Interim Report 2nd quarter 2017

Gjensidige Pensjonsforsikring

Gjensidige Pensjonsforsikring AS
First half-year and second quarter 2017

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

Year-to-date

- Profit/(loss) before tax expense: NOK 54.1 million (51.9)
- Operating income: NOK 150.0 million (125.7)
- Operating expenses: NOK 114.9 million (98.0)
- Operating margin: 23.4 per cent (22.0)

- Return on equity, annualised: 12.0 per cent (13.2)
- Solvency capital (SF): NOK 1,969.7 million (1,504.5)
- Solvency margin (SF): 129.0 per cent (119.2)

- Assets under management: NOK 26,249.4 million (21,160.5)

Second quarter

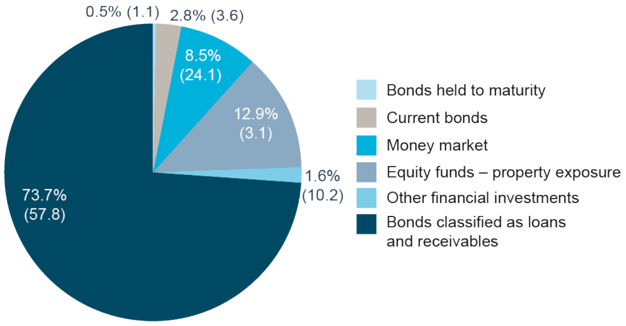
- Profit/(loss) before tax expense: NOK 23.0 million (23.5)
- Operating income: NOK 72.9 million (63.7)
- Operating expenses: NOK 58.5 million (52.2)
- Operating margin: 19.7 per cent (18.0)

NOK millions	Q2 2017	Q2 2016	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
Administration fees	33.7	30.3	66.4	59.6	127.8
Insurance income	8.6	13.8	24.3	26.3	68.0
Management income etc.	30.5	19.6	59.2	39.8	83.6
Operating expenses	(58.5)	(52.2)	(114.9)	(98.0)	(192.3)
Net operating income	**14.4**	**11.5**	**35.1**	**27.7**	**87.2**
Net financial income	8.7	12.0	19.0	24.2	26.1
Profit/(loss) before tax expense	**23.0**	**23.5**	**54.1**	**51.9**	**113.2**
Operating margin [1]	19.7 %	18.0 %	23.4 %	22.0 %	31.2 %

[1] Operating margin = net operating income/total income

Slower profit growth caused by lower financial income and strengthening of claims reserves

Asset allocation the group policy portfolio
Earned premiums year to date (same period last year)



Year-to-date development

Earnings performance
The profit before tax expense was NOK 54.1 million (51.9). Increase in revenues due to a growing customer portfolio and increased assets were partly offset by strengthening of claims reserves and reduced financial income.

Operating revenues
Total revenues amounted to NOK 150.0 million (125.7).

Administration fees increased to NOK 66.4 million (59.6) following a growing customer portfolio. Insurance revenues were reduced to NOK 24.3 million (26.3) as a result of increased claims reserves. Management income was NOK 59.2 million (39.8). The positive development was due to increase in assets as well as changed classification of management costs of NOK 11.3 million previously reported as income reductions but now handled as operating expenses.

Operating expenses
Operating expenses were NOK 114.9 million (98.0) after the change in classification of management cost as described above and increased business volume.

Net financial income
Net financial income, including returns both on the group policy portfolio and the corporate portfolio amounted to NOK 19.0 million (24.2) as consequence of reduced interest income related to the company portfolio following the issue of a subordinated bond (Tier 2) of NOK 300 million in June last year, in addition to generally reduced interest rates that resulted in lower overall yield on the group portfolio. The company's share of the profit related to the paid-up policy portfolio was allocated in its entirety as longevity provision.

Paid-up policy portfolio
The recognised return on the paid-up policy portfolio was 1.90 per cent (2.19). The average annual interest guarantee was 3.34 per cent (3.50).

Assets under management
At the end of the period, assets under management amounted to NOK 26,249.4 million (21,160.5). The growth was due to current pension payments, portfolio growth and a positive market development. Of this amount, the group policy portfolio amounted to NOK 5.726.8 million (5,147.0), of which the paid-up policy portfolio amounted to 3,884.0 million (3,399.8).

Development during the quarter

Earnings performance
The profit before tax expense was NOK 23.0 million (23.5). Strengthening of claims reserves and reduced financial income hampered profit growth.

Operating revenues
Total revenues increased to NOK 72.9 million (63.7).

Administration fees and insurance revenues were NOK 33.7 million (30.3) and NOK 8.6 million (13.8) respectively. The reduced insurance revenue was due to strengthening of claims reserves. Management income increased to NOK 30.5 million (19.6) for the same reasons as described above.

Operating expenses
Operating expenses were NOK 58.5 million (52.2) of which NOK 5.6 million was related to the reclassification.

Net financial income
Net financial income decreased to NOK 8.7 million (12.0).

Solvency position
The solvency margin reported at the end of the period was 129.0 per cent, down from 130.5 per cent in the last quarter.

Events after the balance sheet date
No significant events have occurred after the end of the quarter.

Outlook
Gjensidige Pensjonsforsikring AS shall support Gjensdige's sales to insurance customers in Norway. The company offers occupational pension and disability pension products to individuals. The defined contributions market remains competitive but highly active, creating ample business opportunities. The results achieved over the last few years substantiate the fact that the company is well positioned to further expand its business. The positive profit trend is expected to continue.

Key risk and uncertainty factors

Gjensidige Pensjonsforsikring's (GPF) risks mainly include insurance, financial and operational risk. The risks are reported on a regular basis and assessed in accordance with the principles, strategies and risk thresholds defined by the board.

Insurance risk

Insurance risk can be divided as follows:

- Risk of long life – lower mortality than expected
- Disability risk – higher disability than expected
- Mortality risk – higher mortality than expected

The company is exposed to mortality risk by dependents, longevity risk related to paid-up policies (with guaranteed payments for a given age or lifelong) and disability risk by occupational or individual policies. GPF has greatest exposure to disability risk, followed by exposure to longevity and mortality.

The Insurance risk is considered satisfactory and the uncertainty surrounding not reported cases (IBNR) are handled through claims reserves. By the end of 2017 it is expected that the longevity requirements set out in K2013 are close to be met.

The company has a reinsurance agreement with the parent company Gjensidige Forsikring ASA, which provides a satisfactory coverage in case of major variations in incurred claims.

Financial risk

Financial risk is a collective term for several types of risks associated with financial assets. Financial risk can be divided into market risk, credit risk and liquidity risk. These risks are arising from GPF's investment activities. They are managed aggregated and handled through the asset management strategy drawn up for the company.

The group portfolio has guaranteed interest rates and thus represents a financial risk. The main risk components are interest rates, credit spread and property. In spite of generally low interest rates, it is expected that the company will succeed in fulfilling the interest rate guarantees the next few years.

The company portfolio is held in the form of bank deposits in Norwegian kroner and investments in money market funds.
The risk of losses on receivables is considered to be minor.

Operational risk

The company continuously assesses its own risk situation in accordance with approved procedures for internal control. As part of the annual planning and budgeting a risk assessment is drawn up where the main risks, both long- and short term are described together with necessary measures. This is adopted by the board and followed up. So far, the company has not been exposed to unwanted events that have had significant financial consequences. This development is expected to continue and the operational risk is considered to be moderate.

Oslo, 13 July 2017

The Board of Gjensidige Pensjonsforsikring AS

Mats C. Gottschalk	Kari Østerud	Hans Aasnes	Ida Guldberg
Chair			

Torstein Ingebretsen

CEO

Income statement

NOK thousands	Q2 2017	Q2 2016	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
Technical account					
Gross written premium	744,741	596,220	1,502,713	1,203,455	2,472,087
Ceded reinsurance premiums			(6,876)	(5,457)	(5,457)
Transfer of premium reserves from other insurance companies/pension funds	436,329	232,104	1,388,970	440,419	1,132,115
Total premiums for own account	**1,181,070**	**828,324**	**2,884,807**	**1,638,417**	**3,598,745**
Interest income and dividends etc. from financial assets	39,730	47,450	79,952	95,564	177,546
Unrealised gains and losses on investments	7,793	3,167	12,629	10,818	53,195
Realised gains and losses on investments	17,091	1,351	29,029	1,307	5,627
Total net income from investments in the group policy portfolio	**64,614**	**51,968**	**121,610**	**107,689**	**236,367**
Interest income and dividends etc. from financial assets			18,563	20,143	20,143
Unrealised gains and losses on investments	165,336	104,864	333,835	(337,835)	89,155
Realised gains and losses on investments	179,902	123,467	493,495	231,985	531,063
Total net income from investments in the investment portfolio	**345,238**	**228,331**	**845,893**	**(85,707)**	**640,361**
Other insurance related income	**30,483**	**19,609**	**59,230**	**39,812**	**83,600**
Gross claims paid	(115,402)	(96,677)	(228,133)	(212,004)	(414,709)
- Paid claims, reinsurers' share	13,854	(5,250)	13,854	(5,250)	12,622
Transfer of premium reserve and statutory reserves to other insurance companies/pension funds	(181,008)	(115,910)	(524,470)	(233,531)	(691,089)
Total claims	**(282,557)**	**(217,838)**	**(738,749)**	**(450,785)**	**(1,093,177)**
Change in premium reserve, gross	(124,708)	(99,823)	(278,675)	(221,440)	(455,100)
Change in premium reserves, reinsurers' share	(1,719)	(1,364)	3,438	2,729	10,837
Change in statutory reserves	(319)	393	(948)	207	(20,383)
Change in value adjustment fund	(6,070)	(1,320)	(12,443)	(1,320)	(26,895)
Transfer of statutory reserves to other insurance companies/pension funds	(74)	3,188	187	3,161	2,455
Total changes in reserves for the group policy portfolio	**(132,890)**	**(98,926)**	**(288,441)**	**(216,664)**	**(489,086)**
Change in premium reserve	(1,216,402)	(790,759)	(3,018,831)	(1,009,391)	(3,149,122)
Change in other provisions	106,653	64,693	321,894	151,464	476,478
Total changes in reserves for investment portfolio	**(1,109,749)**	**(726,066)**	**(2,696,937)**	**(857,927)**	**(2,672,644)**
Profit on investment result	(12,818)	(7,697)	(14,435)	(22,072)	(4,497)
Risk result allocated to insurance contracts	(2,253)	(4,460)	(4,530)	(8,038)	(1,883)
Total funds allocated to the insurance contracts	**(15,071)**	**(12,157)**	**(18,965)**	**(30,110)**	**(6,380)**
Management expenses	(5,627)		(11,337)		
Sales expenses	(5,042)	(3,498)	(9,988)	(11,983)	(22,793)
Insurance-related administration expenses (incl. commissions for reinsurance received)	(47,827)	(48,232)	(93,542)	(85,036)	(168,282)
Total insurance-related operating expenses	**(58,496)**	**(51,730)**	**(114,867)**	**(97,020)**	**(191,075)**
Profit/(loss) of technical account	**22,642**	**21,516**	**53,581**	**47,705**	**106,713**
Net income from investments in the company portfolio					
Interest income and dividends etc. from financial assets	765	2,243	1,511	4,415	5,470
Unrealised gains and losses on investment	(933)	73	(1,708)	455	1,675
Realised gains and losses on investments	543	139	754	315	628
Total net income from investments in the company portfolio	**376**	**2,454**	**556**	**5,184**	**7,774**
Other expenses		(500)		(1,000)	(1,258)
Total management expenses and other expenses related to investments in the company portfolio		**(500)**		**(1,000)**	**(1,258)**
Profit/(loss) on non-technical account	**376**	**1,954**	**556**	**4,184**	**6,516**
Profit/(loss) before tax expense	**23,017**	**23,471**	**54,137**	**51,889**	**113,228**
Tax expense	(5,754)	(5,868)	(13,534)	(12,972)	(28,721)
Profit/(loss) before other comprehensive income	**17,263**	**17,603**	**40,603**	**38,917**	**84,508**
Remeasurement of the net defined benefit liability/asset					717
Tax on items that are not reclassified to profit or loss					(179)
Total items that are not reclassified subsequently to profit or loss					**538**
Total comprehensive income	**17,263**	**17,603**	**40,603**	**38,917**	**85,045**

Statement of financial position

NOK thousands	30.6.2017	30.6.2016	31.12.2016
Assets			
Other intangible assets	47,472	52,688	49,275
Total intangible assets	**47,472**	**52,688**	**49,275**
Financial assets measured at fair-value			
Shares and similar interests	8,235	3,468	13,020
Bonds and other securities with fixed income	743,798	582,843	589,505
Other financial assets	96,700	95,258	95,992
Reinsurance deposits			
Total financial assets	**848,733**	**681,570**	**698,518**
Receivables related to direct operations	7,197	969	5,163
Other receivables	70,576	58,565	64,834
Total receivables	**77,773**	**59,535**	**69,997**
Cash and cash equivalents	98,681	206,986	251,057
Deferred tax assets		4,101	
Pension assets	2,438		2,438
Total other assets	**101,119**	**211,086**	**253,494**
Total assets in the company portfolio	**1,075,096**	**1,004,878**	**1,071,284**
Financial assets at amortized cost			
Bonds held to maturity	29,635	56,154	30,508
Loans and receivables	4,219,819	2,977,154	3,149,704
Financial assets measured at fair-value			
Shares and similar interests	740,743	161,967	734,112
Bonds and other securities with fixed income	646,527	1,426,975	1,357,170
Receivables in collective portfolio	1,237	7,339	161
Other financial assets	66,110	512,190	131,977
Total investments in the group policy portfolio	**5,704,073**	**5,141,779**	**5,403,632**
Reinsurers' share of insurance-related liabilities in general insurance, gross	**28,597**	**17,050**	**25,159**
Financial assets measured at fair value			
Shares and similar interests	18,254,494	14,430,080	16,002,843
Bonds and other securities with fixed income	2,218,037	1,546,298	1,777,181
Loans and receivables	37,803	29,073	38,229
Other financial assets	12,317	8,042	9,445
Total investments in the investment option portfolio	**20,522,652**	**16,013,493**	**17,827,698**
Total assets in the customer portfolio	**26,255,322**	**21,172,323**	**23,256,490**
Total assets	**27,330,418**	**22,177,201**	**24,327,774**

NOK thousands	30.6.2017	30.6.2016	31.12.2016
Equity and liabilities			
Paid in capital			
Share capital	39,000	39,000	39,000
Other paid-in capital	80,740	80,646	80,722
Total paid-in equity	**119,740**	**119,646**	**119,722**
Retained equity			
Other earned equity	533,686	448,641	449,178
Profit/(loss) before other comprenhensive income	40,603	38,917	84,508
Total earned equity	**574,289**	**487,558**	**533,686**
Total equity	**694,029**	**607,203**	**653,408**
Subordinated loan	299,513	300,000	299,457
Total subordinated loan capital etc.	**299,513**	**300,000**	**299,457**
Premium reserves	5,502,145	4,972,212	5,217,107
Additional statutory reserves	165,324	142,883	164,389
Market value adjustment reserves	39,338	1,320	26,895
Premium fund, deposit fund and the pension surplus fund	977	459	1,165
Unallocated surplus fond	18,965	30,110	
Total insurance obligations in life insurance - the group policy portfolio	**5,726,749**	**5,146,984**	**5,409,556**
Premium reserves	20,184,498	15,714,099	17,513,426
Premium fund, deposit fund and the pension surplus fund	338,154	299,394	314,272
Total insurance obligations in life insurance - the investment option portfolio	**20,522,652**	**16,013,493**	**17,827,698**
Pension liabilities etc.	1,455	2,492	1,455
Tax liabilities			
Period tax liabilities	4,835	27,959	14,664
Provisions for deferred taxes	10,200		10,200
Total provisions for liabilities	**16,490**	**30,451**	**26,319**
Liabilities related to direct insurance	36,390	52,708	79,268
Other liabilities	19,642	14,531	15,957
Total financial liabilities	**56,032**	**67,239**	**95,225**
Accrued expenses and deferred income	14,954	11,831	16,111
Total accrued expenses and deferred income	**14,954**	**11,831**	**16,111**
Total equity and liabilities	**27,330,418**	**22,177,201**	**24,327,774**

Statement of changes in equity

NOK thousands	Share capital	Other paid-in capital	Re-measure-ment of the net defined benefit liab./asset	Other earned equity	Total equity
Equity as at 31.12.2015	**39,000**	**80,674**	**803**	**447,837**	**568,315**
1.1.-31.12.2016					
Profit/(loss) before comprehensive income				84,508	84,508
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Remeasurement of the net defined benefit liability/asset			717		717
Tax on items that are not reclassified to profit or loss			(179)		(179)
Total items that are not reclassified subsequently to profit or loss			**538**		**538**
Total comprehensive income			**538**		**538**
Equity-settled share-based payment transactions		48			48
Equity as at 31.12.2016	**39,000**	**80,722**	**1,341**	**532,345**	**653,408**
1.1.-30.6.2017					
Profit/(loss) before comprehensive income				40,603	40,603
Equity-settled share-based payment transactions		18			18
Equity as at 30.6.2017	**39,000**	**80,740**	**1,341**	**572,948**	**694,029**
1.1.-30.6.2016					
Profit/(loss) before comprehensive income				38,917	38,917
Equity-settled share-based payment transactions		(28)			(28)
Equity as at 30.6.2016	**39,000**	**80,645**	**803**	**486,754**	**607,203**

Cash flows

NOK thousands	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
Cash flow from operating activities			
Premiums paid, net of reinsurance	2,840,344	1,665,373	3,639,107
Claims paid, net of reinsurance	(214,279)	(212,004)	(402,087)
Net receipts/payments of premium reserve transfers	(524,470)	(224,868)	(645,158)
Net receipts/payments from financial assets	(2,180,761)	(959,867)	(2,540,604)
Operating expenses paid, including commissions	(100,510)	(107,767)	(197,819)
Taxes paid	(23,363)	(10,310)	(25,296)
Net cash flow from operating activities	**(203,039)**	**150,557**	**(171,857)**
Cash flow from investing activities			
Net receipts/payments on sale/acquisition of owner-occupied property, plant and equipment	(5,657)	(4,799)	(9,509)
Net cash flow from investing activities	**(5,657)**	**(4,799)**	**(9,509)**
Cash flow from financing activities			
Net receipts/payments on subordinated loan	(5,967)	300,000	293,119
Net cash flow from financing activities	**(5,967)**	**300,000**	**293,119**
Net cash flow for the period	**(214,663)**	**445,758**	**111,753**
Cash and cash equivalents at the start of the period	488,472	376,719	376,719
Cash and cash equivalents at the end of the period	273,808	822,476	488,472
Net cash flow for the period	**(214,663)**	**445,758**	**111,753**
Specification of cash and cash equivalents			
Cash and deposits with credit institutions	273,808	822,476	488,472
Total cash and cash equivalents	**273,808**	**822,476**	**488,472**

Notes

1. Accounting policies

The financial statements as of the second quarter of 2017, concluded on 30 June 2017, comprise Gjensidige Pensjonsforsikring AS. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2016.

The financial statements as of the second quarter of 2017 have been preparedwith the Norwegian Accounting Act and Norwegian Financial Reporting Regulations for Insurance Companies (FOR 2015-12-12-1824). The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2016.

New standards and interpretations not yet adopted

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2017. They have not been applied when preparing these consolidated financial statements. Those that may be relevant to Gjensidige Pensjonsforsikring AS are mentioned below. Gjensidige Pensjonsforsikring AS does not plan early implementation of these standards.

Amendments to IFRS 2 Classification and measurement of share-based payment transactions (2016)

IFRS 2 has been amended regarding the classification and measurement of share-based payment transactions with a net settlement feature for withholding tax obligations. If the entity is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment, and transfer that amount in cash to the tax authority on the employee's behalf, then the entity shall account for that obligation as an equity-settled share-based payment transaction. The amendments are effective from 1 January 2018. The tax obligation in the remuneration scheme will be reclassified from liability to equity as at 1 January 2018. From this date the tax obligation will be accounted for as an equity-settled share-based payment transaction instead of a cash-settled share-based payment transaction. Our preliminary assessment is that the amendment is not expected to have a significant effect on financial statements.

IFRS 9 Financial instruments (2014)

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

IFRS 9 contains three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. Financial assets will be classified either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and which contractual cash flow properties they have. IFRS 9 introduces a new requirement in connection with financial liabilities earmarked at fair value: where changes in fair value that can be attributed to the liabilities' credit risk are presented in other comprehensive income rather than over profit or loss. According to prevailing rules, impairment for credit losses shall only be recognised when objective evidence of impairment losses exists. Impairment provisions according to IFRS 9 shall be measured using an expected loss model, instead of an incurred loss model as in IAS 39. The impairment rules in IFRS 9 will be applicable to all financial assets measured at amortised cost or at fair value with the changes in fair value recognised in other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly, the provision should equal lifetime expected credit losses. This dual approach replaces today's collective impairment model. For individual impairment there are no significant changes in the rules compared with the current rules. . The work has started and is expected to continue during 2017. It is currently too early to estimate the expected impact to the group's financial statements. Preliminary expectations are that the implementation of IFRS 9 could lead to increased provisions for credit loss due to the change from an incurred loss model to an expected loss model. IFRS 9 is effective from 1 January 2018.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2016)

IFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, IAS 39 Financial Instruments.

IFRS 15 Revenue from contracts with customers (2014)

IFRS 15 covers all contracts with customers, but insurance contracts, among others, are exempted. Insofar as such contracts cover the provision of several services or other services closely related to the insurance operations are carried out, this may have a bearing on how Gjensidige Pensjonsforsikring AS recognises revenues in its accounts. IFRS 15 is effective 1 January 2018. Our preliminary assessment is that services beyond what is covered by IFRS 4 about insurance contracts comprise an insignificant part of the income. Our preliminary assessment is that the standard is not expected to have a significant effect on financial statements.

IFRS 16 Leases (2016)

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

IFRS 17 Insurance Contracts (2017)

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

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

The preparation of interim accounts involves the application of assessments, estimates and assumptions that affect the use of accounting policies and the amounts recognised for assets and liabilities, revenues and expenses. The actual results may deviate from these estimates. The most material assessments involved in applying the accounting policies and the most important sources of uncertainty in the estimates are the same in connection with preparing the interim report as in the annual report for 2016.

Due to rounding-off differences, figures and percentages may not exactly add up to the exact total figures.

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

2. Financial assets and liabilities

Fair value

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

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

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

Quoted prices in active markets

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

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

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

Valuation based on observable market data

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

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

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

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

Valuation based on non-observable market data

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

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

The major part of the investments classified in level three in the valuation hierarchy is unleveraged exposure to real estate through single purpose vechicles.

- Real estate funds are valued based on reported NAV values as reported by the fund administrators. Because of late reporting from the funds, the NAV values from the previous quarterly reporting are used in estimating fair value.

The valuation process for financial assets classified as level three

The valuation of the fund is based the guidelines given in the European standard EVS (European Valuation Standard) made by TEGoVA (The European Group of Valuers' Associations) together with well recognized valuation principles in the real estate market

In line with EVS, the valuation of each individual asset will be based on discounting future estimated cash flow. The future estimated cash flow is based on several specific real estate market conditions, such as market rent, market cost / capex levels and expected vacancy levels in the future. The discount rate is derived from the mean of comparable property transactions. This collection of transactions is meant to reflects an average yield on similar properties. We also perform a subjective risk adjustment, which is meant to reflect the deviation from the mean for the spesific property in particular. In addition, we add the net present value of the latest inflation estimates from Statistics Norway to derive a nominal discount rate.

Sensitivity financial assets level three

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

NOK thousands	Carrying amount as at 30.6.2017	Fair value as at 30.6.2017	Carrying amount as at 30.6.2016	Fair value as at 30.6.2016
Financial assets				
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	748,978	748,978	165,435	165,435
Bonds and other fixed income securities	1,390,326	1,390,326	2,009,818	2,009,818
Shares and similar interests in life insurance with investment options	18,254,494	18,254,494	14,430,080	14,430,080
Bonds and other fixed income securities in life insurance with investment options	2,218,037	2,218,037	1,546,298	1,546,298
Financial assets held to maturity				
Bonds held to maturity	29,635	31,856	56,154	59,810
Loans and receivables				
Bonds and other fixed income securities classified as loans and receivables	4,219,819	4,456,773	2,977,154	3,285,204
Receivables related to direct operations and reinsurance	46,237	46,237	37,381	37,381
Other receivables	70,576	70,576	58,565	58,565
Cash and cash equivalents	273,808	273,808	822,476	822,476
Total financial assets	**27,251,911**	**27,491,086**	**22,103,362**	**22,415,068**
Financial liabilities				
Financial liabilities at amortised cost				
Subordinated debt	299,513	307,750	300,000	300,000
Other liabilities	19,641	19,641	14,531	14,531
Liabilities related to direct insurance	36,390	36,390	52,708	52,708
Accrued expenses and deferred income	14,954	14,954	11,831	11,831
Total financial liabilities	**370,498**	**378,735**	**379,070**	**379,070**
Gain/(loss) not recognised in profit or loss		**230,938**		**311,705**

Valuation hierarchy 2017

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

NOK thousands	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	8,032	3	740,943	748,978
Bonds and other fixed income securities	1,390,114	211		1,390,326
Shares and similar interests in life insurance with investment options	18,243,953	10,541		18,254,494
Bonds and other fixed income securities in life insurance with investment options	2,202,803	15,234		2,218,037
Financial assets at amortised cost				
Bonds held to maturity		31,856		31,856
Bonds and other fixed income securities classified as loans and receivables		4,456,773		4,456,773
Financial liabilities at amortised cost				
Subordinated debt		307,750		307,750

Valuation hierarchy 2016

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

NOK thousands	Level 1 Quoted prices in active markets	Level 2 Valuation techniques based on observable market data	Level 3 Valuation techniques based on non-observable market data	Total
Financial assets				
Financial assets at fair value through profit or loss, designated upon initial recognition				
Shares and similar interests	3,266	2	162,167	165,435
Bonds and other fixed income securities	1,919,503	90,315		2,009,818
Shares and similar interests in life insurance with investment options	14,421,008	9,072		14,430,080
Bonds and other fixed income securities in life insurance with investment options	1,533,469	12,829		1,546,298
Financial assets at amortised cost				
Bonds held to maturity		59,810		59,810
Bonds and other fixed income securities classified as loans and receivables		3,285,204		3,285,204
Financial liabilities at amortised cost				
Subordinated debt		300,000		300,000

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

NOK thousands	As at 1.1.2017	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Transfers into/out of level 3	As at 30.6.2017	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.6.2017
Shares and similar interests	734,313	6,631					740,943	
Total	**734,313**	**6,631**					**740,943**	

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

		Sensitivity
Shares and similar interests	Decrease in value 10%	74,094
Total		**74,094**

Reconciliation of financial assets valued based on non-observable market data (level 3) 2016

NOK thousands	As at 1.1.2016	Net realised/ unrealised gains recognised in profit or loss	Purch-ases	Sales	Settle-ments	Transfers into/out of level 3	As at 30.6.2016	Amount of net realised/ unrealised gains recognised in profit or loss that are attributable to instruments held as at 30.6.2016
Shares and similar interests	200		161,967				162,167	
Total	**200**		**161,967**				**162,167**	

Sensitivity of financial assets valued based on non-observable market data (level 3) 2016

		Sensitivity
Shares and similar interests	Decrease in value 10%	16,217
Total		**16,217**

3. Related parties

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

4. Contingent liabilities

As part of its ongoing financial management the company has committed, but not paid up to NOK 778,1 million (568,0) in commercial real estate debt funds.

Declaration

Today, the Board and the CEO have considered and approved the half-yearly report for Gjensidige Pensjonsforsikring AS for the period 1 January to 30 June 2017.

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2017 has been prepared in accordance with current accounting standards and gives a true and fair view of the company assets, liabilities, financial position and result for the period viewed in their entirety. Furthermore that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, a description of the principal risks and uncertainties for the business in the following accounting period and related parties' significant transactions.

Oslo, 13 July 2017

The Board of Gjensidige Pensjonsforsikring AS

Mats C. Gottschalk	Kari Østerud	Hans Aasnes	Ida Guldberg
Chair			

Torstein Ingebretsen

CEO

Key figures

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

		Q2 2017	Q2 2016	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
Assets under management pension, at the end of the period	NOK millions			26,249.4	21,160.5	23,237.3
of which the group policy portfolio	NOK millions			5,726.7	5,147.0	5,409.6
Operating margin [1]	%	19.7	18.0	23.4	22.0	31.2
Recognised return on the paid-up policy portfolio [2]	%			1.9	2.2	4.1
Value-adjusted return on the paid-up policy portfolio [3]	%			2.2	2.2	4.9
Share of shared commercial customers [4]	%			69.4	70.3	70.0
Return on equity, annualised [5]	%			12.0	13.2	13.8
Solvency capital (SF) [6]	NOK millions			1,969.7	1,504.5	1,718.8
Solvency margin (SF) [7]	%			129.0	119.2	134.0
Minimum capital requirement [8]	NOK millions			525.1	488.5	485.2

[1] Operating margin = net operating income/total income
[2] Recognised return on the paid-up policy portfolio = realised return on the portfolio
[3] Value-adjusted return on the paid-up policy portfolio = total return on the portfolio
[4] Shared customers = customers having both pension and general insurance products with Gjensidige
[5] Return on equity, annualised = Shareholders' share of net profit for the period/average shareholders' equity for the period, annualised
[6] Solvency capital (SF) = Solvency capital /Capital requirement under the Solvency II standard formula
[7] Solvency margin (SF) = Solvency capital available under the Solvency II standard formula
[8] Minimum capital requirement under the Solvency II standard formula

Gjensidige is a leading Nordic insurance group listed on the Oslo Stock Exchange. We have about 4,000 employees and offer insurance products in Norway, Denmark, Sweden and the Baltic states. In Norway, we also offer banking, pension and savings.

Gjensidige Pensjonsforsikring is a wholly owned subsidiary that mainly offers defined contribution pension plans and risk coverage. The Group's operating income was NOK 25 billion in 2016, while total assets were NOK 136 billion.

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