Gjensidige Forsikring Group

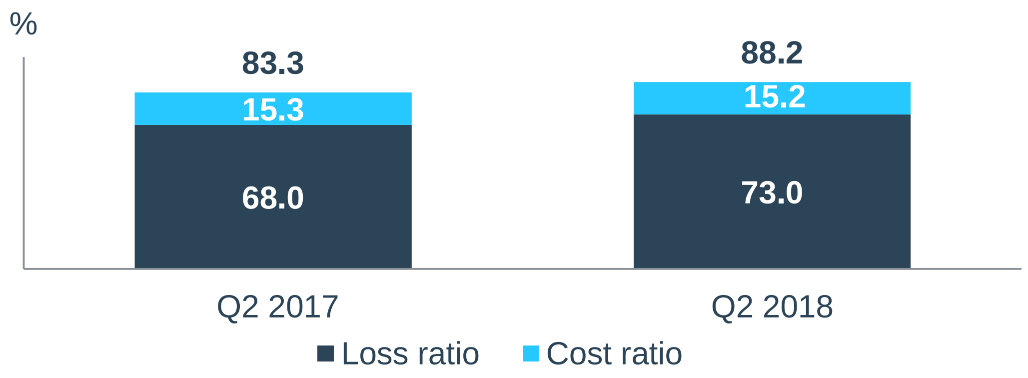
2nd quarter 2018 results

13 July 2018

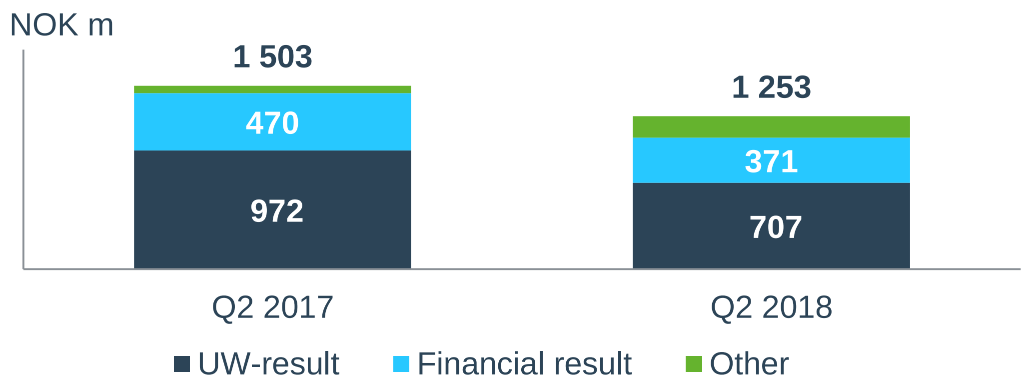
Results impacted by the harsh and long winter

- Pre-tax profit NOK 1,253m
- Underwriting result NOK 707m
  - Combined ratio 88.2
  - 2.8% premium growth
  - Weather-related frequency claims ~NOK 150-200m higher than for an average second quarter in Norway
  - Continued weakening of motor profitability in Norway
  - Positive profitability development outside Norway
  - Good cost control
- Financial result NOK 371m, investment return 0.7%
- Return on equity 14.2%*

Combined ratio



Pre-tax profit

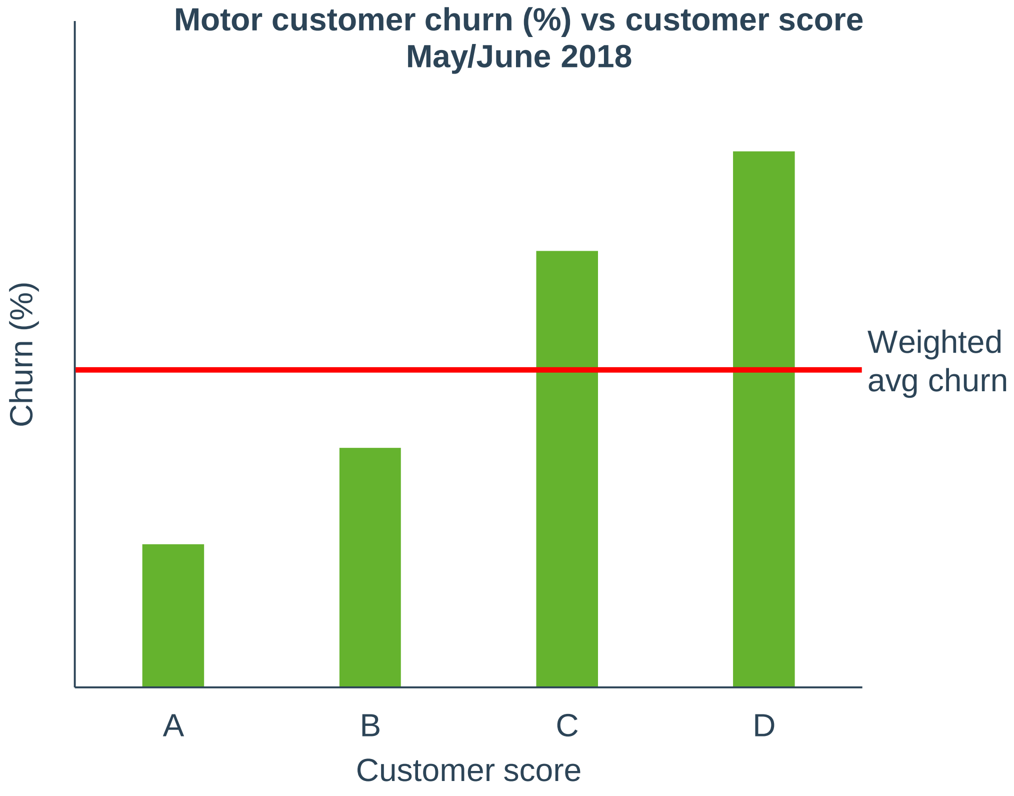


* Annualised, YTD

Motor loss ratio in Norway expected to reach turning point during first half of 2019

- Higher motor claims inflation than expected over the past 2 years
  - Price increases have been lagging the inflation curve
- New pricing measures taken from Q1 2018
  - Price increases at least in line with the ~6 per cent expected motor claims inflation
  - Profitability first, accepting some churn
  - Differentiated pricing, keeping the best customers
- Turning point for loss ratio during 1H 2019
  - In insurance, it takes 12-24 months before full effects from price increases show in the P&L
- Absolute motor profitability level still high

Keeping the best customers

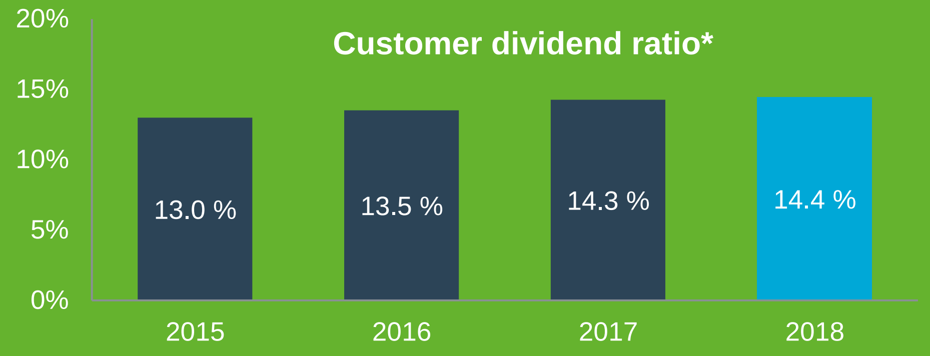


Continued high customer retention in Norway - strengthened by ~14 per cent customer dividend

Why is retention important?

- High retention means lower distribution cost and broader insurance relationship
- Retention in Private segment: 90/ 92 per cent*
- Retention in Commercial segment: 90 per cent
- High retention in Gjensidige driven by:
  - Strong brand
  - Superior customer experiences from A to Z
  - Customer dividend model

Customer dividend model unique retention tool



Highly valued customer proposition

- 8 out of 10 customers say the customer dividend model contributes to their loyalty
- 9 out of 10 customers are aware of the model
- 6 out of 10 non-customers are aware of the model

* Retention for the whole portfolio and loyalty/ affinity portfolio respectively. The latter represents 85 per cent of premiums.

* Per cent relative to insurance premiums paid in 2017.
Distributed by the Gjensidige Foundation to general insurance customers in Norway.

Bank sale and distribution partnership to improve retention, growth and dividend capacity even further

Distribution partnership

- Strengthen bank offering to insurance customers, supporting high retention
- Potential growth via Nordea's customers

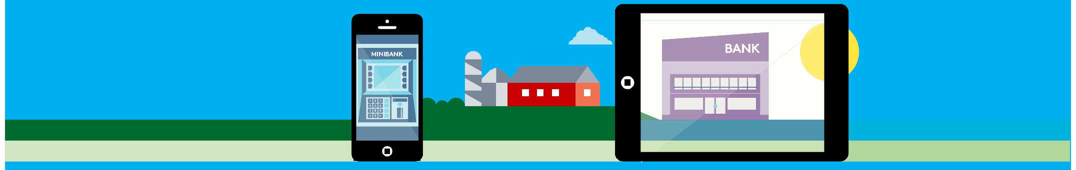
Enhanced financial flexibility

- Closing further capital outflow from insurance operation to banking
- In addition freeing up ~ NOK 5bn of capital, providing further financial flexibility for value accretive growth, supporting long term dividend capacity further

Sale of Gjensidige Bank to Nordea
– entering distribution partnership in Norway

- Purchase price NOK 5.5 billion*
- Long-term distribution partnership; initially 5-year agreement
- Gjensidige exclusive supplier of insurance products to Nordea's customers
- Nordea exclusive supplier of bank products to Gjensidige's customers

- Closing expected in Q1 2019, subject to regulatory approvals
- Estimated gain NOK 1.9 billion**
- Proforma legal solvency margin 236 per cent 30 June 2018



*Payable fully in cash at completion. Subject to certain adjustments based on the performance of the bank until closing. ** Gjensidige Forsikring Group. To be excluded from the basis for calculation dividend pay-out ratio for 2018.

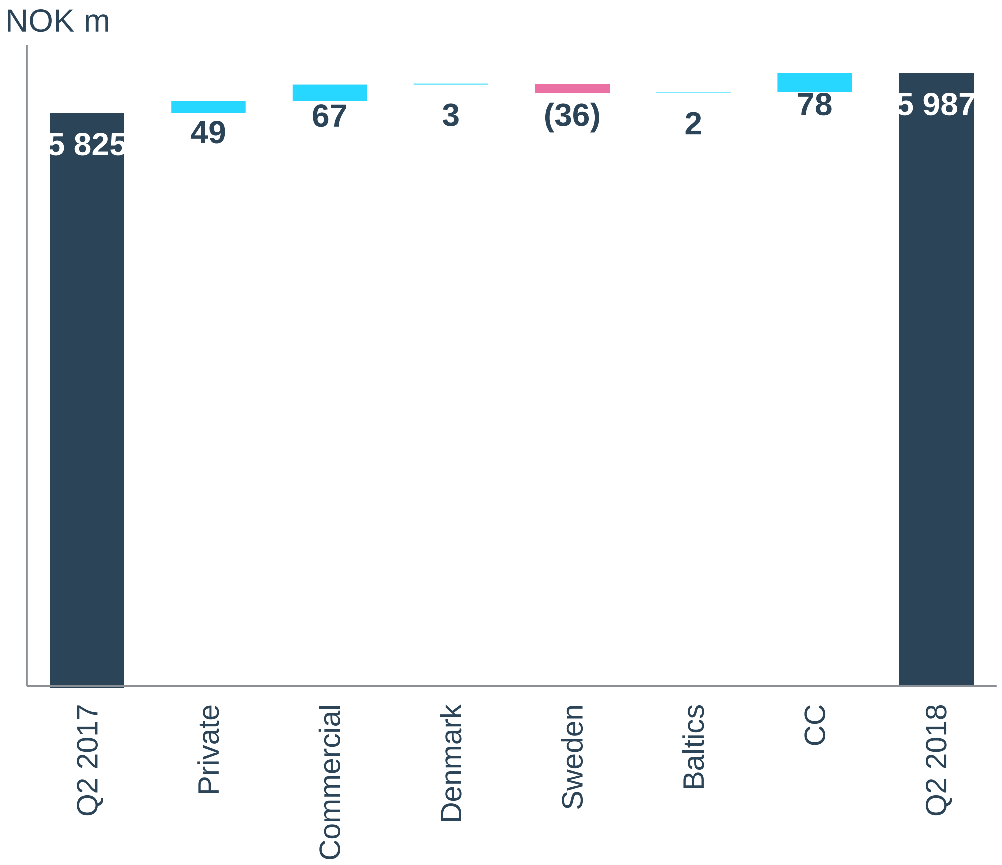
Financial performance

Results in Norway reflect the harsh and long winter - continued positive development outside Norway

NOK m	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Private	371	645	715	1 164
Commercial	307	469	376	819
Denmark	64	71	149	60
Sweden	13	(70)	23	(87)
Baltics	11	(19)	20	(31)
Corporate Centre/costs related to owner	(83)	(72)	(166)	(137)
Corporate Centre/reinsurance	23	(52)	(0)	(84)
Underwriting result	**707**	**972**	**1 118**	**1 705**
Pension	38	23	70	54
Retail Bank	218	122	340	224
Financial result from the investment portfolio	371	470	626	1 036
Amortisation and impairment losses of excess value	(69)	(66)	(139)	(126)
Other items	(12)	(19)	(34)	(26)
Profit/(loss) before tax expenses	**1 253**	**1 503**	**1 979**	**2 868**

2.8 per cent premium growth

Premium development



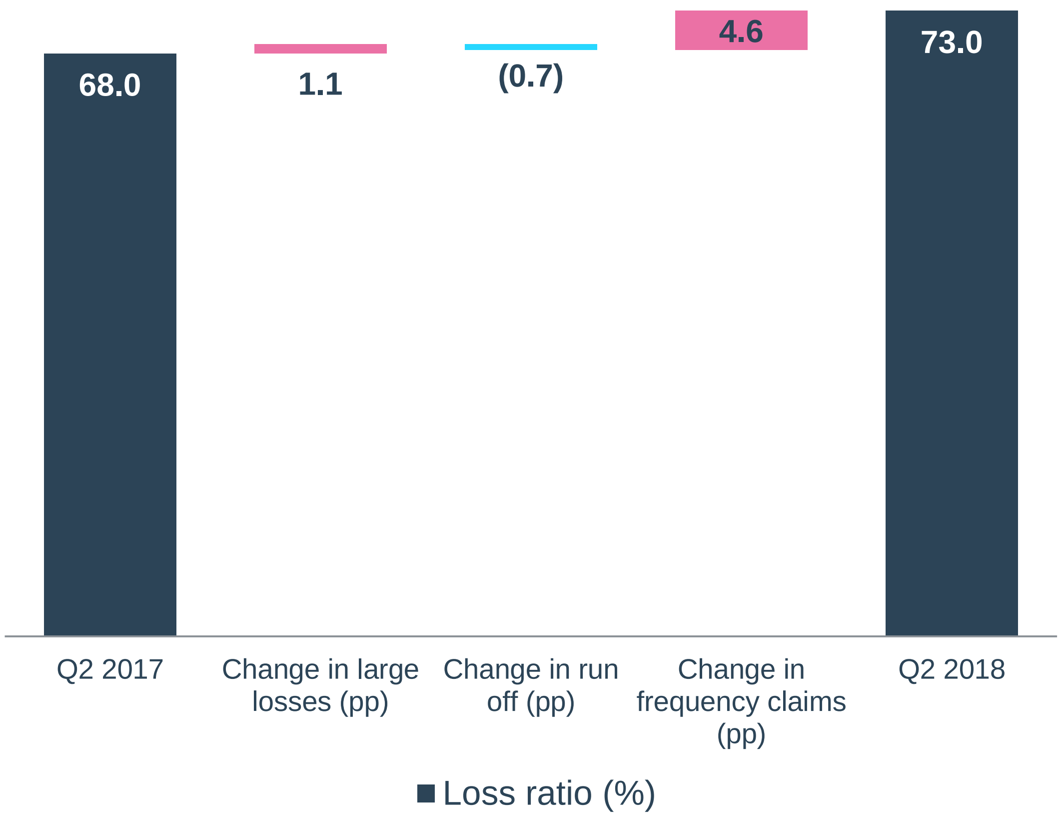
Key drivers - premium development

- Private +2.3%
  - Good competitiveness
- Commercial +3.7%
  - New business and solid renewals
- Denmark +0.3%
  - Underlying negative 5.6% driven by portfolio re-underwriting in commercial lines
- Sweden -8.3%
  - Negative 4.0% in local currency following repricing measures
- Baltics +0.6%
  - Negative 1.0% in local currency

CC = corporate centre

Higher loss ratio due to weather conditions in Norway as well as lower underlying motor profitability

Loss ratio development

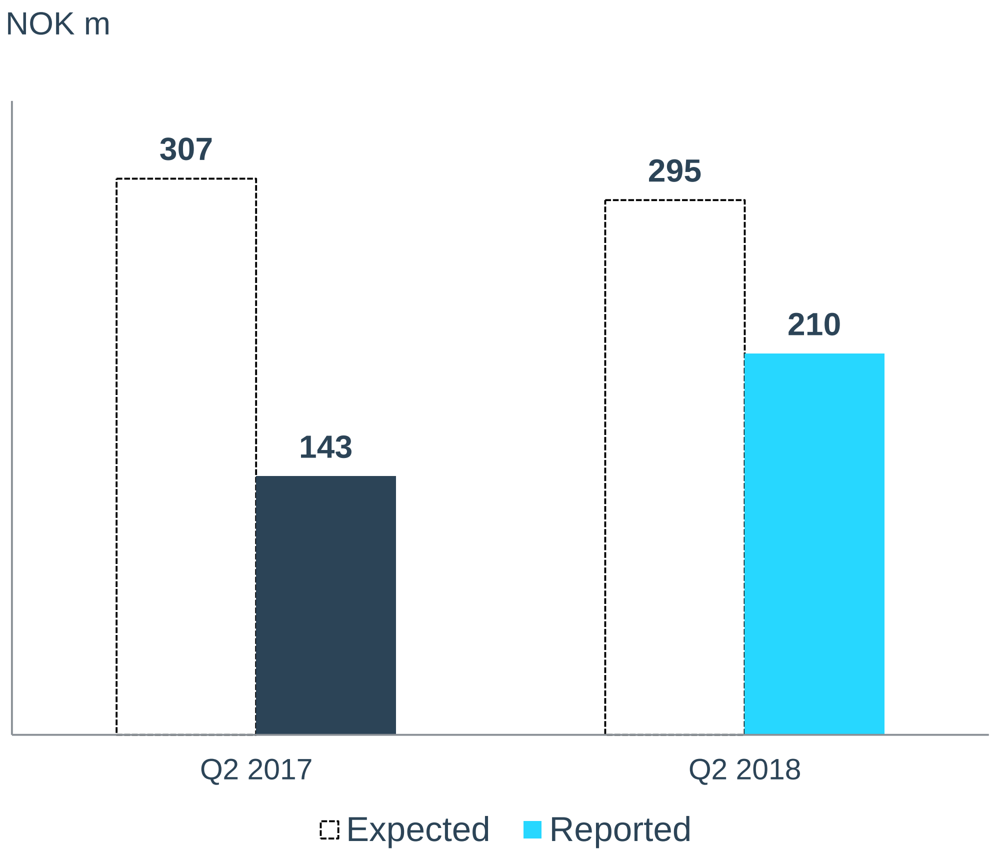


Key drivers

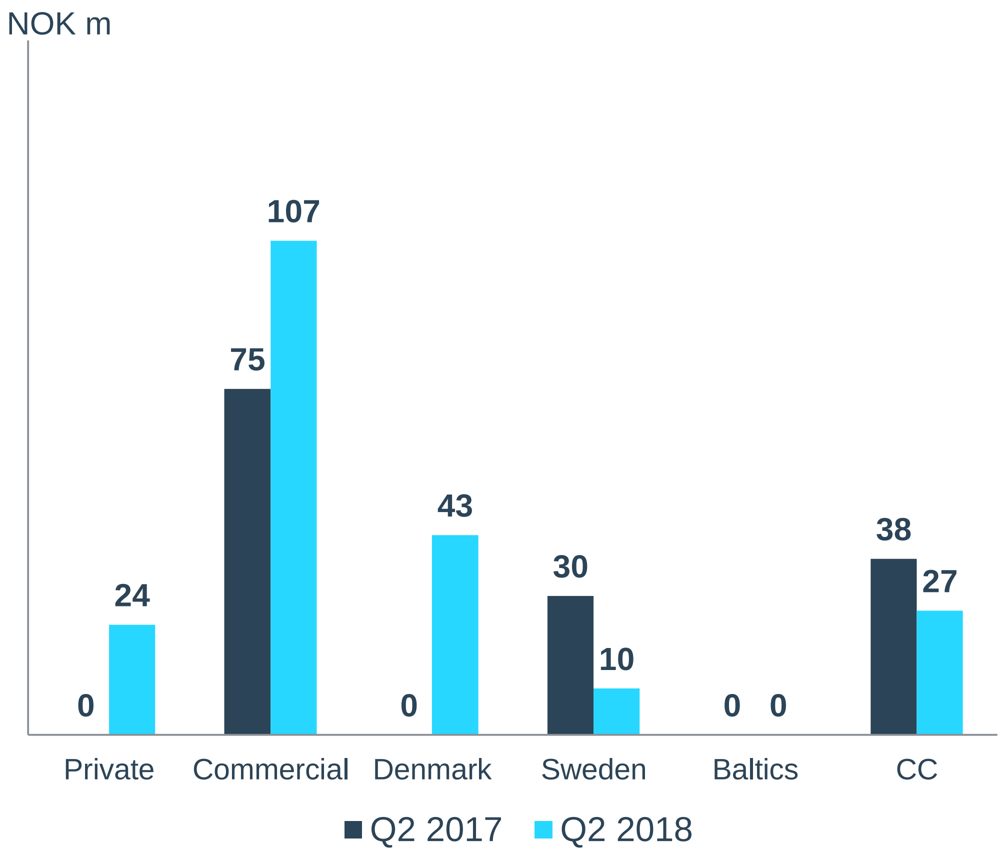
- Large losses higher than in Q217, but still lower than expected level
- Higher frequency claims loss ratio
  - Weather-related frequency claims related to property ~NOK 150-200m (2.5-3.3pp) higher than for an average Q2 in Norway
  - Higher motor frequency claims level in Norway reflecting change in vehicle fleet – mitigating pricing measures continued through Q218
  - Positive contribution from operations outside of Norway

Large losses 3.5 percentage points - lower than expected

Large losses – reported vs expected



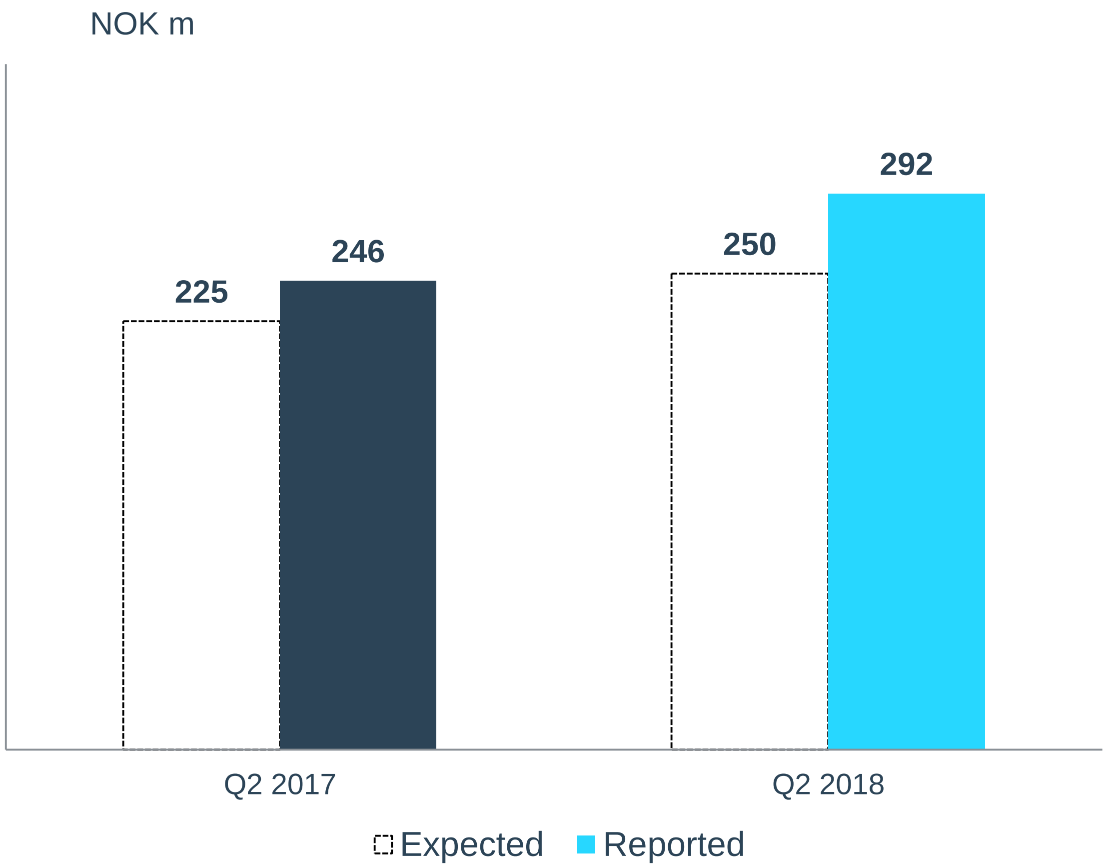
Large losses per segment



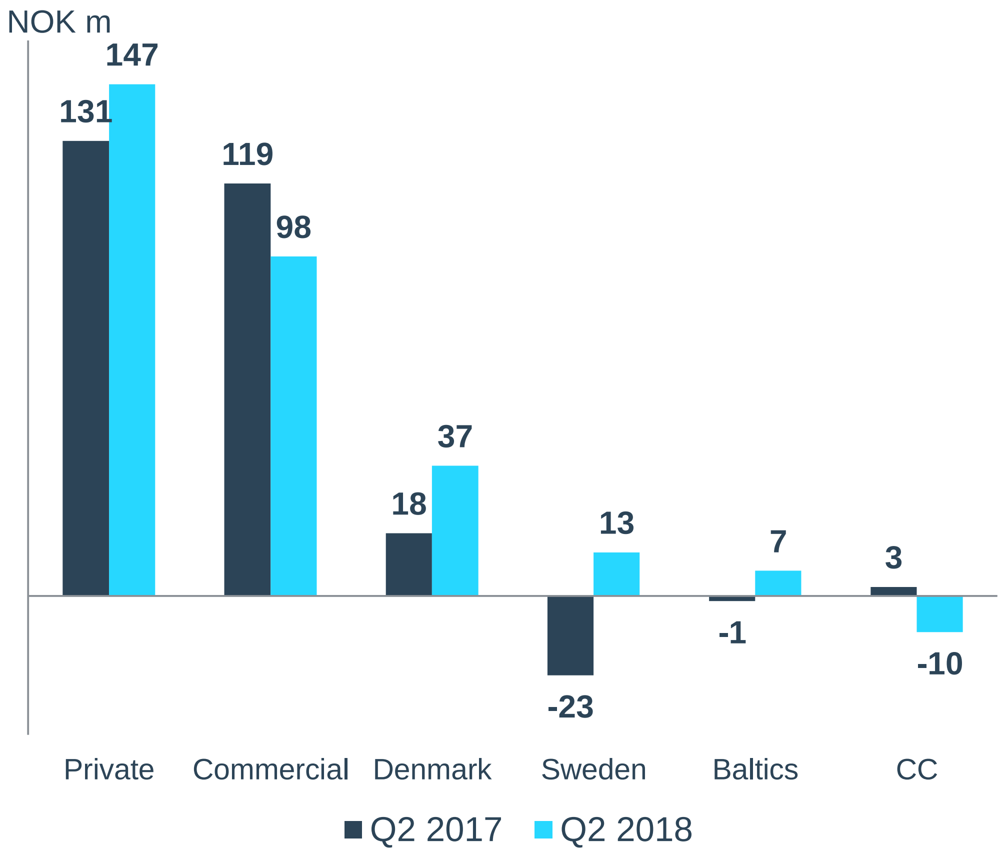
CC = corporate centre. Large losses: Losses > NOK 10m. Weather related large losses are included. Large losses in excess of NOK 30.0m are charged to the Corporate Centre while up to NOK 30m per claim is charged to the segment in which the large loss occurred. The Baltics segment has, as a main rule, a retention level of EUR 0.5m. The Sweden segment has a retention level of NOK 10m.

Run-off gains 4.9 percentage points – higher than expected

Run-off net



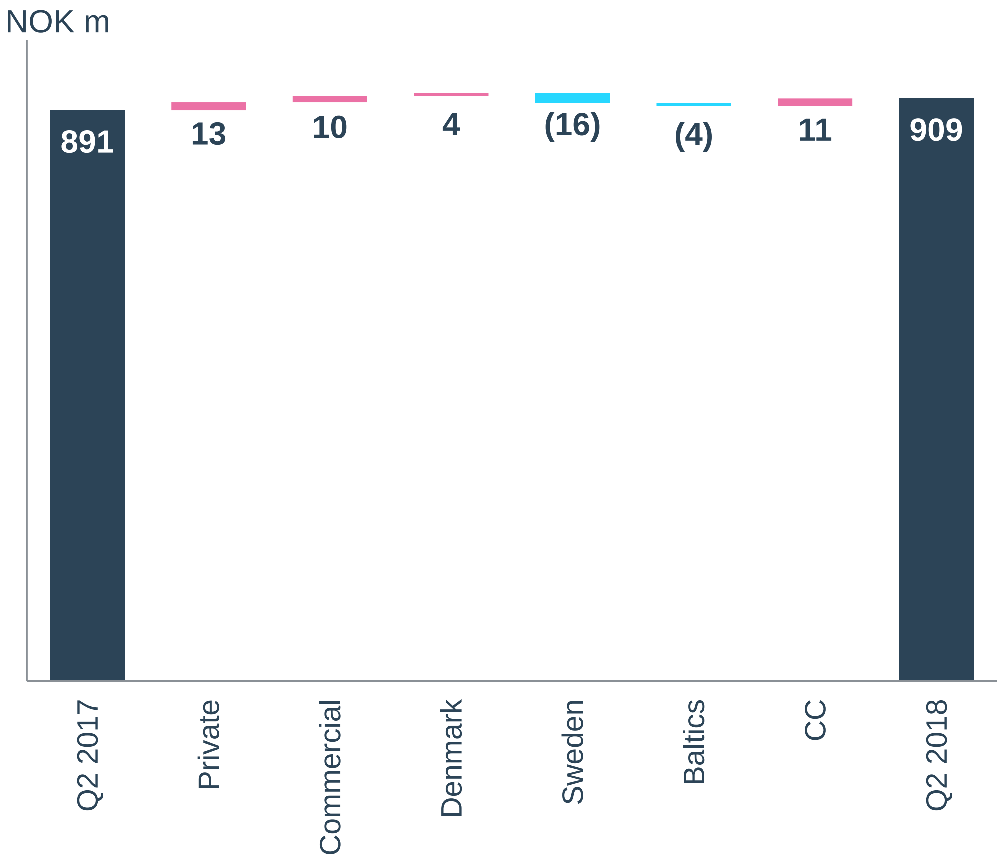
Run-off net per segment



CC = corporate centre

Continued good cost control – cost ratio 15.2 per cent

Cost development



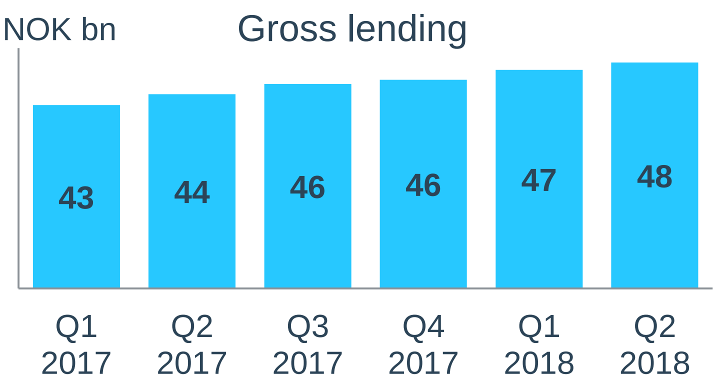
Key drivers – cost development

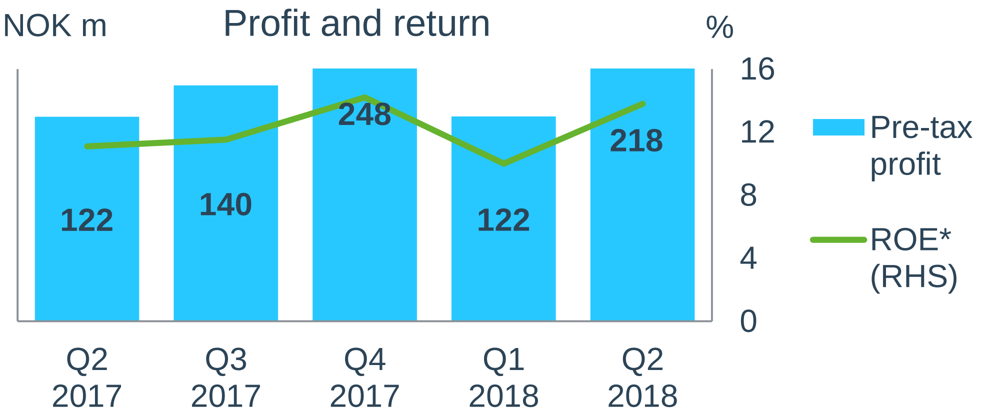
- Continued cost efficiency measures in all markets
- Cost ratio 14.4% excluding Baltics

CC = corporate centre

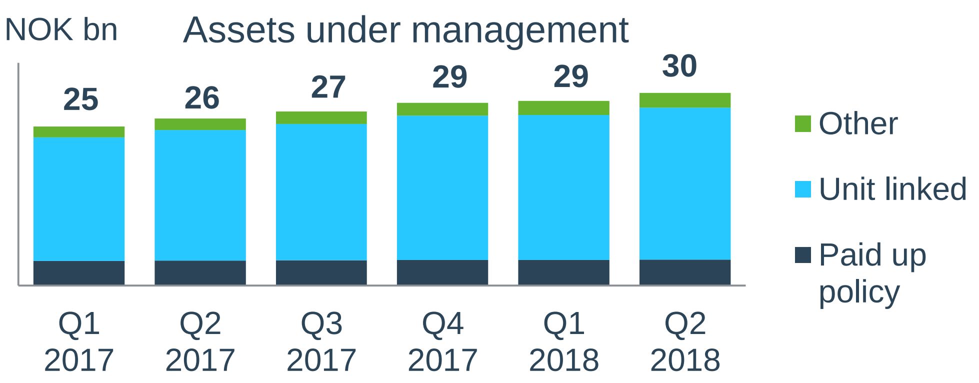
Growth in bank and pension operations
- non-recurring gain of NOK 130m in the bank

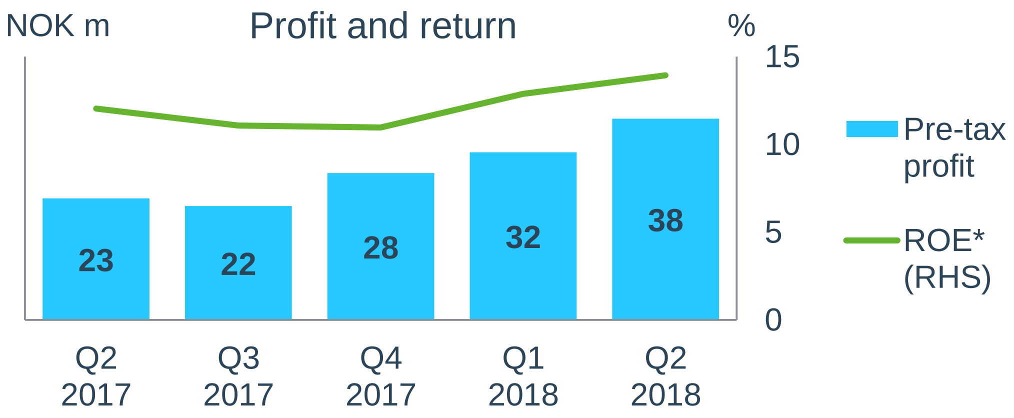
Gjensidige Bank ASA





Gjensidige Pensjonsforsikring AS

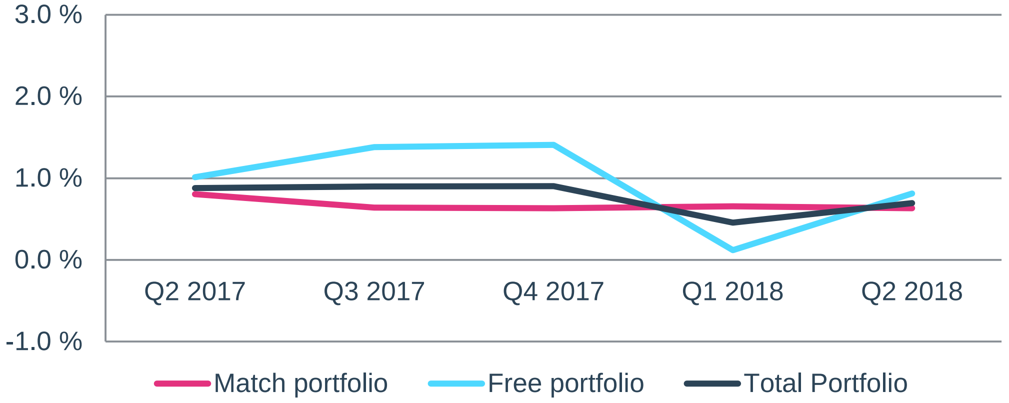




*Annualised YTD

Satisfactory investment return of 0.7 per cent

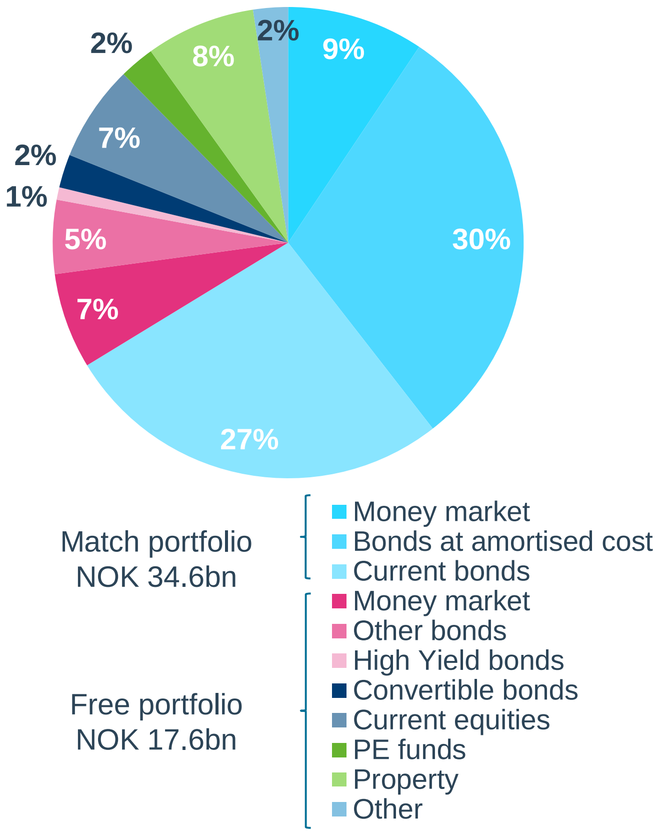
Investment return



Investment return, free portfolio

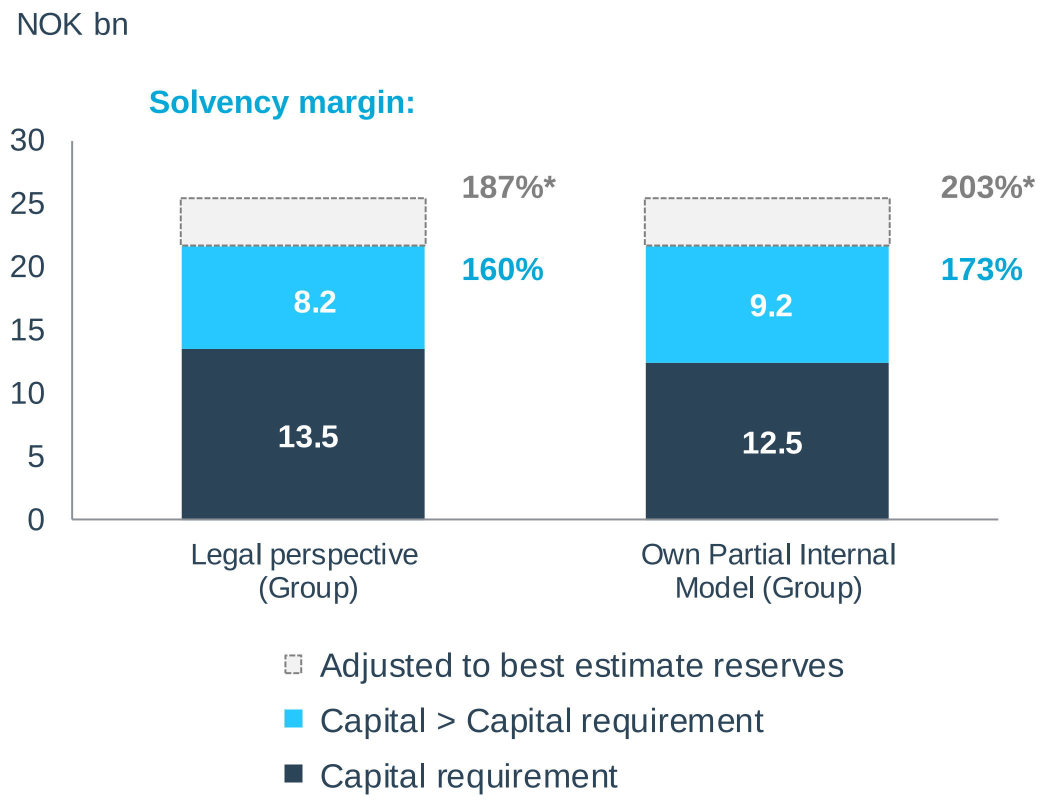
Q2 2018	%
Fixed income	0.3
Current equities	1.4
PE funds	2.3
Property	1.7
Total free portfolio	**0.8**

Portfolio mix as at 30.06.2018



Strong capital position
- continued capital discipline

Strong capital position



Capital discipline

- Solvency margin target: 125-175%
- Capital buffers well within risk appetite
- Solvency margin in the legal perspective will, all else equal, decrease by ~10pp by year-end as the FSA requires some model changes
- Solvency II related regulatory uncertainty persists
- 30 June 2018 pro-forma legal Solvency II margin 236% given sale of Gjensidige Bank

* Solvency margins when adjusting capital position to reflect best estimate reserves.
Figures as at 30.06.2018. The legal perspective is the regulatory approved version of the partial internal model. The Solvency II regulation is principle based. The figures are adjusted for a formulaic dividend pay-out ratio of 70 per cent of net profit.

Concluding remarks

Key takeaways

- Harsh and long winter weighs on the Q2 underwriting result in Norway
- Turning point for loss ratio in motor Norway expected during 1H 2019
- Continued positive development outside Norway
- Continuous efforts to balance cost efficiency measures with strategic investments
- Strong capital position, exploring M&A opportunities

Long-term annual financial targets unchanged

Return on equity	>15%
Combined ratio	86-89%*
Cost ratio	~15%
Dividends	Nominal high and stable (>70%)

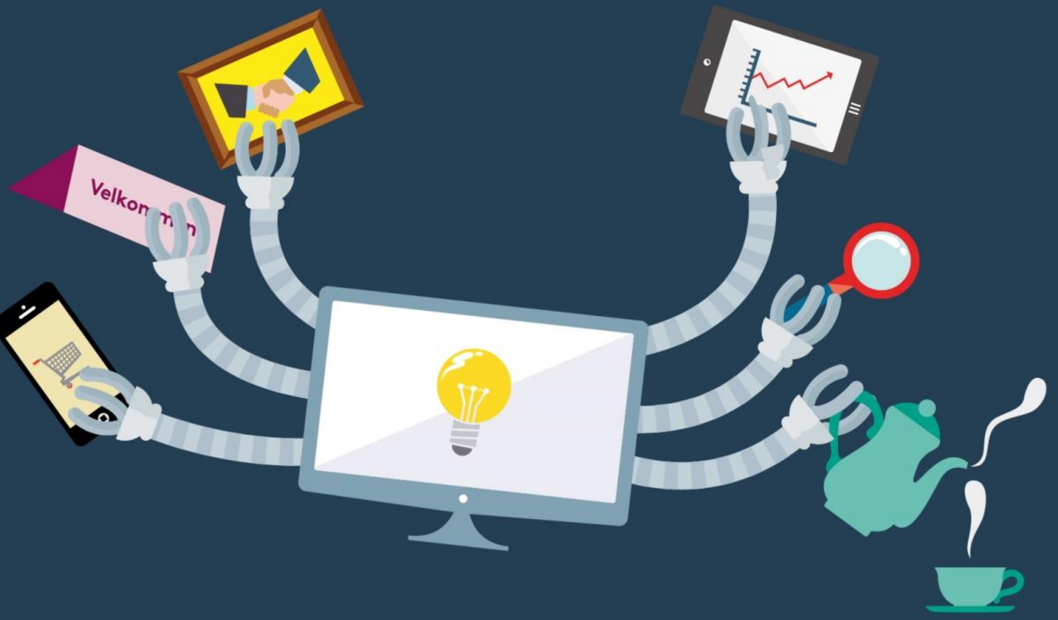
* Combined ratio target on an undiscounted basis, assuming ~4 pp run-off gains next 2.5-4.5 years and normalised large losses impact. Beyond this period, the target is 90-93 given 0 pp run-off.

Gjensidige

SAVE THE DATE

28 November 2018

Gjensidige Forsikring is hosting
a Capital Markets Day in London



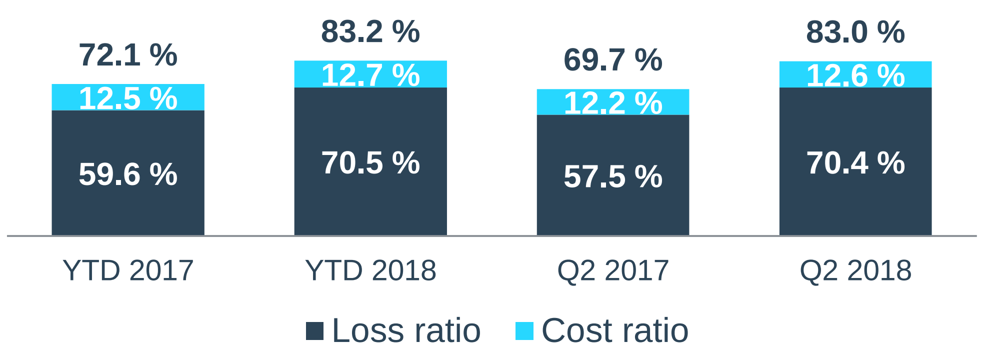
Roadshows and conferences post Q2 2018 results

Date	Location	Participants	Event	Arranged by
27 August	Oslo	CEO Helge Leiro Baastad CFO Jostein Amdal Head of IR, Mitra H. Negård	Group lunch Roadshow	DNB
28 August	Bergen and Stavanger	CEO, Helge Leiro Baastad Head of IR Mitra H. Negård	Roadshow	Arctic Securities
30-31 August	Geneva and Zurich	CEO, Helge Leiro Baastad Head of IR Mitra H. Negård	Roadshow	Danske Bank
13 September	Edinburgh	EVP Group Staff and General Services, Janne Flessum Head of IR Mitra H. Negård	Roadshow	Handelsbanken
20 September	Stockholm	CFO Jostein Amdal EVP Group Staff and General Services, Janne Flessum	Roadshow	Carnegie Investment Bank

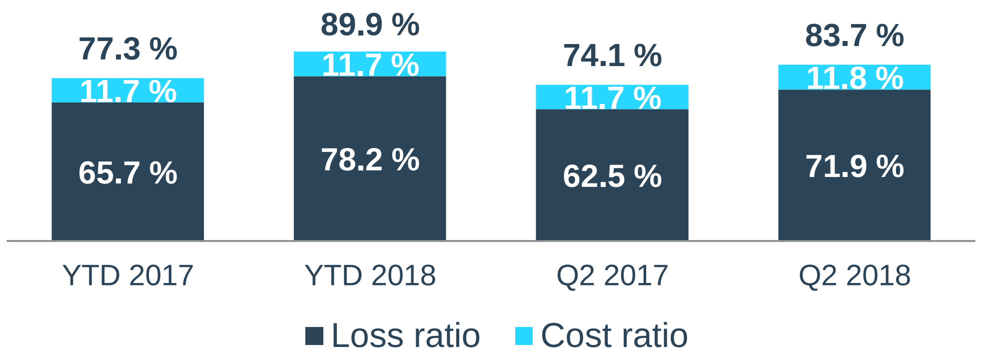
Appendix

General insurance – cost ratio and loss ratio per segment

Private

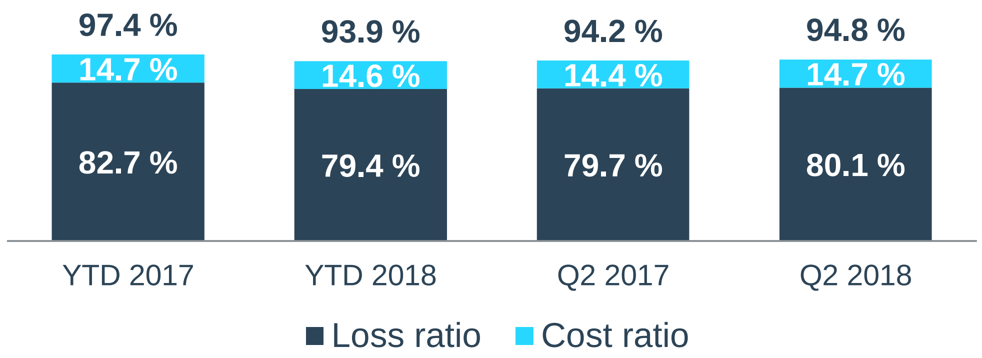


Commercial

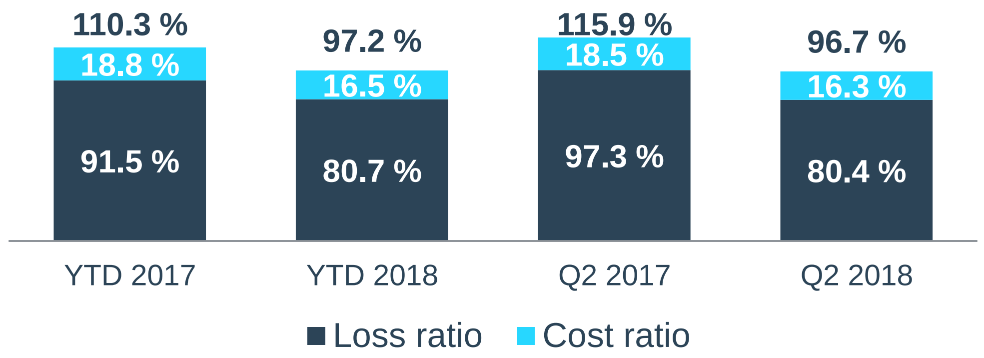


General insurance – cost ratio and loss ratio per segment (cont'd)

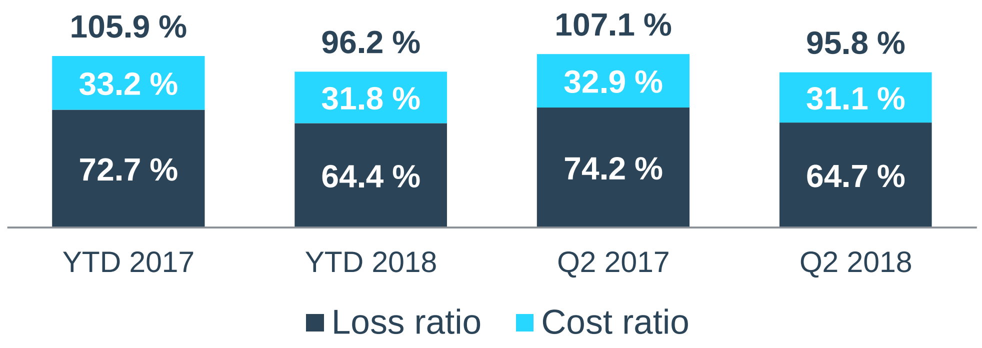
Denmark



Sweden



Baltics



Effect of discounting of claims provisions

Assuming Solvency II regime

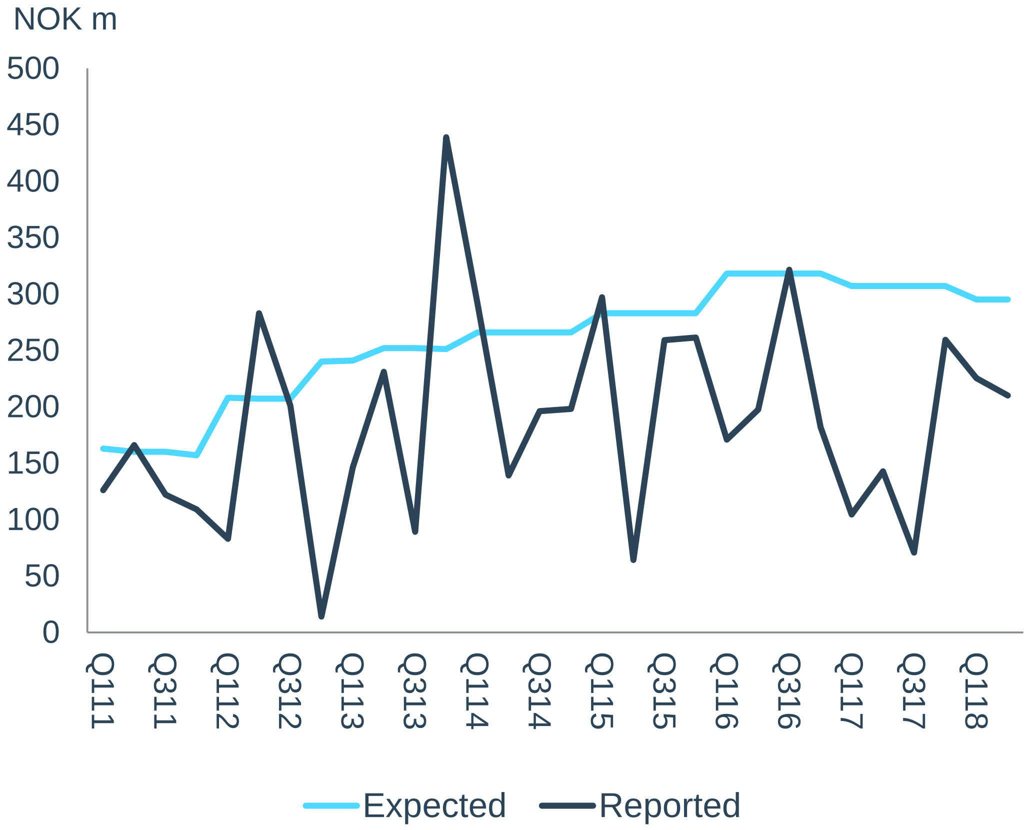
Effect of discounting on CR – Q2 2018

Assumptions

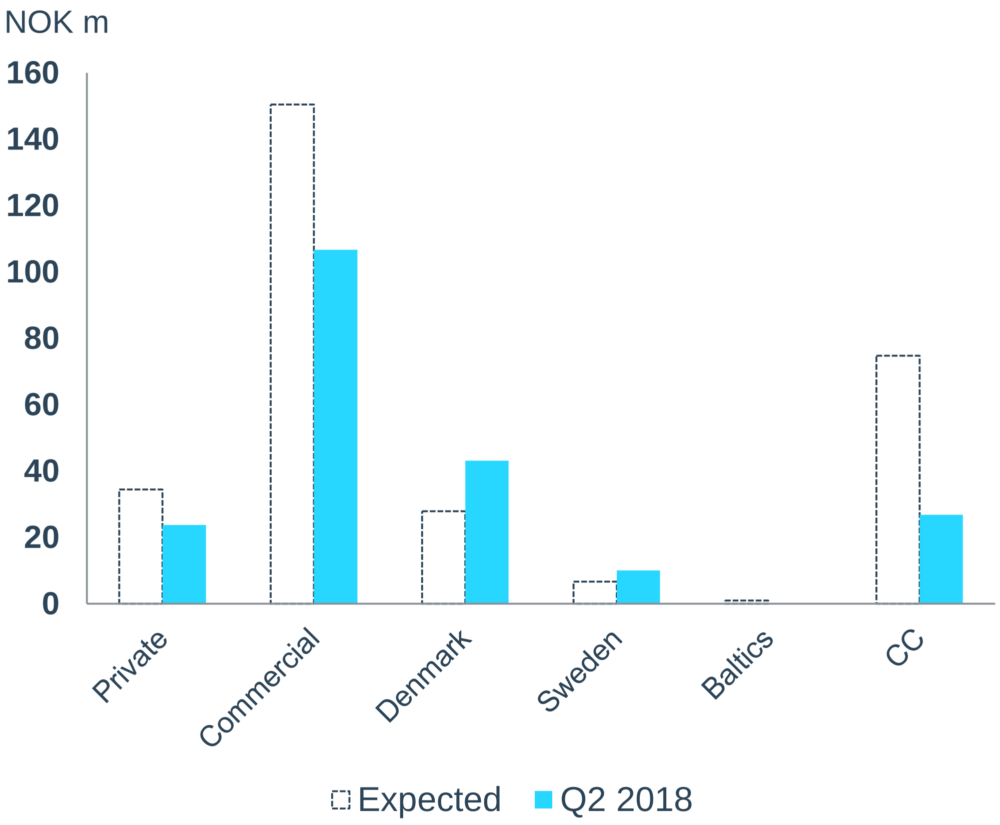
- Only claims provisions are discounted (i.e. premium provisions are undiscounted)
- Swap rates in Norway, Sweden and Denmark
- Euroswap rates in the Baltic countries

Large losses development

~ NOK 1.2bn in large losses* expected annually



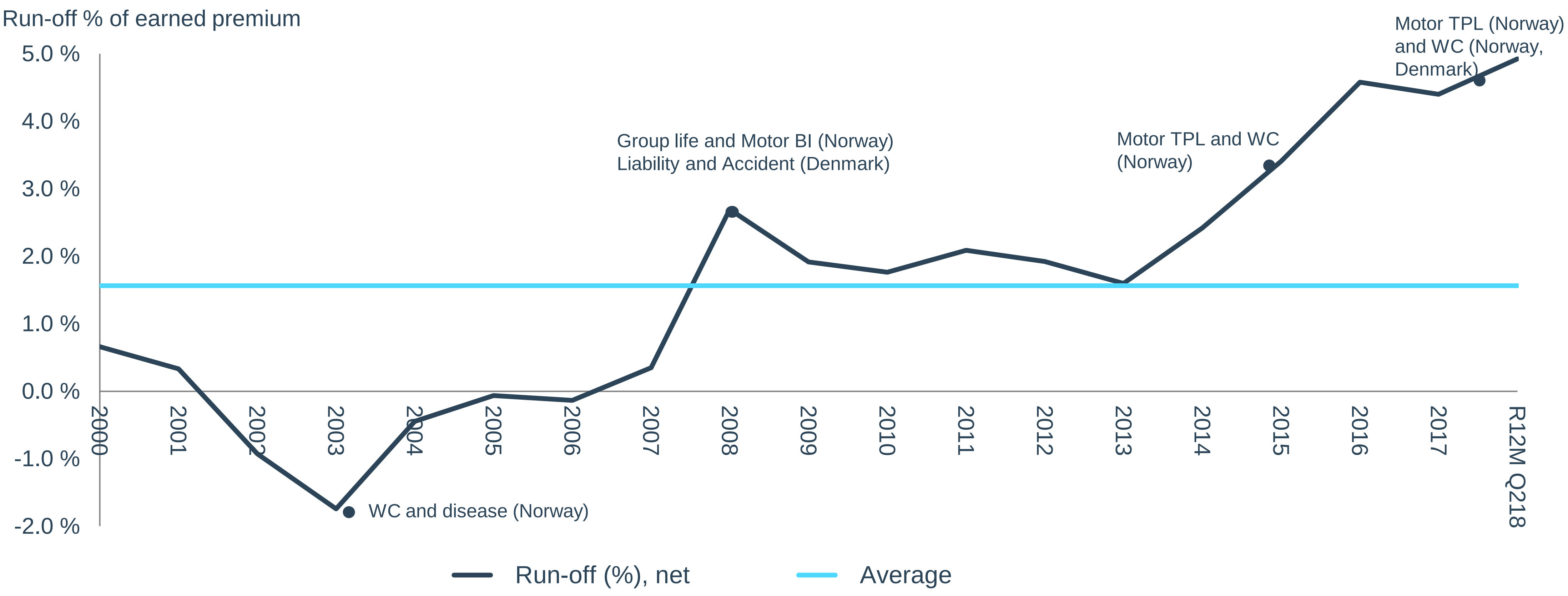
Large losses per segment – actual vs expected



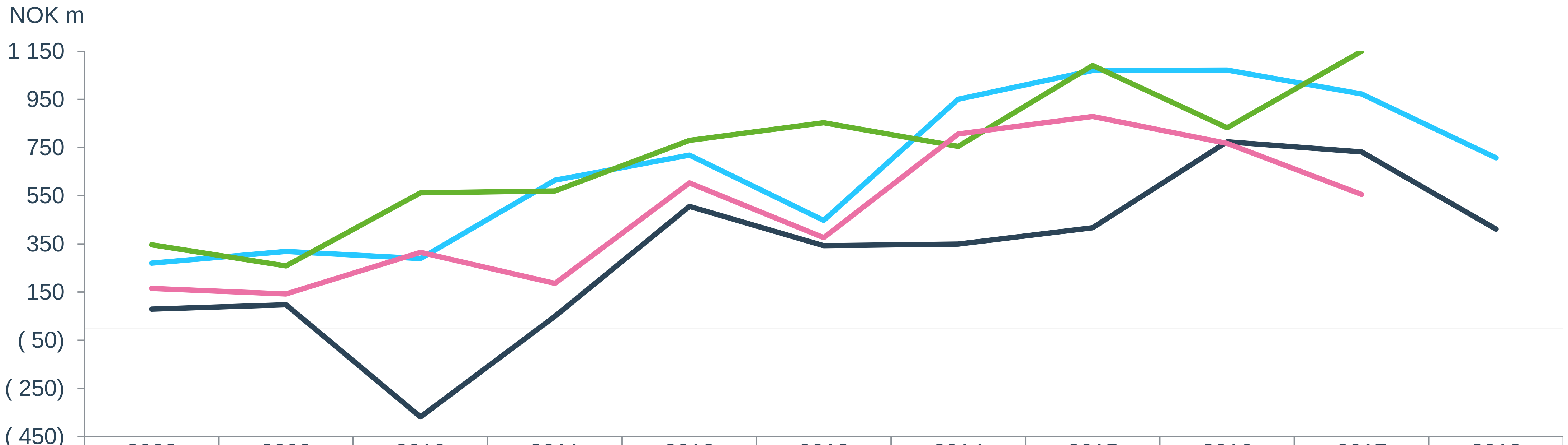
* Losses >NOK 10m. From and including 2012, the numbers include weather related large losses.

Run-off development

Expected annual run-off gains of ~4 pp next 2.5-4.5 years



Quarterly underwriting results
Seasonality in Nordic general insurance



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Q1	79	97	(369)	50	506	343	349	417	774 *	732	411
Q2	270	319	289	615	719	448	951	1070	1072	972	707
Q3	346	259	562	570	780	853	755	1091	832 **	1150	
Q4	165	142	315	186	603	376	807	879	767 ***	555	

Q1 Q2 Q3 Q4

*Reported UW result for Q1 2016 was NOK 1,251m. Adjusted for a non-recurring income of NOK 477m related to the pension plans, the UW result was NOK 774m.
** Reported UW result for Q3 2016 was NOK 712m. Adjusted for a non-recurring NOK 120m restructuring cost the UW result was NOK 832m.
*** Reported UW result for Q4 2016 was NOK700m. Adjusted for a non-recurring NOK 44m increase in provision for restructuring cost and NOK23m provision for increased pay-roll tac the UW result was NOK 767m

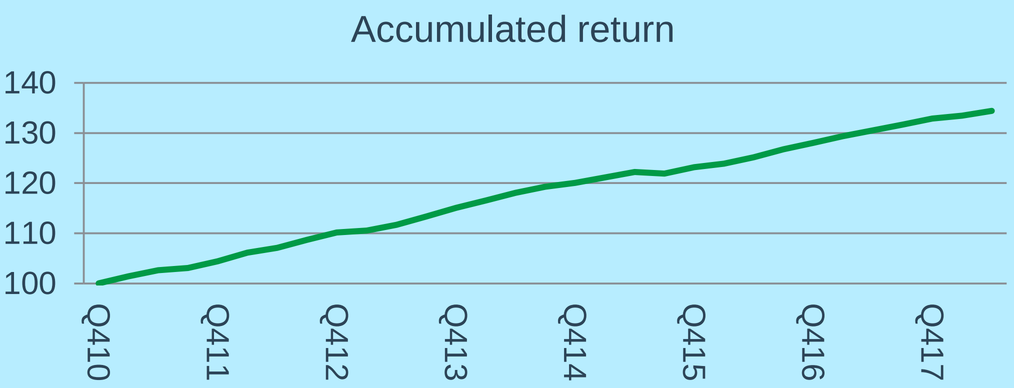
Investment strategy supporting high and stable nominal dividends

- Match portfolio
  - Duration and currency matching versus technical provisions (undiscounted)
  - Credit element for increased returns
  - Some inflation hedging

- Free portfolio
  - Compounding and focused on absolute returns
  - Dynamic risk management
  - Tactical allocation
  - Active management fixed income and equities
  - Normal risk premiums basis for asset allocation and use of capital

Key characteristics

- Limited risk appetite
- Currency hedging vs NOK ~ 100%
  - Limit +/- 10% per currency
- Marked-to-market recognition
  - Except bonds at amortised cost
- Stable performance



Investment portfolio
- asset classes and relevant benchmarks

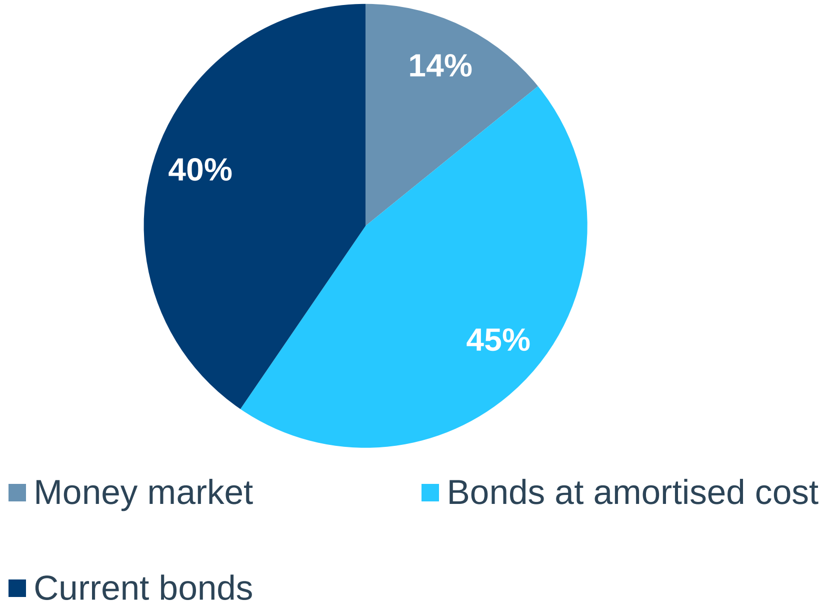
Asset class	Investments, key elements*	Benchmark
Match portfolio		
Money market	Norwegian money market	ST1X index
Bonds at amortised cost	Government and corporate bonds	Yield provided in quarterly reports
Current bonds	Mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt	IBOX COR 1-3 yrs QW5C index
Free portfolio		
Money market	Norwegian money market	ST1X index
Other bonds	IG bonds in internationally diversified funds externally managed and current bonds	Global Agg Corp LGCPTRUH index
High Yield bonds	Internationally diversified funds externally managed	BOAML global HY HWIC index
Convertible bonds	Internationally diversified funds externally managed	BOAML global 300 conv VG00 index / Exogen factors
Current equities	Mainly internationally and domestic diversified funds externally managed	MSCIAC NDUEACWF index
PE funds	Oil/ oil-service/ general (Norwegian and Nordic funds)	OSEBX index / oil price
Property	50% of Oslo Areal	IPD index Norway / Exogen factors
Other	Miscellaneous	

*See quarterly report for a more detailed description

Asset allocation
As at 30.06.2018

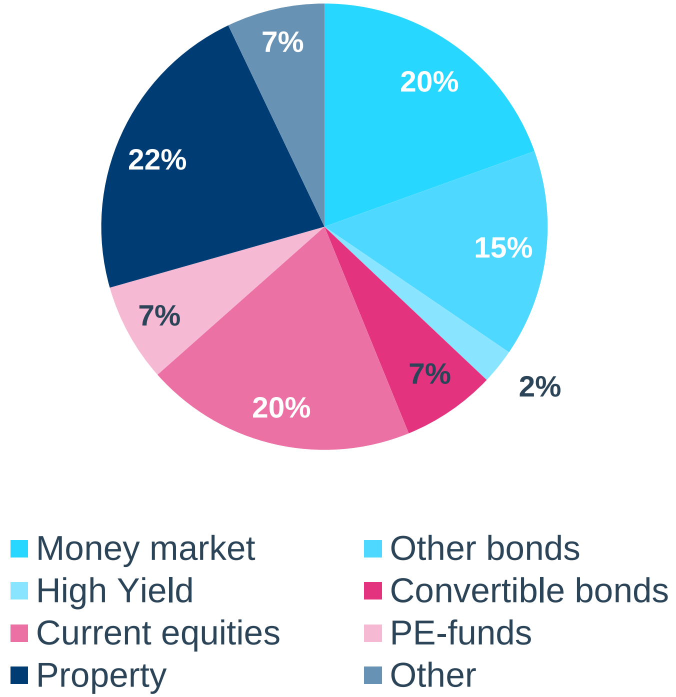
Match portfolio

- Carrying amount: NOK 34.6bn
- Average duration: 3.5 years



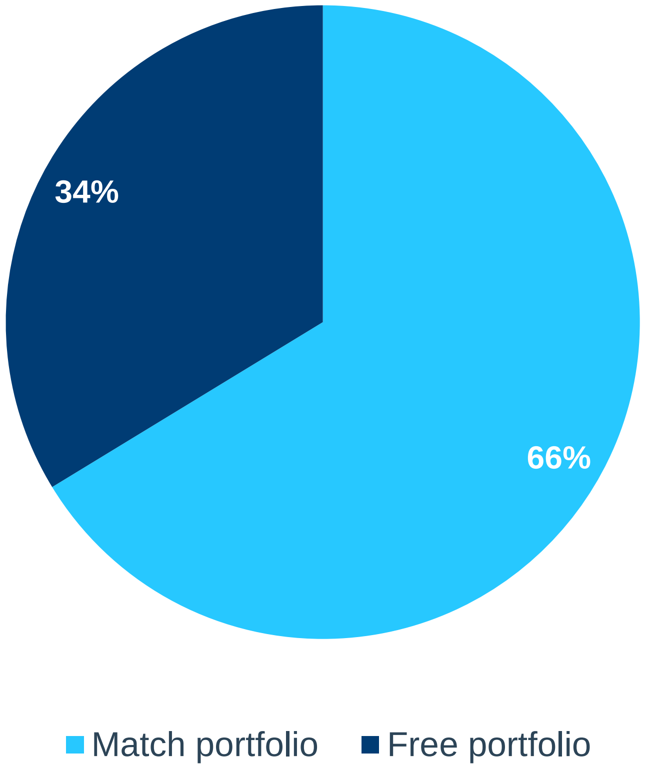
Free portfolio

- Carrying amount: NOK 17.6bn
- Average duration fixed-income instruments: 1.9 years

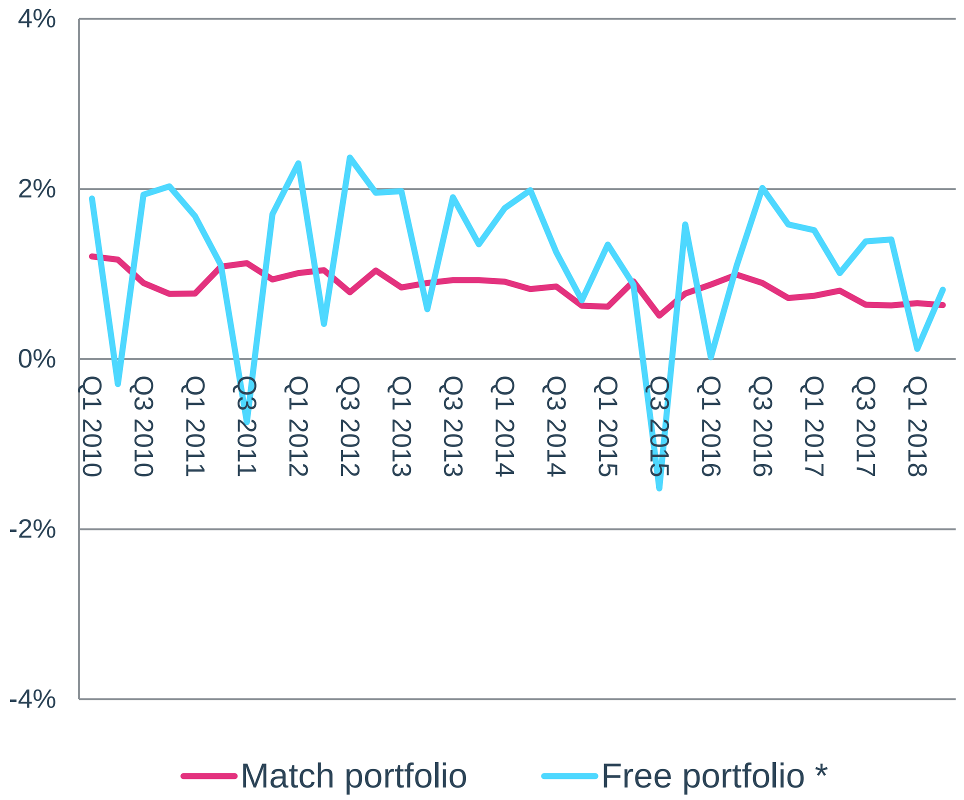


Stable contribution from the match portfolio

Asset allocation as at 30.06.2018



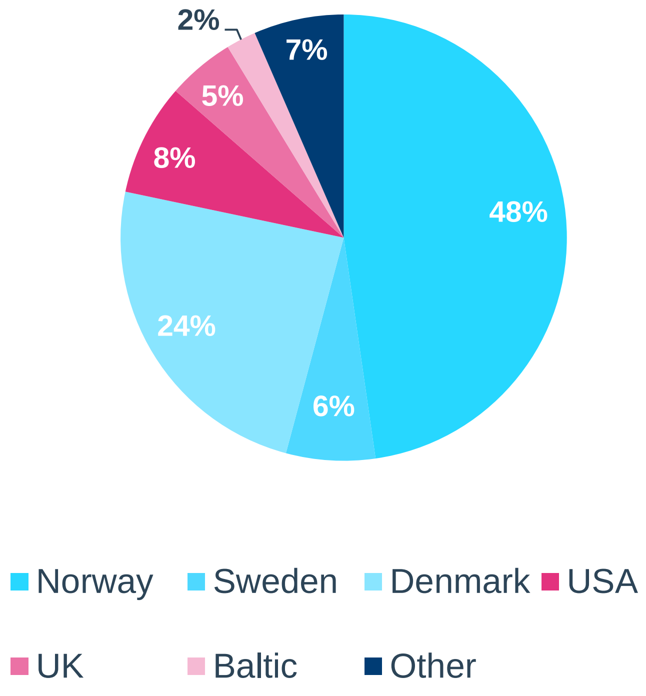
Quarterly investment returns*



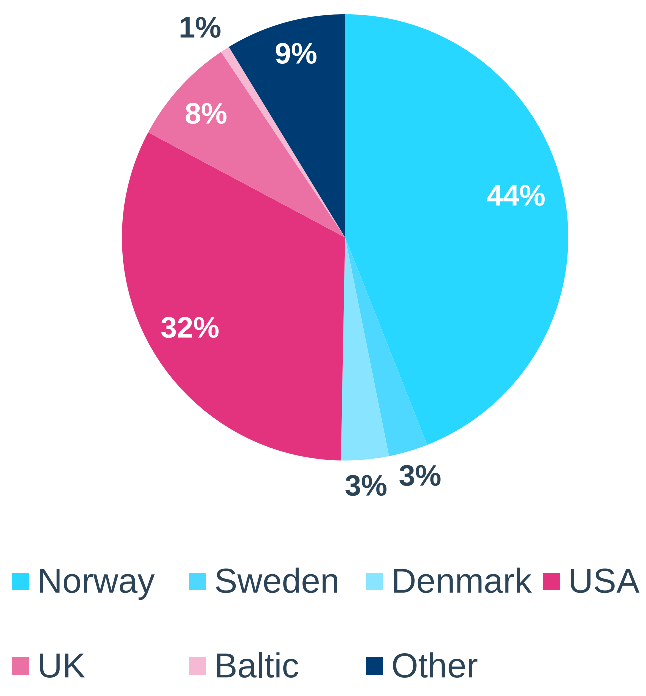
* Prior to 2014 former associated companies were not included in the Free portfolio.

Balanced geographical exposure

Match portfolio



Free portfolio, fixed-income instruments



Figures as at 30.06.2018. Geographical distribution relates to issuers and does not reflect actual currency exposure

Credit and counterparty risk

Credit exposure

- The portfolio consists mainly of securities in rated companies with high creditworthiness (Investment grade)
- Issuers with no official rating are mainly Norwegian savings banks, municipalities, credit institutions and power producers and distributors

Total fixed income portfolio

Split - Rating	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
AAA	10.9	31.4	1.1	14.1
AA	3.1	8.9	1.0	12.5
A	4.9	14.2	1.7	22.2
BBB	1.6	4.7	1.2	15.9
BB	0.4	1.0	0.3	4.5
B	2.3	6.7	0.3	3.8
CCC or lower	0.1	0.2	0.1	0.9
Internal rating*	7.7	22.2	1.2	15.6
Unrated	3.7	10.7	0.8	10.5
Fixed income portfolio	34.7	100.0	7.7	100.0

Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	4.9	14.2	1.9	24.0
Bank/financial institutions	16.1	46.4	2.9	38.2
Corporates	13.6	39.4	2.9	37.8
Total	34.7	100.0	7.7	100.0

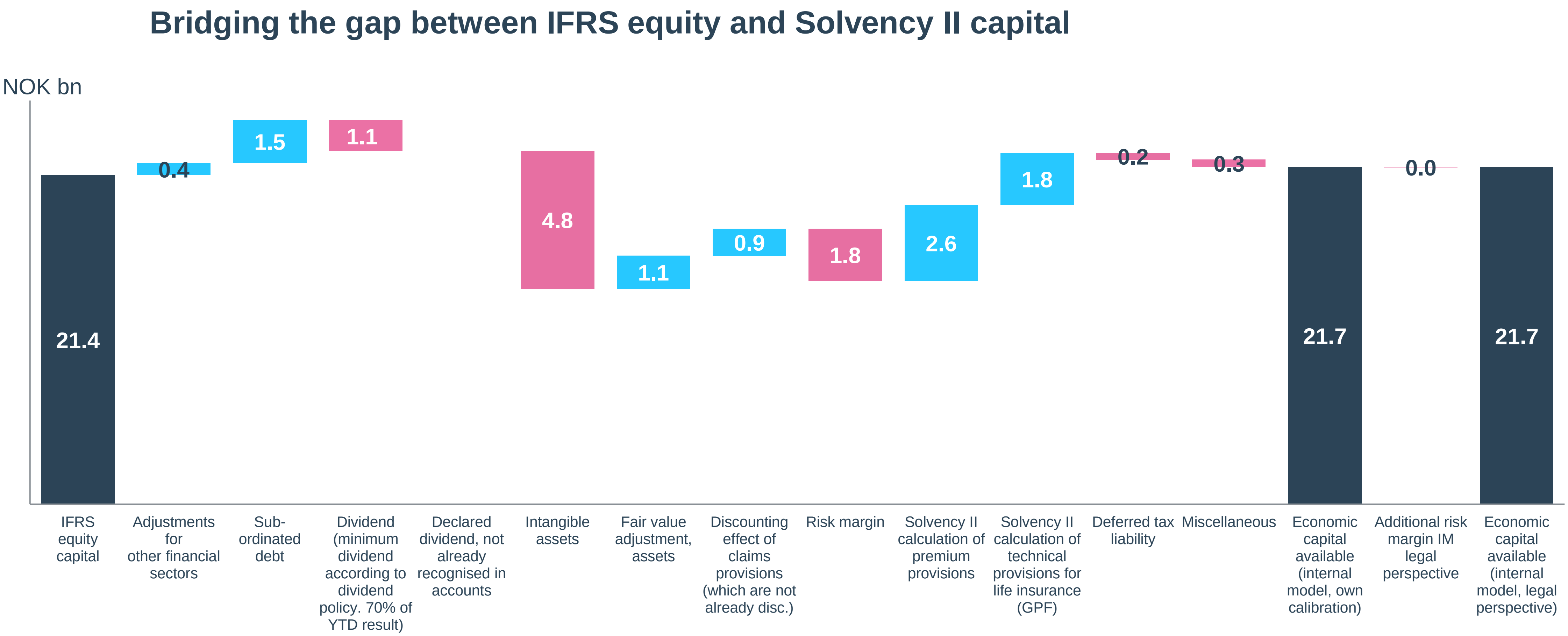
Figures as at 30.06.2018. *Internal rating – rating by Gjensidige

Capital position per operational areas

(NOK bn)	**Legal perspective (Group)**	**Legal perspective (general insurance)**	**Own partial internal model (Group)**	**Own partial internal model (general insurance)**	**Gjensidige Pensjons-forsikring**	**Gjensidige Bank**
Capital available	21.7	15.1	21.7	15.1	1.9	4.6
Capital requirement	13.5	8.3	12.5	7.3	1.3	4.4
Solvency margin	**160%**	**181%**	**173%**	**206%**	**143%**	**105%**

Figures as at 30.6.2018. The legal perspective is the regulatory approved version of the partial internal model. The Solvency II regulation is principle based. The figures are adjusted for a formulaic dividend pay-out ratio of 70 per cent of net profit. Allocation of capital to Gjensidige Bank is based on 17,0 per cent capital adequacy ratio.

Solvency II economic capital available

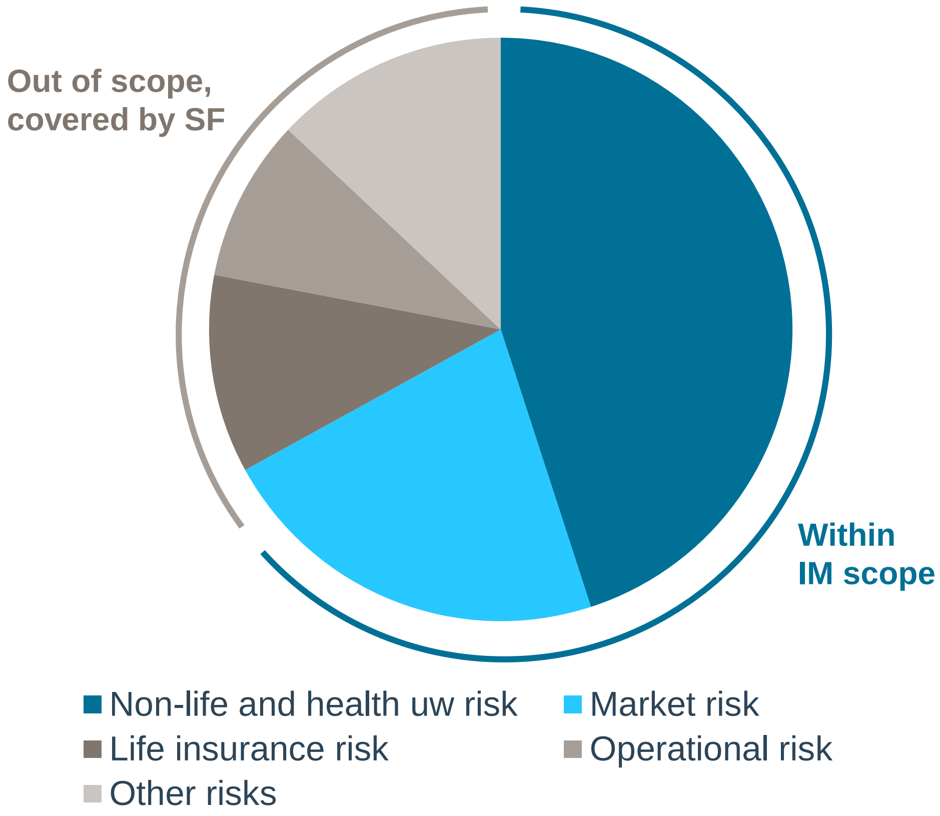


Figures as at 30.06.2018. GPF = Gjensidige Pensjonsforsikring. The Solvency II regulation is principle based. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. No tax is assumed on the security provision. Miscellanious: Main effects are related to the guarantee scheme provision and different valuation of Oslo Areal.

Solvency II capital requirements

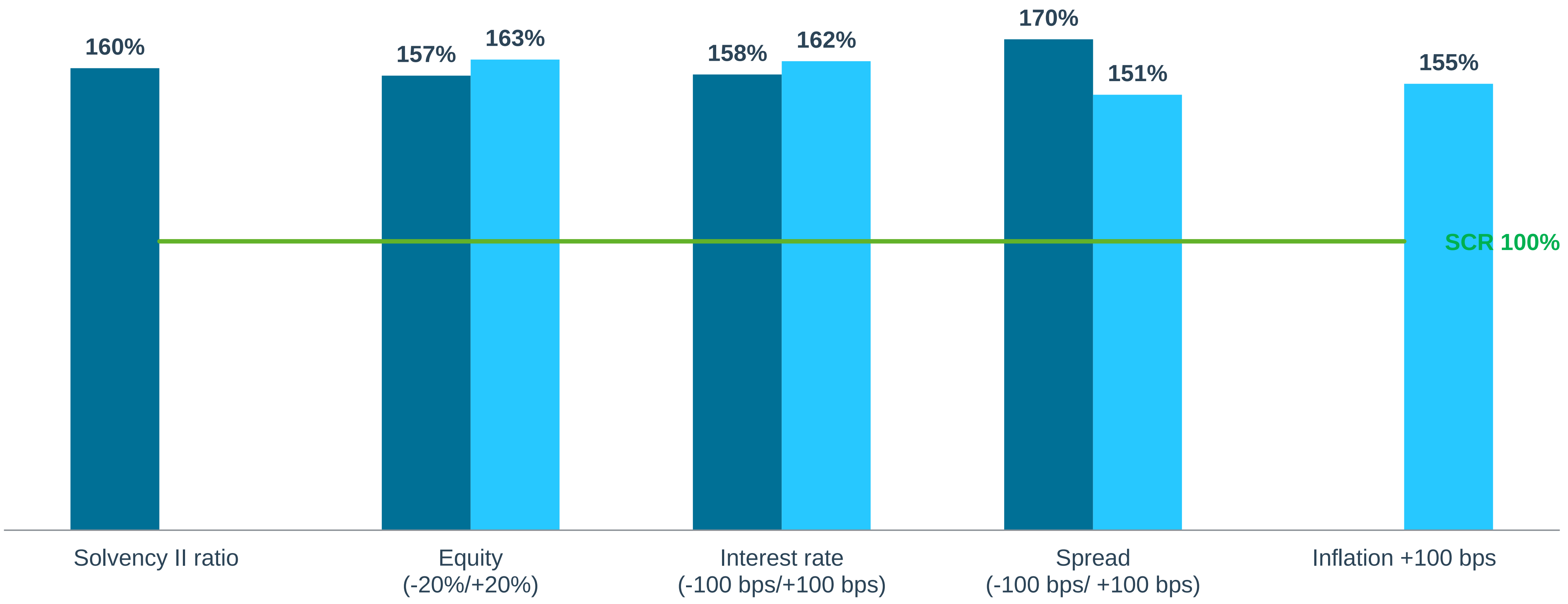
NOK bn	Legal perspective (Group)	Own Partial Internal Model (Group)
Capital available	**21,7**	**21,7**
Capital charge for non-life and health uw risk	6,8	6,4
Capital charge for life uw risk	1,3	1,3
Capital charge for market risk	6,3	6,1
Capital charge for counterparty risk	0,4	0,4
Diversification	(4,0)	(4,5)
Basic SCR	**10,9**	**9,7**
Operational risk	1,0	1,0
Adjustments (risk-reducing effect of deferred tax)	(2,7)	(2,5)
Gjensidige Bank	4,4	4,4
Total capital requirement	**13,5**	**12,5**
Surplus	8,2	9,2
Solvency ratio	**160 %**	**173 %**

Scope regulatory approved PIM



Figures as at 30.06.31.03.2018 The legal perspective is the regulatory approved version of the partial internal model. The Solvency II regulation is principle based. The figures are adjusted for a formulaic dividend pay-out ratio of 70 per cent of net profit. Allocation of capital to Gjensidige Bank is based on 17.0 per cent capital adequacy ratio. The pie chart is based on allocated capital for the specified risk types within the Gjensidige Forsikring Group excl. Gjensidige Bank.

Solvency II sensitivities in legal perspective



Figures as at 31.3.2018. The legal perspective is the regulatory approved version of the partial internal model. The Solvency II regulation is principle based. Total comprehensive income is included in the calculations, minus a formulaic dividend pay-out ratio of 70 per cent of net profit. UFR-sensitivity is very limited.

Subordinated debt capacity

Principles for capacity

	Intermediate Equity Content	Constraint
S&P	25% of TAC	For the general insurance group, both Solvency II Tier 1 and Tier 2 instruments are classified as Intermediate Equity Content. Capital must be regulatory eligible in order to be included.

	T1	T2	Constraint
SII	Max 20% of Tier 1 capital	Max 50% of SCR less other T2 capital items	Must be satisfied at group and solo level

Capacity and utilisation

- Tier 1 remaining capacity is NOK 1.5-1.9bn
  - Utilised Tier 1 debt capacity: NOK 1.0bn
- Tier 2 capacity is fully utilised for the insurance group.
  - Utilised sub debt: NOK 1.5bn*
  - Utilised natural perils fund and guarantee scheme: NOK 3.1bn

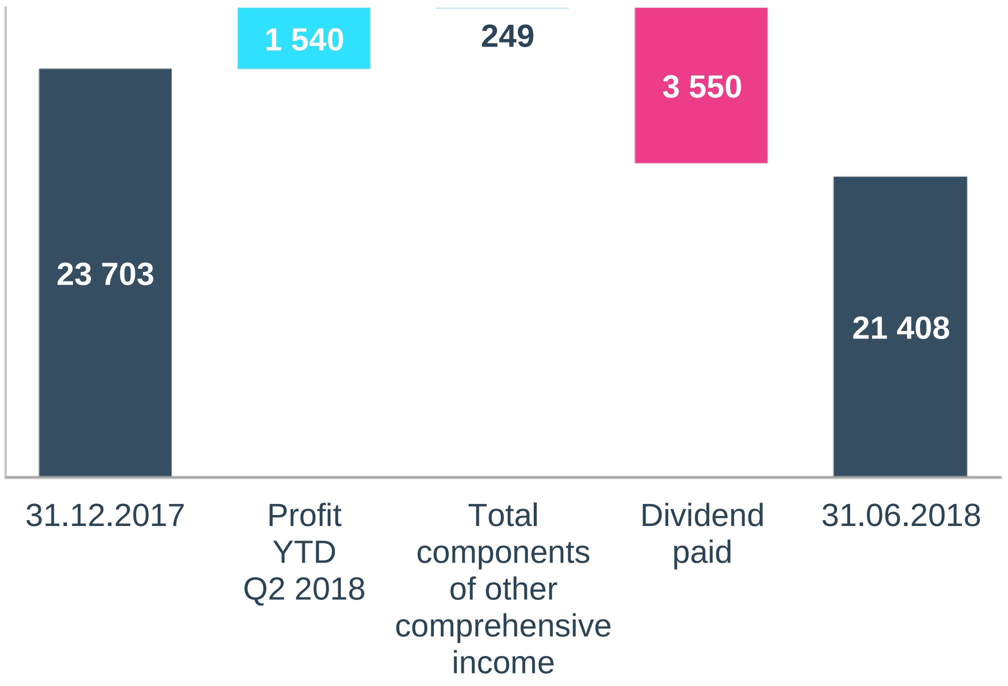
Figures as at 30.6.2018. Legal perspective is the regulatory approved version of the partial internal model. The Solvency II regulation is principle based. The FSA's view on the Guarantee provision as a liability for solvency purposes has not been reflected in the debt capacity figures, as Gjensidige still assumes that the Guarantee provision will count as solvency capital. *Sub debt Gjensidige Forsikring ASA NOK 1.2bn, Gjensidige Pensjonsforsikring NOK 0.3bn

Solvency II regulatory uncertainty
- limited effects on dividend capacity expected

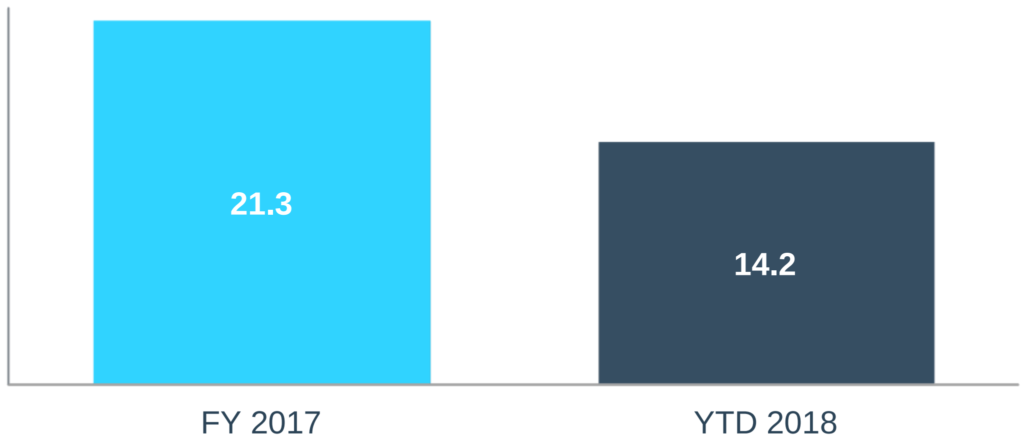
Element	**Solvency surplus effect (NOK bn)**	**Comment**
Guarantee scheme provision	~ (0.1) – 0.5	Increase in provision suggested, no news regarding treatment in Solvency II
Tax effect on Solvency II balance sheet	~ (1.3) - (0.7)	New tax rules suggested, decision expected in 2018. Solvency margin effect most likely in the lower end at approximately 0.7 BNOK related to the security provision. The unlikely worst case in addition reflects deferred tax on the natural peril capital.
Risk-reducing effect of deferred tax	~ 0	A decision that clarifies the rules regarding the risk-reducing effect suggested by EIOPA, is expected in 2018. Based on current balance sheet no effect is expected, but there could be a negative impact if the solvency margin adjusted for expected run-off gains were to drop.
Interest rate risk	~ (0.6) – (0.3)	New stress parameters suggested by Eiopa with transitional rules over a three year period, decision expected in 2018

Annualised return on equity 14.2 per cent

Equity (NOK m)



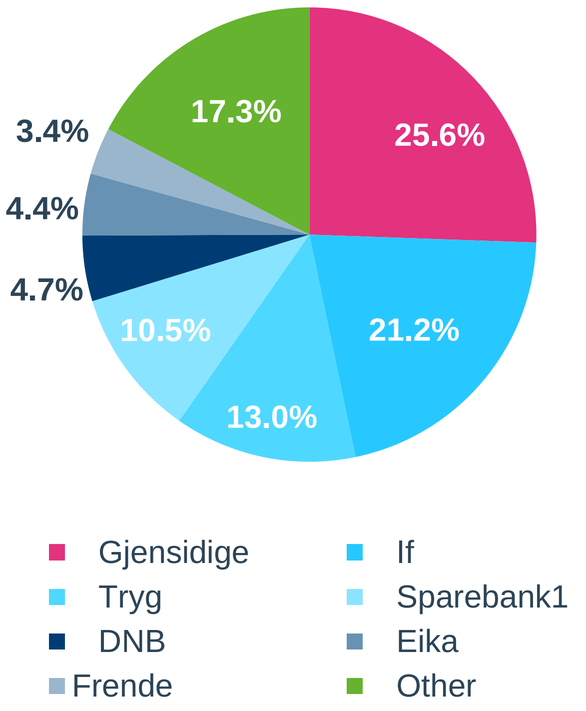
Return on equity (%)



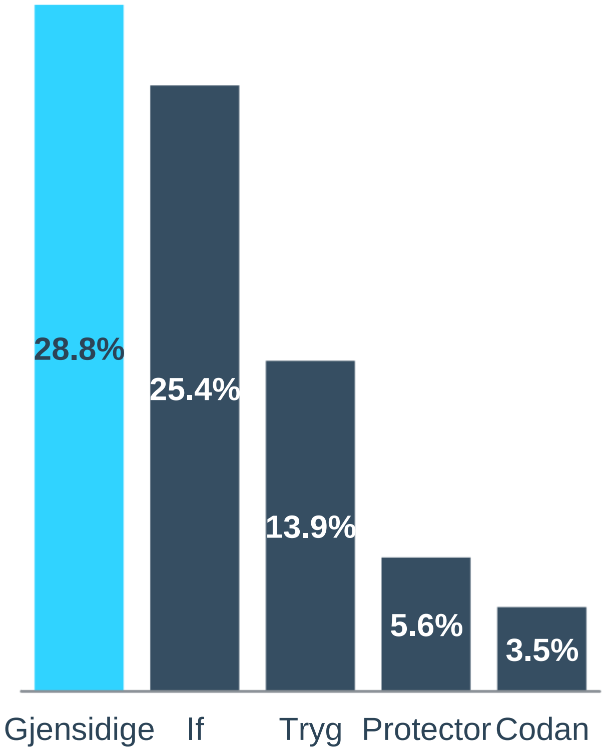
Bridge shows main elements in equity development

Market leader in Norway

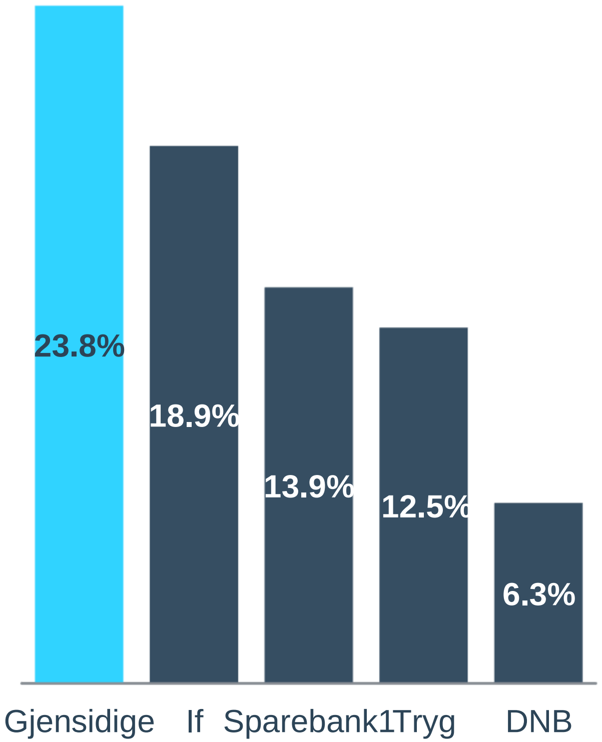
Market share – Total market



Market share – Commercial



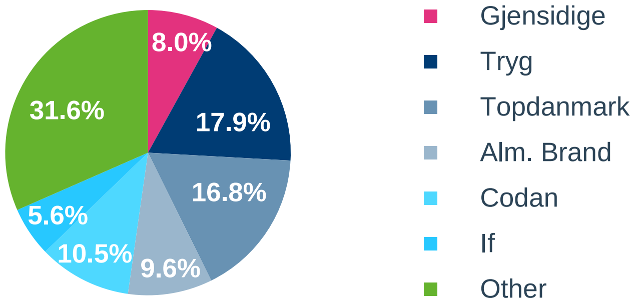
Market share – Private



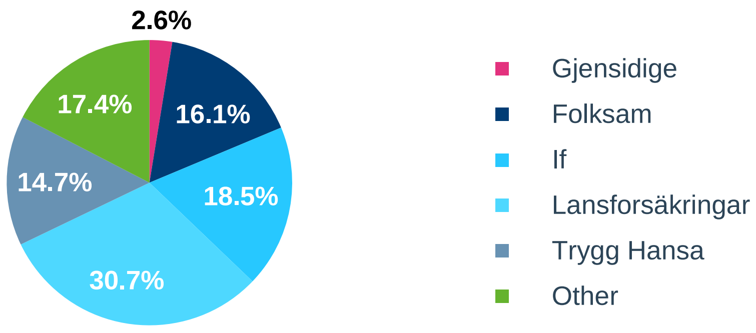
Source: Finance Norway, non-life insurance, 1st quarter 2018

Growth opportunities outside Norway

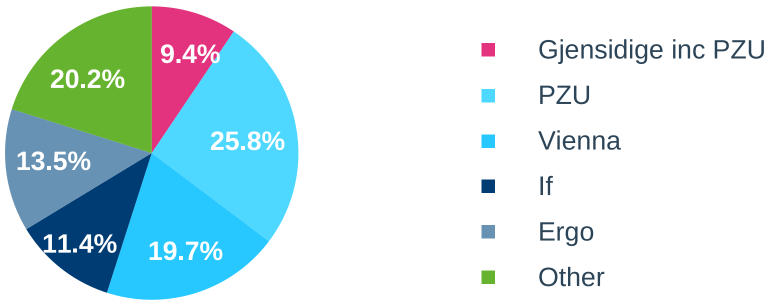
Market shares Denmark



Market shares Sweden



Market shares Baltics



Sources Insurance Sweden, 1st quarter 2018 (Gjensidige including Vardia), The Danish Insurance Association 2nd quarter 2017 (Gjensidige including Mølholm). Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 4th quarter 2017

Ownership

10 largest shareholders*

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	3.8
3	Deutsche Bank	3.7
4	Caisse de Depot et Placement du Quebec	3.7
5	Danske Bank	2.0
6	Black Rock	2.0
7	The Vanguard Group	0.9
8	DNB	0.8
9	State Street Corporation	0.8
10	Nordea	0.7
	Total 10 largest	**81.6**

Geographical distribution of shares**

Gjensidige Foundation ownership policy:

- Long term target holding: >60%
- Can accept reduced ownership ratio in case of acquisitions and capital issues when in accordance with Gjensidige's overall strategy

* Shareholder list based on analysis performed by Orient Capital Ltd of the register of shareholders in the Norwegian Central Securities Depository (VPS) as per 29 June 2018. This analysis provides a survey of the shareholders who are behind the nominee accounts. There is no guarantee that the list is complete. ** Distribution of shares excluding share held by the Gjensidige Foundation (Gjensidigestiftelsen).

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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 in the quarterly reports. Comparable figures are provided for all alternative performance measures in the quarterly reports.

Notes

Notes

Gjensidige