised as level 2.

Private equity

Private equity funds are classified as level 3 in the valuation hierarchy.

NOTE 9 – FINANCIAL ASSETS (CONT.)

DEVELOPMENT FROM 2007 TO 2008

Level 1

The interest share in Storebrand is reclassified from available for sale to associates, and is not included in the 2008 table.

Level 2

The holdings of bonds held to maturity has increased, mainly by Norwegian bonds which are theoretically priced through yield curves and credit spreads.

Level 3

The change in level 3 is due to increased investments in private equity and real estate funds.

VALUATION HIERARCHY NOK million	LEVEL 1 Quoted prices in active markets	LEVEL 2 Valuation technique based on observable market data	LEVEL 3 Valuation technique based on non-observable market data	Total
2008				
Financial derivatives	30.0	(481.8)		(451.8)
Financial assets at fair value through profit or loss	2,856.7	10,178.0	1,220.6	14,255.3
Financial assets held to maturity	1,283.6	12,445.2		13,728.8
Loans and receivables			384.6	384.6
Total	**4,170.3**	**22,141.4**	**1,605.2**	**27,916.8**
2007				
Financial derivatives		315.7		315.7
Financial assets at fair value through profit or loss	2,834.1	13,088.7	1,125.4	17,048.3
Financial assets held to maturity	1,245.2	7,605.9		8,851.0
Loans and receivables			471.0	471.0
Financial assets available for sale	2,765.9			2,765.9
Total	**6,845.3**	**21,010.3**	**1,596.5**	**29,452.0**

Tables include earned, not received interest on the respective instruments.

NOK million		Sensitivity of level 3 investments 2008
Private equity	Decrease in value 20 %	(134.0)
Real estate funds	Decrease in value 12 % including gearing in the funds	(55.3)
Loans and receivables	Amortised cost	N/A
Total		**(189.4)**

NOTE 10 - FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

NOK million	Principal 31.12.08	Principal average 2008	Market value 31.12.08 Asset	Market value 31.12.08 Liability	Of this market value hedge 31.12.08 Asset	Of this market value hedge 31.12.08 Liability	Principal 31.12.07	Principal average 2007	Market value 31.12.07 Asset	Market value 31.12.07 Liability
Interest-related contracts										
Forward contracts	13,000.0	42,587.1	43.4	(13.4)			47,000.0	45,754.5	13.1	(13.6)
Interest rate futures	1,585.4	1,194.5								
Interest rate options										
Interest rate swaps	752.1	2,366.9	51.7	(59.1)			4,750.0	5,741.7	(8.1)	(1.0)
Currency-related contracts										
Forward contracts	9,997.3	14,760.1	123.1	(596.5)		(151.4)	18,348.1	14,077.3	272.6	(25.1)
Currency options	25.0	66.3	4.1	(5.1)			156.2	92.1	0.9	
Equity-related contracts										
Equity options		508.4					1,030.6	2,079.9		
Equity contracts		36.2								
Equity futures		308.0					399.6	671.0		
Total derivatives	**25,359.8**	**61,827.5**	**222.4**	**(674.1)**		**(151.4)**	**71,684.5**	**68,416.5**	**278.5**	**(39.6)**

Derivatives are used in accordance with «Regulations on General Insurance Companies' Asset Management» in order to improve the efficiency of capital management and risk management.

The principal volume of derivatives is a gross quantity, and is a measure of the extent of derivatives within the different categories of contracts. The principal average is the average gross principal volume throughout the year. The market value of assets and liabilities state the carrying amount of derivatives as at 31 December 2008.

In each asset class the individual asset managers use appropriate derivatives, and most of the financial derivatives mentioned below are used regularly. The use of derivatives is restricted by the agreement with the individual manager, and requirements are made for approved product lists and sufficient expertise and systems on the part of the manager. Short positions (undertakings to sell securities that the company does not already own, or to purchase securities without having sufficient liquid funds to complete the transaction) are normally not permitted. The manager in each asset class may never expose the company to a greater amount than specified in the management mandate.

The company's overall foreign exchange risk is hedged almost entirely using currency futures. The overall level of risk in the equity portfolio was reduced during the year by buying options on broad indices rather than buying shares. Financial derivates that constitute a part of hedge funds are not included in the note.

Interest-related contracts consist mainly of

- Interest rate swaps, which are agreements to exchange interest terms on nominal amounts with customers or banks.
- Forward rate agreements, which are agreements that set an interest rate on a nominal amount for a future period.
- Interest rate futures (IRF), which are agreements that secure the buyer a particular interest rate on an amount for a future period.
- Bond options, which are agreements giving the right / obligation to purchase or sell bonds at a particular price at or before a future date.
- Bond futures, which are agreements to purchase or sell bonds at a particular price at a future date.

Currency-related contracts consist mainly of

- Currency futures, which are agreements to purchase or sell a particular amount of currency at a specified exchange rate at a future date.
- Currency swaps, which are agreements with banks to swap certain amounts of different currencies at a specified exchange rate and to pay interest on these amounts for an agreed period.
- Currency options, which are agreements giving the right / obligation to purchase or sell currency at a specified exchange rate at a future date.

Equity-related contracts consist mainly of

- Equity options, which are agreements giving the right / obligation to buy or sell equities at a certain price at or before a future date.
- Equity swaps, which are agreements to swap equities at a certain price at a future date.
- Equity futures, which are agreements to buy or sell equities at a certain price at a future date.

Commodity-related contracts consist mainly of

- Commodity options, which are agreements giving the right / obligation to buy or sell commodity futures at a certain price at or before a future date.

These transactions are carried out mainly with banks as counterparties. The credit risk from these activities is considered to be marginal. Both interest- related and currency-related transactions are conducted within established position limits.

Hedge accounting

Gjensidige Forsikring BA utilizes fair value hedging of the net exposure to foreign currency. The hedging efficiency is measured per hedging object. The hedging derivatives are rolled over continously so that the principal value is approximately similar to that of the hedged object.

NOTE 10 - FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING (CONT.)

NOK million	Principal 31.12.08	Market value 31.12.08 Asset	Market value 31.12.08 Liability	Inefficiency recognised in profit or loss
Forward contracts	3,180.9		(151.4)	(1.3)
Hedged object	3,202.0	3,202.0		

	2nd q.	3rd q.	4th q.
Hedging efficiency - prospective	99.0 % - 101.0 %	99,0 % - 101.0 %	94.9 %
Hedging efficiency - retrospective	94.9 %	100.8 %	100.1 %

Gjensidige Forsikring BA initiated hedge accounting of the currency exposure of the investment in the fully owned subsidiary Fair Forsikring A/S on 10 April 2008. The net investment is hedged through swap contracts that are renewed every quarter with an amount equivalent to the value of the investment in Fair Forsikring in Gjensidige's consolidated financial statements. The credit risk associated with the hedging derivatives are within the limits of Gjensidige's credit policy.

The effect of the hedge accounting is a loss on the hedging derivatives of NOK 590.2 million, which is recognised in translation difference on the net investment.

NOTE 11 - LOANS AND RECEIVABLES

LOANS AND RECEIVABLES

NOK million	2008	2007
Mortgage loans	4.9	5.7
Other loans	444.6	525.4
Impairment to fair value	(59.8)	(81.1)
Subordinated loan	1.3	1.4
Povision for bad debts with objective evidence at 31 December	(6.4)	(4.4)
Total loans and receivables	**384.6**	**447.0**

Other loans are primarily interest-free loans to agricultural customers. The loans are in their entirety intended for installment of fire detection systems with these customers. There is no mortgage attached to the loans, and the terms varies from three years to over 20 years. Gjensidige Forsikring has not offered this type of loan to its customers in 2008. The default rate is 1.13 per cent at year end 2008, compared to 0.88 per cent in 2007.

In previous financial statements for Gjensidige Forsikring the interest-free loans to agricultural customers have been considered in accordance with «Regulations on Loans and Receivables dated 21 December 2004». The changes in the Norwegian Financial Reporting Regulations for Insurance Companies as at 4 April 2008 allows for recognition of these loans in accordance with IAS 39. Discounting has been conducted in order to take into account the zero per cent interest rate. A discount rate of 4.66 per cent has been used. Comparable figures have been adjusted to the change.

SUBORDINATED LOAN

NOK million	Nominal value 2008	Nominal value 2007	Cost 2008	Cost 2007	Market value 2008	Market value 2007
Four Seasons Venture III AS	2.8	2.7	2.8	2.7	1.3	1.4
Vervet AS [1]	24.0	24.0	24.0	24.0		24.0
Total subordinated loan	**26.7**	**26.7**	**26.7**	**26.7**	**1.3**	**25.3**

[1] Vervet AS is owned by 25 per cent by Gjensidige Forsikring, and is in the balance sheet classified as receivable from associate. The receivable is recognised as impairment loss in profit / (loss) from associates in 2008. No interest rate accrues on subordinated loans.

PROVISION FOR BAD DEBTS AND GUARANTEES

NOK million	2008	2007
Povision for bad debts with objective evidence as at 1 January	4.4	6.9
Change in provision for bad debts with objective evidence for the period	2.0	(2.5)
Provision for bad debts with objective evidence as at 31 December	**6.4**	**4.4**

Loans are recognised in accordance with «Regulations on Loans and Receivables dated 21 December 2004», which covers the accounting of loans and guarantees in financial institutions. In accordance with this regulation, loans are now recognised at amortised cost using the effective interest method. Impairments are conducted upon objective evidence on individual loans, and thus no impairment considerations are performed on groups of loans. Beyond the liability that follows from insurance contracts, the company has not given any guarantees for which provisions have been made.

NOTE 11 – LOANS AND RECEIVABLES (CONT.)

OTHER RECEIVABLES

NOK million	2008	2007
Receivables in relation with property	95.6	1.7
Receivables in relation with asset management	72.7	3.6
Deposits in Gjensidige Pensjonskasse	81.0	81.0
Intercompany SOS International	32.5	28.9
Other receivables	30.0	108.0
Total other receivables	**311.8**	**223.2**

NOTE 12 – CASH AND CASH EQUIVALENTS

NOK million	2008	2007
Deposits with financial institutions		551.9
Cash balances	939.6	3 050.3
Total cash and cash equivalents	**939.6**	**3 602.2**

Cash balances consist of cash and bank deposits available for day to day business. Deposits with financial instistutions consist of short term currency deposits and other short term credit deposits.

Weighted average rate for interest earned on cash, bank deposits and other short term assets is approximately 5.2 per cent (2007: ca 4. 4 per cent).

NOTE 13 – STATEMENT OF CHANGES IN EQUITY

NOK million	Class I capital: Equity certificate capital	Premium reserve	Equalisation fund	Other equity	Total class I capital	Class II capital: Retained earnings	Compensation fund	Other equity	Total class II capital	Total equity
Equity as at 1 January 2007	3,860.0				3,860.0	11,580.9			11,580.9	15,440.9
Implementation effects as at 1.1.2007 due to changes in accounting principle										
Change pension liability				(257.2)	(257.2)			(771.6)	(771.6)	(1,028.8)
Change property				85.9	85.9			257.6	257.6	343.5
Change subsidiaries (property and pension liability)				59.1	59.1			177.3	177.3	236.4
Equity as at 1.1.2007 before amended regulations	**3,860.0**			**(112.2)**	**3,747.8**	**11,580.9**		**(336.7)**	**11,244.2**	**14,992.0**
Implementation effects as at 1.1.2007 due to amended Financial Reporting Regulations for Insurance Companies dated 4 April 2008										
Goodwill, provisions etc. on subsidiaries and associates				1.4	1.4			4.3	4.3	5.7
Natural perils fund				360.6	360.6			1,081.9	1,081.9	1,442.6
Administration provision				163.6	163.6			490.8	490.8	654.4
Guararentee scheme				91.5	91.5			274.4	274.4	365.8
Discounting of fire alarms loans				(19.1)	(19.1)			(57.3)	(57.3)	(76.3)
Difference between bid and ask prices for shares				(1.2)	(1.2)			(3.7)	(3.7)	(4.9)
Assets available for sale				81.2	81.2			243.6	243.6	324.8
Equity as at 1.1.2007	**3,860.0**			**565.8**	**4,425.8**	**11,580.9**		**1,697.4**	**13,278.3**	**17,704.0**
Profit before other components of income and expenses			449.6	158.3	607.9	1,348.9		474.7	1,823.6	2,431.5
Foreign currency difference				(35.1)	(35.1)			(105.3)	(105.3)	(140.4)
Assets available for sale				(107.7)	(107.7)			(323.0)	(323.0)	(430.7)
Actuarial gains and losses on pension				(101.6)	(101.6)			(304.9)	(304.9)	(406.5)
Tax on other components of income and expenses				24.6	24.6			73.9	73.9	98.5
Equity as at 31.12.2007	**3,860.0**		**449.6**	**504.3**	**4,813.9**	**12,929.8**		**1,512.7**	**14,442.5**	**19,256.4**
Profit before other components of income and expenses			129.8		129.8	389.5			389.5	519.3
Foreign currency difference				38.0	38.0			114.0	114.0	152.0
Assets available for sale				26.5	26.5			79.4	79.4	105.9
Equity changes in subsidiaries and associates				(23.9)	(23.9)			(71.7)	(71.7)	(95.6)
Actuarial gains and losses on pension				(100.0)	(100.0)			(299.9)	(299.9)	(399.9)
Tax on other components of income and expenses				72.4	72.4			217.2	217.2	289.6
Approved dividend			(255.4)		(255.4)	(766.1)			(766.1)	(1021.5)
Equity as at 31.12.2008	**3,860.0**		**324.0**	**517.3**	**4,701.3**	**12,553.2**		**1,551.6**	**14,104.8**	**18,806.2**
Ownership fraction					25 %				75 %	
Total number of equity certificates					77,200,000					
Profit per equity certificate, basic and deluted (profit before other components of income and expenses / number of equity certificates)					NOK 1.68					

A total of 77.200.000 equity certificates have been issued, and this gave a dividend of NOK 3.31 per equity certificate for the year 2007. There is not proposed any dividend for the year 2008.

NOK million	Equity certificate capital	Premium reserve	Equalisation fund	Other equity	Total class I capital	Retained earnings	Compensation fund	Other equity	Total class II capital	Total equity
Of this restricted funds										
Natural perils fund				562.7	562.7			1,688.1	1,688.1	2,250.8
Administration provision - net of tax				189.7	189.7			569.2	569.2	759.0
Guarantee scheme - net of tax				94.0	94.0			282.0	282.0	376.1
Total restricted funds				**846.5**	**846.5**			**2,539.4**	**2,539.4**	**3,385.8**
Other funds										
Fund for valuation variances				188.7	188.7			566.1	566.1	754.8
Fund for unrealised gains on property - net of tax				56.4	56.4			169.2	169.2	225.7
Total other funds				**245.1**	**245.1**			**735.3**	**735.3**	**980.5**
Change in other funds										
Change in Natural perils fund				168.8	168.8			506.5	506.5	675.4
Change in guarantee scheme				4.0	4.0			12.0	12.0	16.0
Change in administration provision				(4.7)	(4.7)			(14.2)	(14.2)	(18.9)
Change in fund for valuation variances				183.0	183.0			549.0	549.0	732.0
Change in unrealised gains on property - net of tax				(59.6)	(59.6)			(178.9)	(178.9)	(238.5)

NOTE 13 – STATEMENT OF CHANGES IN EQUITY (CONT.)

EQUITY

The total of class I-capital (owned by the equity certificate capital holders) and class II-capital (owned by the customers) constitute the company's equity. The ratio between the classes determines the allocation of the company's valuables and value added between the classes (ownership fraction). To ensure correct allocation of valuables (which is equal and independent of the risk allocation) and risk allocation (which is non-equal) the classes are split in corresponding funds.

Class I (equity certificate holders' capital)

Equity certificate capital

Equity certificate capital is nominal value primary capital certificate. The capital is undistributable equity, and is the least vulnerable for losses (lowest risk). As at 31 December 2008 the equity certificate capital constitute NOK 3,860,000,000, split between 77,200,000 equity certificates (primary capital certificates) at NOK 50. The allocation between the owners of the equity certificate capital is determined through number of certificates held.

Premium reserve

Premium reserve is undistributable equity that either increases as a result of transfer from equity certificate capital or by payment related to new issues. The purpose of this reserve is the same as for limited companies to ensure a correct allocation of valuables between new and old equity certificate capital, and is functioning in the same manner as premium reserve in limited companies, however in such a way that a part of the paid in premium reserve shall be allocated to compensation fund (class II's corresponding fund) to counteract undesirable change of ownership fraction in disfavour of the capital owned by the customers. The fund's priority is equal to the compensation fund and higher priority than all other funds except for the equity certificate capital.

Equalisation fund

The equalisation fund is distributable equity, and comprises the equity certificate capital owners' part of profit for the year that is not paid out as dividend. Transfers from fund for unrealised gains can also be allocated to the equalisation fund. The equalisation fund can be used to maintain dividend to the equity certificate capital owners. The fund has the last priority, is ranked equal to the class II fund «retained earnings» and is charged proportionally.

Other equity

Other equity comprises all other equity items and is distributed proportionally according to the ownership fraction between the class I and class II capital. Changes in these funds will be relevant in relation to recognition of equity items following changes of accounting principles, correction of earlier years' financial statements and other similar recognitions not following the principle of congruity. Class I and class II are equally treated (in relation to ownership fraction) and hence a ranging of these funds in form of risk / priority is without significance.

Class II-capital

Retained earnings

Retained earnings are the customers recognised equity capital. The capital is earned and hence distributable equity. The customers' ownership to the capital is limited to corresponding dividend to the owners of the equity certificate capital split between the customers based on rules applied by the General Meeting. The part of profit for the year not paid as dividend is transferred to the retained earnings.

Compensation fund

Compensation fund is undistributable equity and increases as a result of new issues of equity certificates where premium reserve is paid. The General Meeting that decies a possible issue, is also deciding the part of premium reserve that shall be allocated to the compensation fund. The fund's priority is equal to the premium reserve and higher than all other funds except for the equity certificate capital.

Other equity

Other equity comprises all other equity items and is distributed proportionally according to the ownership fraction between the class I and class II capital. Changes in these funds will be relevant related to equity items followed by changes of accounting principles, corrections of prior years' financial statements and other similar recognitions not following the principle of congruity. Class I and class II is equally treated (in relation to ownership fraction) and hence a ranging of these funds in form of risk / priority is without significance.

Other equity for class I and II comprises the following undistributable funds

Natural perils fund

Natural perils fund is a fund for coverage of claims related to future natural perils. The fund was reclassified from liability to equity in relation to changed Norwegian Financial Reporting Regulations for Insurance Companies as of 4 April 2008. The fund is undistributable equity.

Administration provision

Administration provision is a provision for payment of those adminstration expenses accruing related to claims settlements in relation to a possible liquidation of the company. The fund was reclassified from liability to equity in relation to the changed Norwegian Financial Reporting Regulations for Insurance Companies as of 4 April 2008. The fund is undistributable equity.

Guarantee scheme

Guarantee scheme is a provision to secure that the policy holders after direct claims agreements terminated in Norway is receiving correct settlement of claims following the agreement. The fund was reclassified from liability to equity in relation to the changed Norwegian Financial Reporting Regulations for Insurance Companies as of 4 April 2008. The fund is undistributable equity.

Funds related to valuation differences

Funds related to valuation differences comprise positive differences between carrying amount and cost of the company's investments in subsidiaries and associates recognised according to the equity method. The fund is reducing the dividend base of Gjensidige Forsikring BA.

Fund related to unrealised gains

Fund related to unrealised gains comprise the difference between fair value and cost of assets at fair value through profit or loss, according to NRS (V) Fund for unrealised gains. In Gjensidige Forsikring BA the fund comprises unrealised increases in fair value of investment properties. The fund is reducing the dividend base of the company.

NOTE 14 – INSURANCE-RELATED LIABILITIES AND REINSURERS' SHARE

NOK million	2008	2007
Short-term insurance contracts, gross		
Provision for unearned premiums	5,368.5	5,416.8
Claims reported and claims handling costs	8,962.8	8,581.1
Claims incurred, but not reported	9,380.6	9,036.9
Total claims provision, gross	**18,343.4**	**17,618.0**
Total insurance-related liabilities, gross	**23,711.9**	**23,034.8**
Short-term insurance contracts, reinsurers' share		
Reinsurers' share of unearned premiums	2.1	59.3
Claims reported and claims handling costs	214.9	305.8
Claims incurred, but not reported	46.1	93.0
Total reinsurers' share of claims provision, gross	**261.0**	**398.8**
Reinsurers' share of insurance-related liabilities	**263.1**	**458.1**
Short-term insurance contracts, net of reinsurance		
Provision for unearned premiums	5,366.4	5,357.5
Claims reported and claims handling costs	8,747.8	8,275.3
Claims incurred, but not reported	9,334.5	8,943.9
Total claims provision, net of reinsurance	**18,082.4**	**17,219.2**
Total insurance-related liabilities, net of reinsurance	**23,448.8**	**22,576.7**

	2008			2007		
Movements in insurance-related liabilities and reinsurers' share	Gross	Reinsurers' share	Net of reinsurance	Gross	Reinsurers' share	Net of reinsurance
(a) Claims and claims handling costs						
Claims reported and claims handling costs	8,581.1	(305.8)	8,275.3	8,621.6	(219.4)	8,402.2
Claims incurred, but not reported	9,036.9	(93.0)	8,943.9	7,658.9	(140.3)	7,518.6
Total as at 1 January	**17,618.0**	**(398.8)**	**17,219.2**	**16,280.5**	**(359.7)**	**15,920.8**
Claims paid, prior year claims	(4,337.1)	234.7	(4,102.4)	(4,067.0)	77.7	(3,989.3)
Increase in liabilities						
Arising from current year claims	10,097.4	(111.8)	9,985.5	10,181.2	(235.4)	9,945.8
- of this paid	(4,825.1)	3.1	(4,822.0)	(4,540.9)	108.2	(4,432.7)
Arising from prior year claims (run-off)	(259.4)	(3.6)	(262.9)	(216.0)	1.1	(214.9)
Other changes, including effects from discounting	49.6	15.3	65.0	(19.7)	9.3	(10.4)
Foreign currency differences	**18,343.4**	**(261.0)**	**18,082.4**	**17,618.0**	**(398.8)**	**17,219.1**
Claims reported and claims handling costs	8,962.8	(214.9)	8,747.8	8,581.1	(305.8)	8,275.3
Claims incurred, but not reported	9,380.6	(46.1)	9,334.5	9,036.9	(93.0)	8,943.9
Total as at 31 December	**18,343.4**	**(261.0)**	**18,082.4**	**17,618.0**	**(398.8)**	**17,219.2**
(b) Provisions for unearned premiums, gross, short-term insurances						
As at 1 January	5,416.8	(59.3)	5,357.5	5,393.2	(10.7)	5,382.5
Increase in the period	5,368.5	(2.1)	5,366.4	5,416.8	(59.3)	5,357.5
Release in the period	(5,416.8)	59.3	(5,357.5)	(5,393.2)	10.7	(5,382.5)
Total as at 31 December	**5,368.5**	**(2.1)**	**5,366.4**	**5,416.8**	**(59.3)**	**5,357.5**

NOTE 15 – PENSION

DEFINED BENEFIT PLAN

Gjensidige Forsikring has an occupational pension insurance plan pursuant to the Tax Act (TPES) with a standard retirement age of 67. Gjensidige is also required to have an occupational pension plan pursuant to the Mandatory Occupational Pension Act. The company's plan meets the requirements of the Act. A retirement age of 65 years apply to underwriters.

The retirement pension constitutes 70 per cent of the pension base, based on the number of years of service and final salary. The plan also includes pension for surviving spouses, children and disability pension subject to specific rules. In addition, Gjensidige Forsikring has pension liabilities for some employees with a lower retirement age, employees with salaries above 12 times the social security base amount, and supplementary pensions.

Employees are entitled to apply for a contractual pension (AFP) from the age of 62. AFP is classified as an unfunded plan.

Pension liabilities are measured at the present value of future pension benefits that for accounting purposes are considered as accrued at the reporting date. Future pension benefits are calculated on the basis of expected final salary. When measuring accrued pension liabilities, estimated values at the reporting date are used. Pension funds are measured at fair value.

For the valuation of pension funds, estimated values at the reporting date are used. Actuarial gains and losses are recognised directly in equity.

Net pension liability is the difference between the present value of the pension liability and the fair value of the plan assets. In accordance with IAS 19, employers' national insurance contributions are taken into account in periods of underfunding. Net pension liabilities for funded and unfunded plans are presented in the balance sheet under the line *Pension liabilities*.

The defined benefit plan was closed to new employees in 2006 and the plan was transferred to the Gjensidige Pensjonskasse.

The transition to Norwegian Accounting Standard 6a resulted in an implementation effect of NOK 1,357.3 million as of 1 January 2007.

In 2007 the calculation was based on a new and revised mortality table. This resulted in a one-time effect in the form of actuarial gains and losses of about NOK 200 million recognised directly in equity. In the calculation for 2008 a combination of higher growth in salary and changes in actuarial assumptions - including a reduction in discounting rate-yielded a negative effect on equity of about NOK 400 million.

NOK million	2008	2007
Present value of the defined benefit obligation		
As at 1 January	2,553.1	2,096.0
Adjustment of opening balance	(4.5)	
Current service cost	84.3	80.7
Interest cost	111.8	88.6
Actuarial gains and losses	278.2	404.5
Benefits paid	(128.1)	(116.7)
As at 31 December	**2,894.7**	**2,553.1**
Amount recognised in the balance sheet		
Present value of unfunded plans	560.3	460.9
Present value of funded plans	2,334.4	2,092.1
Present value of the defined benefit obligation	**2,894.7**	**2,553.1**
Fair value of plan assets	(1,754.2)	(1,568.5)
Net defined benefit obligation	**1,140.5**	**984.6**
Employers' national insurance contributions	160.8	138.8
Liability recognised in the balance sheet for defined benefit obligation	**1,301.3**	**1,123.4**
Fair value of plan assets		
As at 1 January	1,568.5	1,295.9
Expected return on plan assets	90.9	75.6
Actuarial gains and losses	(72.3)	37.8
Contributions by the employer	295.2	231.8
Benefits paid	(128.1)	(72.7)
As at 31 December	**1,754.2**	**1,568.5**
Expense recognised in profit or loss		
Current service cost	84.3	80.7
Interest cost	111.8	88.6
Expected return on plan assets	(90.9)	(75.6)
Employers' national insurance contributions	14.8	13.2
Total defined benefit pension cost	**120.1**	**106.8**

NOTE 15 – PENSION (CONT.)

NOK million	2008	2007
The expense is recognised in the following line items in the income statement		
Administrative expenses including sales expenses	120.1	106.8
Actuarial gains and losses recognised in statement of recognised income and expense		
Cumulative amount as at 1 January	(773.2)	(406.5)
Recognised during the period	(399.9)	(366.7)
Cumulative amount as at 31 December	**(1,173.1)**	**(773.2)**
Plan assets comprise		
Treasury bills	15.4 %	18.4 %
Equities	3.8 %	2.7 %
Corporate bonds	47.9 %	21.1 %
Money market funds	13.5 %	40.0 %
Properties	12.8 %	12.3 %
Other	6.6 %	5.5 %
Total plan assets	**100.0 %**	**100.0 %**
Expected rates of return on plan assets		
Treasury bills	4.3 %	5.3 %
Equities	8.0 %	9.0 %
Corporate bonds	7.0 %	6.0 %
Money market funds	4.3 %	5.0 %
Properties	5.6 %	8.0 %
Other	6.0 %	7.0 %

The overall rates of return are based on expected return within each asset category and on current asset allocations. The expected return is developed in conjunction with external advisers and takes into accounts both current and future market expectations when these are available, and historical returns. The actual return on plan assets amounted to negative 2.84 per cent.

In calculating pension costs and net pension liabilities, the following assumptions have been made. The discount rate is based on ten years government bonds in Norway. Salary rates, pension adjustments, and change in social security base amount are based on historical observations and expected future inflation.

	2008	2007
Actuarial assumptions		
Discount rate	3.90 %	4.50 %
Expected return on plan assets	5.80 %	5.50 %
Future salary increases	3.80 %	4.30 %
Change in social security base amount	3.75 %	4.25 %
Future pension increases	2.00 %	2.00 %
Employers national insurance contributions	14.10 %	14.10 %
Staff turnover before / after 40 years	Ladder	Ladder
Probability of AFP early retirement	40.00 %	40.00 %

The discount rate is the assumption that has the largest impact on the value of the liability. Regarding sensitivity analysis see note 2.

NOK million	2008	2007	2006	2005	2004
Historical information					
Present value of the defined benefit obligation	2,894.7	2,553.1	2,096.0	2,316.9	2,067.6
The fair value of the plan assets	1,754.2	1,568.5	1,295.9	1,813.7	1,626.2
Deficit in the plan	**1,140.5**	**984.6**	**800.1**	**503.3**	**441.4**

Gjensidige Forsikring expects to contribute NOK 305.5 million to the defined benefit plan in 2009.

DEFINED CONTRIBUTION PLAN

Amount recognised as expense for the defined contribution plan is NOK 25.2 million.

Contributions to the defined contribution plan is recognised as an expense in the financial year in which the contribution is paid. The contributions are in accordance with the limits for tax-free contributions, at the time being five per cent of salary from 1 to 6 of the social security base amount and eight per cent from 6 to 12 of the social security base amount.

NOTE 16 – PROVISIONS AND OTHER LIABILITIES

NOK million	2008	2007
Restructuring costs [1]	8.0	120.4
Other provisions	10.0	48.7
Total other provisions for liabilities	**18.0**	**169.1**
Intercompany Fire Mutuals	170.5	146.1
Accounts payable	70.5	160.2
Liabilities in relation with properties	9.7	
Liabilities in relation with asset management		23.8
Liabilities to public authorities	403.7	295.3
Approved, not paid dividend	81.6	
Other liabilities	62.6	163.3
Total other liabilities	**798.5**	**788.8**
Accrued personell costs	121.1	110.4
Total other accrued expenses and deferred income	**121.1**	**110.4**
Restructuring costs [1]		
Provision as at 1 January	120.4	224.6
Reversal of unused provisions	(69.6)	
Provisions used during the year	(42.8)	(104.2)
Provision as at 31 December	**8.0**	**120.4**

[1] In 2006 it was decided to restructure the company in order to achieve a reduction in operating costs of NOK 350 million with effect from 2008. During 2008, severance payments of 42.8 million has been paid. Comparable amount in 2007 was NOK 104.2 million. The remaining provision of NOK 8.0 million at year end are severance agreements which as at 31 December has not been paid.

NOTE 17 – TAX

NOK million	2008	2007
Specification of tax expense		
Tax payable	(486.9)	(128.9)
Wealth taxes	(30.0)	(8.0)
Correction previous years	107.2	(53.1)
Change in deferred tax	569.5	(312.7)
Total tax expense	**159.9**	**(502.7)**

Deferred tax and deferred tax assets

Deferred tax and deferred tax assets are offset when there is a legally enforceable right to offset those assets / liabilities, and when deferred tax assets relate to the same fiscal authority. The amounts offset are as follows

	2008	2007
Taxable temporary differences		
Properties	192.3	437.4
Administration provision	1,054.1	1,004.4
Natural perils fund		2,129.8
Guararentee scheme provision	522.3	521.1
Profit and loss account	7.4	9.7
Total taxable temporary differences	**1,776.1**	**4,102.5**
Deductible temporary differences		
Shares, bonds and other securities	(516.3)	(16.2)
Loans	(59.8)	(81.1)
Plant and equipment	(70.6)	(64.9)
Receivables	(24.0)	
Provisions according to NGAAP	(18.0)	(169.1)
Pension liabilities	(1,301.3)	(1,123.4)
Total deductible temporary differences	**(1,990.0)**	**(1,454.7)**
Total taxable temporary differences	1,776.1	4,102.5
Total deductible temporary differences	(1,990.0)	(1,454.7)
Tax exempted part of temporary differences		(236.8)
Net temporary differences	**(213.9)**	**2,411.0**

NOTE 17 – TAX (CONT.)

NOK million	2008	2007
Differences that can not be offset		
Net temporary differences (tax rate 28 %)	(213.9)	2,411.0
Deferred tax liability / (deferred tax asset)	(59.9)	675.1
Change deferred tax for the year		
Change deferred tax recognised in the balance	165.5	98.5
Change deferred tax recognised in profit or loss	569.5	(312.7)
Reconciliation of tax expense		
Profit before tax	359.4	2,934.2
Tax of profit before tax expense (28 %)	(100.6)	(821.6)
Tax effect of		
Tax on corrections equity method	229.7	74.7
Tax effect of dividend received	27.1	18.8
Tax exempted income and expenses	(630.5)	288.1
One-time effect of Natural perils fund	554.4	
One-time effect of transition to full tax liability [1]	7.5	
Non deductible expenses	(4.9)	(1.6)
Wealth tax	(30.0)	(8.0)
Correction previous years	107.2	(53.1)
Total tax expense	**159.9**	**(502.7)**
Effective rate of income tax	44.5 %	(17.1 %)
Change in deferred tax liability		
Deferred tax liability as at 1 January	675.1	460.9
Change deferred tax recognised in profit or loss	(569.5)	312.7
Change deferred tax recognised directly in the balance		
Pensions	(112.0)	(98.5)
Hedge accounting	(53.5)	
Deferred tax liability / (tax asset) as at 31 December	**(59.9)**	**675.1**
Tax recognised directly in equity		
Pensions	112.0	98.5
Deferred tax hedge accounting	53.5	
Tax payable hedge accounting	111.7	
Tax payable on dividend expenses	12.3	
Total tax expense recognised directly in equity	**289.6**	**98.5**

[1] Gjensidige Forsikring has up to and including 2007 been tax exeempted for its fire and livestock insurances. In the Government's fiscal budget for 2009 this tax exemption is cancelled for mutual fire and livestock insurance companies as from the year 2008. This implies one-time effects in 2008 that are shown on separate lines in the explanation of tax expense. Included in one-time effects is also effect of not calculated deferred tax on the Natural perils fund as from 2008.

NOK million	2008	2007
Deffered tax on equity funds		
Administration provision gross	1,054.1	1,004.4
Deferred tax	(295.2)	(261.5)
Administration provision, net	**759.0**	**743.0**
Natural perils fund, gross	2,250.8	2,129.8
Deferred tax		(554.4)
Natural perils fund, net	**2,250.8**	**1,575.4**
Guararentee scheme, gross	522.3	521.1
Deferred tax	(146.2)	(126.1)
Guararentee scheme, net	**376.1**	**395.0**

NOTE 18 – EXPENSES

INSURANCE RELATED OPERATING EXPENSES INCL. COMMISSIONS FOR RECEIVED REINSURANCE AND SALES EXPENSES

NOK million	2008	2007
Depreciation, amortisation and impairment losses (Note 5 and 7)	154.9	141.0
Employee benefit expenses	1,027.8	1,018.2
Fee for customer representatives	3.7	7.1
Software costs	302.6	325.8
Auditor's fee	5.4	5.0
Consultants' and lawyers' fees	40.4	172.7
Commissions	234.0	235.2
Other expenses	573.8	490.5
Total	**2,342.7**	**2,395.5**

FINANCIAL RELATED OPERATING EXPENSES

NOK million	2008	2007
Depreciation, amortisation and impairment losses (Note 5)	36.9	52.2
Other expenses	82.0	148.2
Total	**118.9**	**200.5**

OTHER SPECIFICATIONS

NOK million	2008	2007
Salaries	738.4	612.8
Commissions	234.0	235.2
Other sales expenses	498.4	634.2
Total	**1,470.9**	**1,482.2**

OTHER SPECIFICATIONS

NOK million	2008	2007
Employee benefit expenses		
Wages and salaries	750.0	739.4
Social security cost	132.5	209.4
Pension cost - defined contribution plan (Incl. empl.nat.ins.contr.)	25.2	14.3
Pension cost - defined benefit plan (Note 15 incl. empl.nat.ins.contr.)	120.1	55.0
Total	**1,027.8**	**1,018.2**
Auditor's fee (incl. VAT)		
Statutory audit	1.3	1.2
Technical accounting support and legal consultancy	0.7	0.1
Other non-assurance services	3.0	3.8
Tax consultant services	0.5	-
Total	**5.4**	**5.0**

NOTE 19 – SALARIES AND REMUNERATIONS

	2008	2007
Average number of employees	2.096	2.126

COMBINED REMUNERATION OF SENIOR GROUP MANAGEMENT

The Board of Directors' statement concerning the adoption of salaries and other remuneration of the CEO and Senior Group Management.

Gjensidige's compensation policy

In accordance with Gjensidige's compensation policy, which applies to all employees in the Group, it is stated that:

- Gjensidige shall not be a salary leader, but shall nevertheless have a competitive level of compensation.
- Gjensidige expects that the employees have a comprehensive view of what Gjensidige offers in the form of salary and benefits.
- The company's compensation systems shall be open, perfomance-based, fair and predictable.
- Compensation shall be linked to achievement of the company's defined strategic and financial goals. In addition, it is expected that employees espouse the company's values and act loyally.

Recommended guidelines for the coming financial year

Remuneration of the CEO

The CEO's salary and other financial benefits shall be approved by the Board of Directors based on an overall assessment, emphasising financial result, customer satisfaction, employee satisfaction and the Group's reputation. Bonuses are determined on a discretionary basis based on the CEO's contractual goals and deliveries, and can not exceed 50 per cent of the fixed annual salary. The CEO is not granted result based benefits exceeding the mentioned bonus.

In addition, the CEO may be granted benefits in kind, such as company car, free mobile and payment of broadband. Assignment of benefits in kind shall be related to the CEO's function in the Group or be according to commercial practice, and should not be material compared to the CEO's fixed salary.

The retirement age for the CEO is 62 years. Retirement at the age of 60 is possible if requested by the Board of Directors or the CEO himself.

The CEO has pension rights in accordance with Gjensidige's closed defined benefit pension plan. In accordance with his individual employment contract, he is entitled to a pension of 100 per cent of his annual salary upon retirement at the age of 62, which reduces subsequently to 70 per cent of salary from the age of 67. On retirement by 60 years the corresponding contractual terms are subsequently de-escalation from 100 per cent upon retirement to 70 per cent until reaching the age of 67.

Car schemes and other benefits are maintained until reaching the age of 67.

The CEO has no severance pay agreement if he resigns before reaching retirement age.

Remuneration of other members of the Senior Group Management

The CEO determines the financial terms for members of the Senior Group Management according to a statement given to the Remuneration committee. Gjensidige's compensation policy is used as a basis.

Additional financial benefits may be offered to members of the Senior Group Management depending on market conditions and taking into account the fact that the benefit is related to the employee's job function in Gjensidige.

Bonus to Senior Group Management can be granted based on specific measurement of results in defined goal areas and descretionary assessment based on goal criteria derived from the company's strategies and goals. Possible bonus shall, in addition to the annual salary, ensure that Gjensidige is able to attract and hold on to expertise necessary to implement its strategies and accomplish its goals. An upper limit for bonus payments has been set at 30 per cent of the annual salary. The CEO may under special circumstances make exceptions to this policy in consultation with the Remuneration committee. There is an individual bonus scheme agreement for one of the members of the Senior Group Management.

Members of the Senior Group Management have a retirement age of 62. All current members of the Senior Group Management are members of the closed defined benefit pension plan. Everyone with a full contribution period is entitled to a pension of 70 per cent. The company will maintain previous individual pension agreements for two members of the Senior Group Management.

There are no severance pay agreements for managers that resign from their positions in Gjensidige.

Binding guidelines concerning allotment of shares etc. for the coming year

CEO and members of the Senior Group Management will be allowed to participate in subscription programmes for the purchase of equity certificate capital by employees in the same manner as other employees in Gjensidige.

Executive remuneration policy previous financial year

The Board of Directors confirms that the remuneration policy concerning Senior Group Management for 2008 has been carried out in accordance with the previous year's statement.

NOTE 19 – SALARIES AND REMUNERATIONS (CONT.)

KEY MANAGEMENT PERSONELL COMPENSATION NOK thousand	Fixed and variable salary	Calculated total value of non-cash benefits	Rights earned in the financial year according to defined benefit pension plan [9]	Loans, advance payments, guaran. (outstanding amount)	Interest rate [7]	Applicable conditions and installment plan	Retirement conditions
Remuneration of							
The Senior Group Management							
Helge Baastad, CEO	4,892.1	251.9	1,888.8				2
Tor Lønnum, Deputy CEO	3,294.3	210.0	1,010.1				3
Bjørn Asp, Executive Vice President	2,379.0	172.1	559.9	5,743.2	5.6	20.7.2033	3
Erica Blakstad, Executive Vice President	1,790.2	191.0	1,430.7				3
Petter Bøhler, Executive Vice President	2,149.9	184.2	997.1	1,078.8	4.8	20.5.2013	3
Trond Delbekk, Executive Vice President	2,431.9	194.7	756.6				3
Jørgen Ringdal, Executive Vice President	2,435.2	193.2	839.3				2
Bjørn Walle, Executive Vice President	1,817.6	220.3	1,723.8				4
Hege Toft Karlsen, Executive Vice President (01.01 - 01.06) [1]	665.9	61.4	179.2	2,420.0	4.8	20.4.2017	3
Odd Røste, Executive Vice President (01.01 - 01.06) [1]	700.3	72.1	136.8	1,401.2	4.8	15.5.2018	3
Geir Bergskaug, Executive Vice President (01.01 - 01.06) [1]	914.2	82.3	338.2	2,976.0	4.8	25.8.2017	3
Ove Ådland, Executive Vice President (01.01 - 01.06) [1]	824.7	66.8	292.0				3
Nils Arne Fagerli, Executive Vice President (01.01 - 01.06) [1]	657.6	67.2	212.5	3,678.9	4.8	20.3.2029	3
The Board of Directors [6]							
Inge K. Hansen, Chairman (26.03 - 31.12) [1]	266.0	1.5					
Jørgen Tømmerås, Chairman (01.01 - 26.03) [1]	129.5	17.7					
Jorund Stellberg, Deputy Chairman (01.01 - 19.11) [1]	320.6	25.4					
Magne Revheim (01.01 - 26.03) [1]	51.3	0.2					
Randi B. Sætershagen	304.1	20.7					
Hans Ellef Wettre	196.0	11.0					
Tor Øwre	310.3	24.9					
Cato Litangen	225.0	15.9					
Marianne Lie	211.8	12.6					
Hans-Erik F. Andersson (26.03 - 31.12) [1]	153.8	3.8					
Karen Marie Hjelmeseter (26.03 - 31.12) [1]	18.7	0.5					
Gunnhild Eggen Andersen, employee (26.03 - 31.12) [8]	138.8						
Kjetil Kristensen, employee (26.03 - 31.12) [8]	141.5						
Odd Kristian Hamborg, employee (01.01 - 26.03) [8]	51.3						
Petter Aasen, employee (01.01 - 26.03) [8]	46.3						
Marianne Bø Engebretsen, employee [8]	185.0						
Gunnar Mjåtvedt, employee [8]	186.5						
The Board of Directors, deputies [6]							
Tove Jebsen (01.01 - 26.03) [1]	2.8	1.3					
Harald Milli	11.0						
Odd Samuelsen (01.01 - 26.03) [1]	2.8	3.5					
Valborg Lippestad	28.5						
Christian Kristensen, amployee (26.03 - 31.12) [1]	8.3						
John Ove Ottestad (26.03 - 31.12) [1]	8.3						
Trine Vekseth (26.03 - 31.12) [1]	34.3	1.3					
Ingvild Solli Andersen, employee	11.0						
Control committee [6]							
Marit Tønsberg, Chairman (19.04 - 31.12) [1]	94.5	0.4					
Kåre Lund, Chairman (01.01 - 19.04) [1]	137.0	2.2					
Snorre Inge Roald (nestleder)	3.5	1.4					
Tove Melgård	88.0	3.5					
Committee of representatives [5]							
Kirsten Indgjerd Værdal, Chairman (19.04 - 31.12) [1]	104.0	4.3					
Randi Braathe, Chairman (01.01 - 19.04) [1]	76.0						
Trond Bakke, Deputy Chairman	34.3	0.1					

In addition

41 representatives from regions / Fire Mutuals / organisations / employees. [5]

[1] The stated remuneration applies to the period the individual in question has held the position or office.
[2] Age 62, 100 per cent salary reducing gradually to 70 percent at age 67.
[3] Age 62, 70 per cent salary until age 67, then Gjensidige Forsikring's ordinary pension terms will take effect.
[4] Age 60, 70 per cent salary until age 67, then Gjensidige Forsikring's ordinary pension terms will take effect.
[5] Annual fee of NOK three thousand, in addition to a per meeting fee of NOK three thousand. There have been two ordinary meetings with fees of NOK three thousand, NOK three thousand, five hundred, respectively in 2008.
[6] The fee includes a fee for subsidiaries.
[7] The interest rate is 4.8 nominell, unless other is stated.
[8] For employees only remuneration for the current position is stated.
[9] Everyone in the Senior Group Management has defined benefit pension plans.

NOTE 20 – NET INCOME FROM INVESTMENTS

NOK million	2008	2007
Income from financial assets		
Income from investments in subsidiaries and associates	790.3	266.8
Income from and revaluation og buildings and other real estate	150.1	217.4
Net change in fair value property	(231.0)	146.0
Unrealised gains and reversal of unrealised losses	19.1	1.6
Fair value gains / (losses) on foreign exchange trade		13.3
Gain from sale of assets available for sale		265.8
Divident income	104.2	179.1
Interest income	1,115.9	882.8
Interest income from financial assets held to maturity	533.7	394.5
Gain from sale of financial assets at fair value through profit or loss	5,909.0	3,137.5
Total income from financial assets	8,391.2	5,504.7
Expenses from financial assets		
Administration expenses related to buildings and other real estate	(44.1)	(84.1)
Other financial expenses		(47.3)
Interest expenses	(304.8)	(398.1)
Other expenses related to financial assets	(74.7)	(69.2)
Unrealised losses and reversal of unrealised gains	(2,683.3)	(935.0)
Loss on sale of financial assets at fair value through profit or loss	(5,641.6)	(1,589.4)
Total expenses from financial assets	(8,748.5)	(3,123.0)
Total net financial income from investments	(357.3)	2,381.8
NET FINANCIAL INCOME SPLIT PER CLASS OF ASSET		
Net income and gains / (losses) from buildings and other real estate		
Income from investments properties and owner-occupied property, excl. unrealised gain / (loss)	150.1	217.4
Net gain / (loss) on investment properties and owner-occupied property	549.7	146.0
Administration expenses related to buildings and other real estate	(44.1)	(84.1)
Net income and gains / (losses) from buildings and other real estate	655.7	279.3
Net income and gains / (losses) from financial assets at fair value through profit or loss		
Net interest income / (expense)	862.8	179.1
Dividend income	35.3	27.8
Net gain / (loss) from shares and similar interests	(1,994.2)	1,595.0
Net gain / (loss) from bonds and certificates	(18.9)	3.6
Net gain / (loss) from derivatives	450.7	(774.0)
Administration expenses	(74.7)	(116.4)
Net income and gains / (losses) from financial assets at fair value through profit or loss	(739.1)	914.9
Net income and gains from loans and receivables		
Net interest income / (expense) from loans and receivables	2.0	456.9
Net gain / (loss) from subordinated loans	19.0	2.0
Total net income and gains from loans and receivables	21.1	458.9
Net income and gains / (losses) from assets held to maturity		
Net interest income on assets held to maturity	533.7	394.5
Net gain / (loss) on assets held to maturity	28.9	(27.2)
Total net income and gains / (losses) from assets held to maturity	562.6	367.3
Net income and gains / (losses) from shares available for sale		
Gain on sale of shares available for sale		265.8
Dividend income	68.9	
Unrealised loss on shares available for sale through profit or loss	(1,716.8)	(171.3)
Total net income and gains / (losses) from shares available for sale	(1,647.8)	94.5
Net income from subsidiaries and associates	790.3	266.8
Total net income from investments	(357.3)	2,381.8

NOTE 20 – NET INCOME FROM INVESTMENTS (CONT.)

NOK million	2008	2007
Surplus value shares available for sale, recognised in equity		
As at 1 January	(105.9)	324.8
Disposals shares available for sale	105.9	(259.4)
Unrealised loss on shares available for sale through profit or loss		(171.3)
As at 31 December		**(105.9)**
Specification of interest income and expenses		
Interest expenses on bonds and derivatives		(67.4)
Interest expenses on financial derivatives	(248.6)	(313.6)
Interest expenses on other financial liabilities	(56.2)	(17.1)
Total interest expenses	**(304.8)**	**(398.1)**
Interest income on bonds held to maturity	533.7	394.5
Interest income on loans and receivables	4.4	456.9
Interest income on other financial assets at fair value through profit or loss	1,111.5	425.8
Total interest income	**1,649.6**	**1,277.3**

NOTE 21 – FOREIGN EXCHANGE GAINS AND LOSSES

NOK million	2008	2007
Agio / disagio in profit or loss allocated to balance items		
Shares	(33.1)	(395.7)
Equity funds	(20.1)	(137.7)
Bonds	62.6	(26.4)
Index bonds	698.9	(92.6)
Hedge funds	239.2	(445.0)
Certificates		0.6
Forward currency contracts	46.0	305.3
Currency swaps	(1,356.1)	839.8
Others [1]	194.6	(7.1)
Total foreign exchange gains and losses	**(167.8)**	**40.9**

[1] Included in others are bank deposits, commission reserves, premium reserves, loss reserves (RBNS), receivables and liabilities.

NOTE 22 – SHARES AND SIMILAR INTERESTS

NOK million	31.12.2008
Norwegian financial shares	
Indre Sogn Sparebank (primary capital certificate)	0.3
Total Norwegian financial shares	**0.3**
Other Norwegian shares	
Finansnæringens Hus AS	9.0
Helgeland Vekst AS	4.0
Tun Media (Landbrukets Medieselskap AS)	3.7
Norchip AS	2.5
Rogaland Kunnskapsinvest AS	2.5
Norinnova AS	2.5
Berger Eiendom AS	1.7
Såkorninvest Sør AS	1.5
Nortura Hå Eiendom AS	1.5
Not specified	19.1
Total other Norwegian shares	**47.9**
Private equity funds	
HitecVision Private Equity IV LP	110.7
FSN Capital II LP	78.6
Altor Fund II LP	62.1
Northzone IV K/S	57.6
Teknoinvest VIII KS (inkl. Teknoinv. VIII (GP) KS)	49.1
Partners Group European Buyout 2005 (A) LP	42.6
Energy Ventures II KS	40.1
Norvestor IV LP	39.4
Viking Venture II AS	34.9
Northzone V K/S	34.5
Partners Group Direct Investments 2006 LP	30.8
Norvestor V LP	30.8
Verdane Capital VI K/S	20.0
HitecVision Private Equity III AS	19.5
LGT Crown European Private Equity PLC	18.8
Energy Ventures IS	16.0
Convexa Capital VIII AS - class B	15.9
NeoMed Innovation IV LP	15.8
HitecVision Private Equity V LP	11.7
Energy Ventures III LP	10.8
Convexa Capital VI AS - class B	10.5
BaltCap PEF LP	10.0
Teknoinvest VIII B DIS	9.6
Viking Venture AS	8.4
Convexa Capital VIII AS - class A	8.3
Verdane Capital V B K/S	8.0
Convexa Capital VI AS - class A	5.1
Energy Growth Holding	4.2
Convexa Cap. IV AS	3.7
KapNord fond AS	2.1
Viking Venture III DIS	1.1
Not specified	3.7
Total private equity funds	**814.7**

NOTE 22 – SHARES AND SIMILAR INTERESTS (CONT.)

NOK million	31.12.2008
Hedge funds	
Horizon Tactical Trad USD-B	342.8
Sector Polaris	272.5
The Winton Evolution Fund	125.8
Russell Alt. Strat. Fund II Total Designated Inves	95.2
Sector EuroPower Fund Class A EUR	86.0
Sector Healthcare - A USD	82.5
Sector Speculare IV Fund Class A USD	59.0
Sector Speculare III Fund Class A USD	32.9
Sector Speculare II Fund Class A USD	20.1
Total hedge funds	**1,116.9**
Equity funds	
DnB NOR Globalspar II	0.1
Total equity funds	**0.1**
Real estate funds	
CEREP I	116.7
CEREP II	203.7
CEREP III	48.5
La Salle	3.2
Total real estate funds	**372.1**
Bond funds	
Fidelity Inst. Global Bond Fund EUR	2,179.1
Putnam Global High Yield Bond Fund	1,263.7
Total bond funds	**3,442.8**
TOTAL SHARES AND SIMILAR INTERESTS	**5,794.9**
Of which listed	4,559.8

NOTE 23 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

NOK million	2008	2007
Guarantees and committed capital at the reporting date		
Gross guarantees	0.6	0.6
Commited capital, not paid	1,091.0	1,222.0

As part of its ongoing financial management, the Company has pledged to invest up to NOK 1,091.0 million in various private equity investments, over and above amounts recognised in the balance sheet.

The timing of the outflow of capital is dependent on when the funds are making capital calls from their investors. Remaining operating time for the funds is between five and ten years. Gjensidige Forsikring is responsible externally for any insurance claim arising from the cooperating Fire Mutuals' operations.

CONTINGENT ASSETS

Gjensidige Forsikring had no contingent assets as at 31 December 2008, after the receivable from the Gjensidige Foundation had been settled in 2008.

NOTE 24 – RELATED PARTY TRANSACTIONS

PROFIT AND LOSS

The table below shows a summary of transactions with related parties recognised in profit or loss

NOK million	2008 Income	2008 Expense	2007 Income	2007 Expense
Provisions				
Gjensidige Investeringsrådgivning ASA (owned by GPS)	0.2		0.2	
Gjensidige Pensjonsforsikring AS (owned by GPS)	0.8		3.6	
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	3.9		0.3	
Interest				
Fair Financial Ireland Limited				3.5
Gjensidige Bank ASA [1]		6.0		
Administration expenses real estate				
Oslo Areal AS		7.0		8.2
Total	**4.9**	**13.0**	**4.1**	**11.7**

[1] The interest expense applies to interest on bank account for dividend and is part of the dividend payment.

GROUP CONTRIBUTIONS AND DIVIDENDS

The table below shows a summary of contributions and dividends received / given from / to subsidiaries

NOK million	2008 Received	2008 Given	2007 Received	2007 Given
Contributions				
Gjensidige Pensjon og Sparing Holding AS			4.5	
Gjensidige Pensjonsforsikring AS owned by GPS)		66.9		70.3
Gjensidige Investeringsrådgivning ASA (owned by GPS)		52.1		55.3
Gjensidige Bank ASA owned by Gjensidige Bank Holding AS)		82.0		120.0
Glitne Invest AS	1,079.5			
Gjensidige Norge AS (previous Norge Forsikring AS)	0.4		0.2	
Oslo Areal AS	146.5		124.0	
Dividends				
Oslo Areal AS	119.9		66.4	
Total group contributions and dividends	**1,346.3**	**201.0**	**195.1**	**245.6**

PURCHASE AND SALE OF ASSETS

The table below shows a summary of purchases / sales of assets from / to subsidiaries, associates or other related parties

NOK million			2008 Purchases	2008 Sales	2007 Purchases	2007 Sales
Subsidiaries	**Asset**	**Type**				
Oslo Areal AS	Drammen Torget Vest AS and HPS Handel AS	Shares (100 %)				577.3

INTERCOMPANY

The table below shows a summary of receivables / payables from / to subsidiaries, associates and other related parties

NOK million	2008 Receivables	2008 Liabilities	2007 Receivables	2007 Liabilities
Within the Group				
Fair Forsikring A/S including subsidiaries	214.0	90.1		275.3
Gjensidige Baltic Ltd	6.9			
Gjensidige Sverige AB	1.0	24.9		
Gjensidige Norge AS	0.4		0.2	
Gjensidige Bank ASA (owned by Gjensidige Bank Holding AS)	2.0	82.0	3.1	120.0
Gjensidige Pensjon og Sparing Holding AS	1.9		7.6	
Gjensidige Pensjonsforsikring AS (owned by GPS)	6.4	66.9		70.3
Gjensidige Investeringsrådgivning ASA (owned by GPS)	2.8	51.2		55.3

NOTE 24 – RELATED PARTY TRANSACTIONS (CONT.)

INTERCOMPANY (CONT.)

The table below shows a summary of receivables / payables from / to subsidiaries, associates and other related parties

	2008		2007	
NOK million	Receivables	Payables	Receivables	Payables
Glitne Invest AS	1,079.5			
Hjelp 24 NIMI AS (owned by Glitne Invest AS)	4.7		1.3	
Glitne Oppgjørssentral AS (owned by Glitne Invest AS)	0.2			
Oslo Areal AS	146.5	3.7	111.2	12.8
Total due for payment in less than one year	**1,466.1**	**319.1**	**123.4**	**533.7**
Samtrygd Eigedom AS			2.8	
Total due for payment in more than one year			**2.8**	
Total intercompany within the Group	**1,466.1**	**319.1**	**126.2**	**533.7**
Co-operating companies [1] and other related parties				
Fire Mutuals		170.5		145.3
Gjensidige Pensjonskasse			80.0	
Gjensidige Pensjonskasse for supplemental payments			1.0	
Vervet AS (subordinated loan impaired in 2008)			25.3	
Lindorff AB (associate owned by Glitne Invest AS sold in 2008)			0.3	
Total intercompany	**1,466.1**	**470.6**	**289.8**	**679.8**

[1] Co-operating companies are defined as companies with which Gjensidige Forsikring has entered into a long-term strategic alliance.

GUARANTEES

Gjensidige Forsikring is responsible externally for any insurance claim arising from the cooperating mutual fire insurers' fire insurance business, see note 23.

NOTE 25 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events after the balance sheet date.

NOTE 26 – CAPITAL RATIO

NOK million	2008	2007
Equity	18,806.2	15,441.0
Effect of administration prov., guarantee scheme prov. and Natural perils fund prov.	(3,827.2)	
Goodwill	(16.9)	(53.7)
Deferred tax asset	(501.3)	(252.9)
Intangible assets (internally developed software)	(204.7)	(231.2)
Investment properties, unrealised gains, proportion	(313.5)	(305.8)
Reinsurance provision, minimum requirement	(5.5)	(21.0)
Actuarial losses on defined benefit plans, proportion	195.5	390.9
Primary capital	**14,132.6**	**14,967.1**
Primary capital in other financial institutions		(2,914.6)
Net primary capital (A)	**14,132.6**	**12,052.5**
Assets with 0 % risk weight	6,005.2	2,104.8
Assets with 10 % risk weight	387.4	54.7
Assets with 20 % risk weight	14,521.4	14,499.3
Assets with 35 % risk weight	4.2	
Assets with 50 % risk weight	290.2	348.8
Assets with 100 % risk weight	27,030.8	30,920.6
Assets with 150 % risk weight	100.7	

NOTE 26 – CAPITAL RATIO (CONT.)

NOK million	2008	2007
Other non-weighted assets		
Goodwill	16.9	53.7
Deferred tax asset	501.3	252.9
Intangible assets (internally developed software)	204.7	231.2
Loss provisions	(6.4)	(4.4)
Derivatives	(222.4)	(238.9)
Total assets	**48,834.0**	**48,222.8**
Assets with 0 % risk weight		
Assets with 10 % risk weight	38.7	5.5
Assets with 20 % risk weight	2,904.3	2,899.9
Assets with 35 % risk weight	1.5	
Assets with 50 % risk weight	145.1	174.4
Assets with 100 % risk weight	27,030.8	30,920.6
Assets with 150 % risk weight	151.1	
Total risk weighted assets	**30,271.4**	**34,000.3**
Weighted reinvestment cost derivatives	43.0	108.2
Primary capital in other financial institutions		(2,914.6)
Loss provisions	(6.4)	(4.4)
Risk weighted calculation base (B)	**30,308.0**	**31,189.4**
Capital ratio (A/B)	46.6 %	38.6 %
FSAN minimum requirement	*8.0 %*	*8.0 %*

NOTE 27 – SOLVENCY MARGIN

NOK million	2008	2007
Net primary capital	14,132.6	11,802.2
Proportion of security provision	1,108.0	1,088.8
Proportion of Natural perils fund (25 % of the Natural perils fund is included)	562.7	532.5
Solvency margin capital	**15,803.3**	**13,423.5**
Solvency margin minimum requirement	*2,399.3*	*2,391.7*
In excess of requirement	**13,404.0**	**11,031.8**
Solvency margin capital in percentage of requirement	658.7 %	561.3 %

NOTE 28 – RESTRICTED FUNDS

NOK million	2008	2007
Source-deductible tax accounts	59.4	56.0
Securities placed as security for insurance operations	17.6	14.2
Deposits placed as security for insurance operations		8.2
Total	**77.0**	**78.3**

DECLARATION FROM THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CEO

Today, the Board of Directors and the CEO have considered and approved the annual report and the annual accounts for Gjensidige Forsikring BA, the Group and the parent company, for the calendar year 2008 and as at 31 December 2008 (Annual Report 2008).

The consolidated accounts have been prepared in accordance with the Norwegian Accounting Act, IFRS and interpretations, which should be adopted as at 31 December 2008. The annual accounts for the parent company have been prepared in accordance with the Accounting Act and generally accepted accounting practice as at 31 December 2008. The annual report for the group and the parent company is in accordance with the requirements of the Accounting Act and Norwegian Accounting Standard no. 16 as at 31 December 2008.

To the best of our knowledge:

- the annual accounts for 2008 for the group and the parent compan have been prepared in accordance with current accounting standards
- the information in the accounts gives a true picture of the group's and the parent company's assets, liabilities and financial position and results as a whole as at 31 December 2008
- the annual report for the group and the parent company provides a true summary of:
  - the development, results and position of the group and the parent company
  - the most important risk and uncertainty factors that the group and parent company are currently facing.

11 March 2009

The Board of Directors of Gjensidige Forsikring BA

AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Gjensidige Forsikring BA

AUDITOR'S REPORT FOR 2008

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the Gjensidige Forsikring BA as of 31 December 2008, showing a comprehensive income of NOK 571,3 million for the parent company and a profit for the year of NOK 486,3 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit before other components of income and expenses. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of recognised income and expense and the accompanying notes. The rules of the Norwegian accounting act and the regulations concerning annual accounts for insurance companies have been applied to prepare the parent company's financial statement. The International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts, and in addition the further disclosure requirements as required by the regulations concerning annual accounts for insurance companies under provisions of the Norwegian accounting act. These financial statements and the Board of Directors' report are the responsibility of the company's Board of Directors and Group Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants (Den norske Revisorforening). These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent company as of 31 December 2008, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and the regulations concerning annual accounts for insurance companies
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of 31 December 2008, the results of its operations, its cash flows and the recognised income and expense for the year then ended, in accordance with the rules of the International Financial Reporting Standards as adopted by the EU, and in addition, the further disclosure requirements as required by the regulations concerning annual accounts for insurance companies under provisions of the Norwegian accounting act
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit before other components of income and expenses is consistent with the financial statements and comply with the law and regulations.

Oslo, 11 March 2009
KPMG AS

Tom Myhre
State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only

STATEMENT BY THE CONTROL COMMITEE

TO THE GENERAL MEETING AND SUPERVISORY BOARD OF GJENSIDIGE FORSIKRING BA

The control committee has, in accordance with its standing instructions and together with the auditor, actuary and Chief Financial Officer, reviewed the Board of Directors' report and the annual accounts for the year 2008 and the auditor's report for Gjensidige Forsikring BA's parent company accounts and consolidated accounts.

The committee has received all documents and information requested.

The committee recommends the adoption of the accounts presented as the annual parent company accounts and consolidated accounts of Gjensidige Forsikring BA.

Oslo, 12 March 2009

Marit Tønsberg
Chairman

Tove Melgård

Snorre Inge Roald

THE SUPERVISORY BOARD STATEMENT

THE SUPERVISORY BOARD'S STATEMENT ON THE BOARD OF DIRECTORS' REPORT AND THE ANNUAL PARENT COMPANY ACCOUNTS AND CONSOLIDATED ACCOUNTS FOR GJENSIDIGE FORSIKRING BA FOR 2008

At the meeting of 1 April 2009 the Supervisory Board reviewed the Board of Directors' report and the annual parent company accounts and consolidated accounts for 2008 for Gjensidige Forsikring BA, including the proposal for the distribution of the annual profit.

The Supervisory Board recommends that the general meeting approves the submitted company accounts as Gjensidige Forsikring BA's annual accounts for 2008.

The Supervisory Board recommends that the general meeting approves the Board of Directors' proposal for the distribution of the annual profit:

No dividend will be paid for 2008 because restricted funds in the company accounts for Gjensidige Forsikring BA do not give opportunities for this within the profit for the year.

The parent company's results before other components of net income of NOK 519.3 million be transferred with NOK 129.8 million going to the equalisation fund (Class I) and NOK 389.5 million going to retained earnings (Class II).

The Supervisory Board recommends that the general meeting approves the submitted consolidated accounts as Gjensidige Forsikring's consolidated accounts for 2008.

The Supervisory Board recommends that the general meeting approves the Board of Directors' report for 2008.

Oslo, 1 April 2009

Kirsten I. Værdal
Chairman

gjensidige.no

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