



Gjensidige

Gjensidige Forsikring Group

3rd quarter 2018 results

25 October 2018





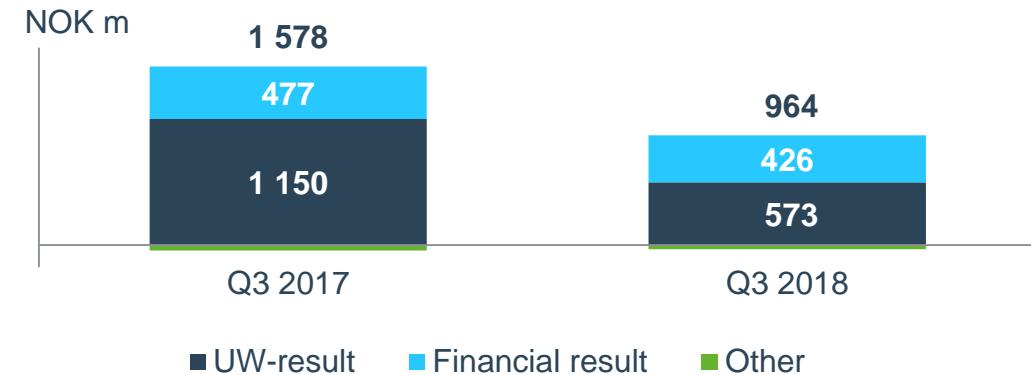
Results impacted by extraordinary weather conditions

- Pre-tax profit NOK 964m
 - Excluding NOK 93m for Gjensidige Bank, recorded as discontinued operation
- Underwriting result NOK 573m
 - 1% premium growth
 - Weather-related frequency claims ~NOK 130-160m higher than for an average third quarter in Norway
 - Continued weakening of motor profitability in Norway
 - Positive profitability development outside Norway
 - Restructuring provision of NOK 80m
 - Good cost control
- Financial result NOK 426m, return 0.8%
- Return on equity 15.0%*

Combined ratio



Pre-tax profit



* Annualised, YTD

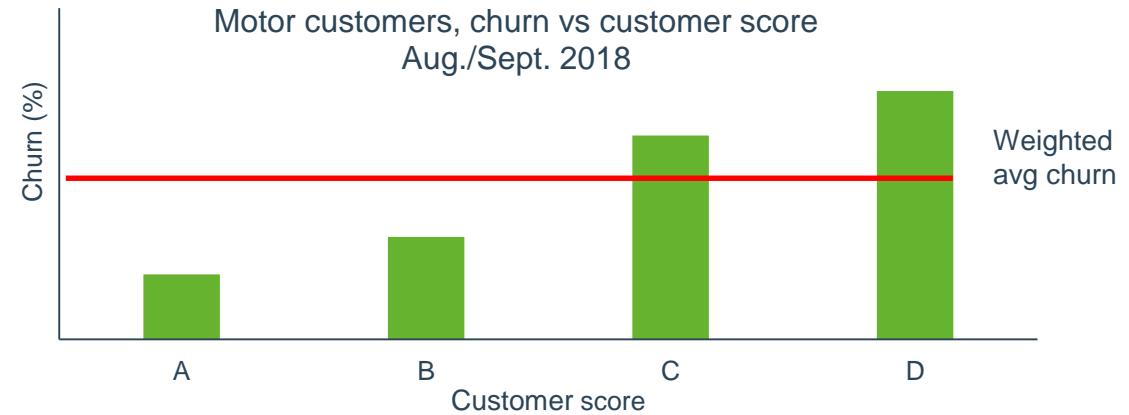


Operational highlights

– focus on getting back on track in Norway

- Group management rotation and changes
- Focus on core operations, bank sale on track for closing Q119
- Motor Norway pricing measures ahead of expected inflation
- Continued high customer retention in Norway
- Steady improvement outside Norway
- Continuous cost efficiency measures, creating room for investments in technology, brand and skills

Keeping the best customers



High customer retention in Norway

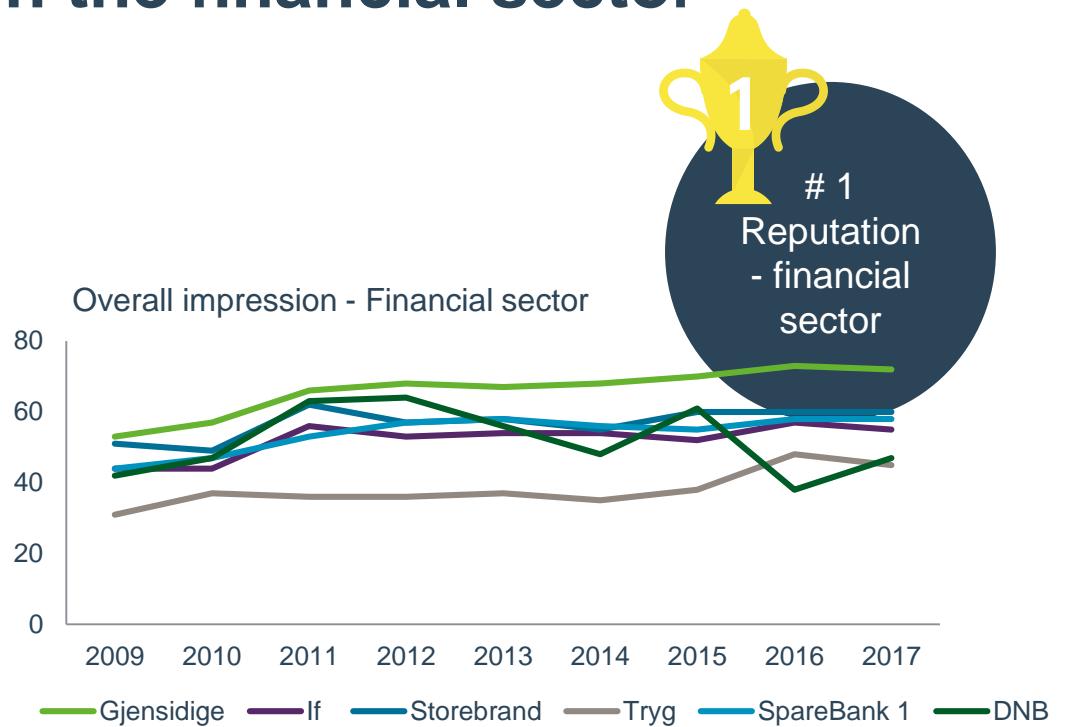


* Retention for the whole portfolio and loyalty/ affinity portfolio respectively. The latter represents 85 per cent of premiums.



Gjensidige tops reputation ranking in the financial sector in Norway

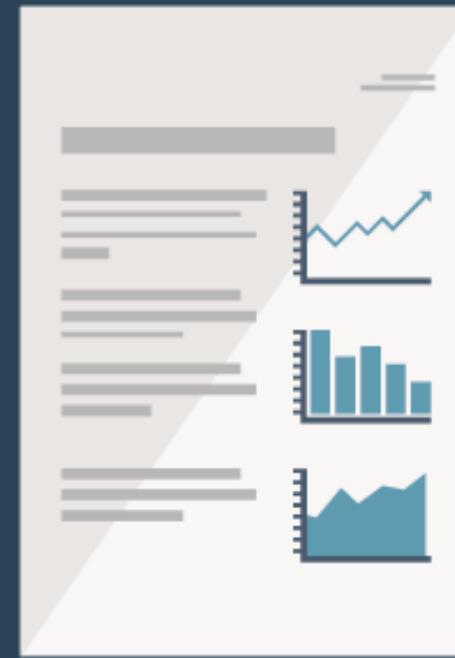
- Highest score in the financial sector again
- Number 8 ranking independent of sector
 - Among top 10 for the third consecutive year
 - Number 7 ranking on social responsibility and moral
- 7 out of 10 Norwegians have a good overall impression of Gjensidige



*IPSOS Reputation-survey, includes 95 businesses in Norway, in 10 different sectors.
Survey criteria: overall impression; social responsibility and moral; economy and profitability; marketing and information; environmental focus.



Financial performance





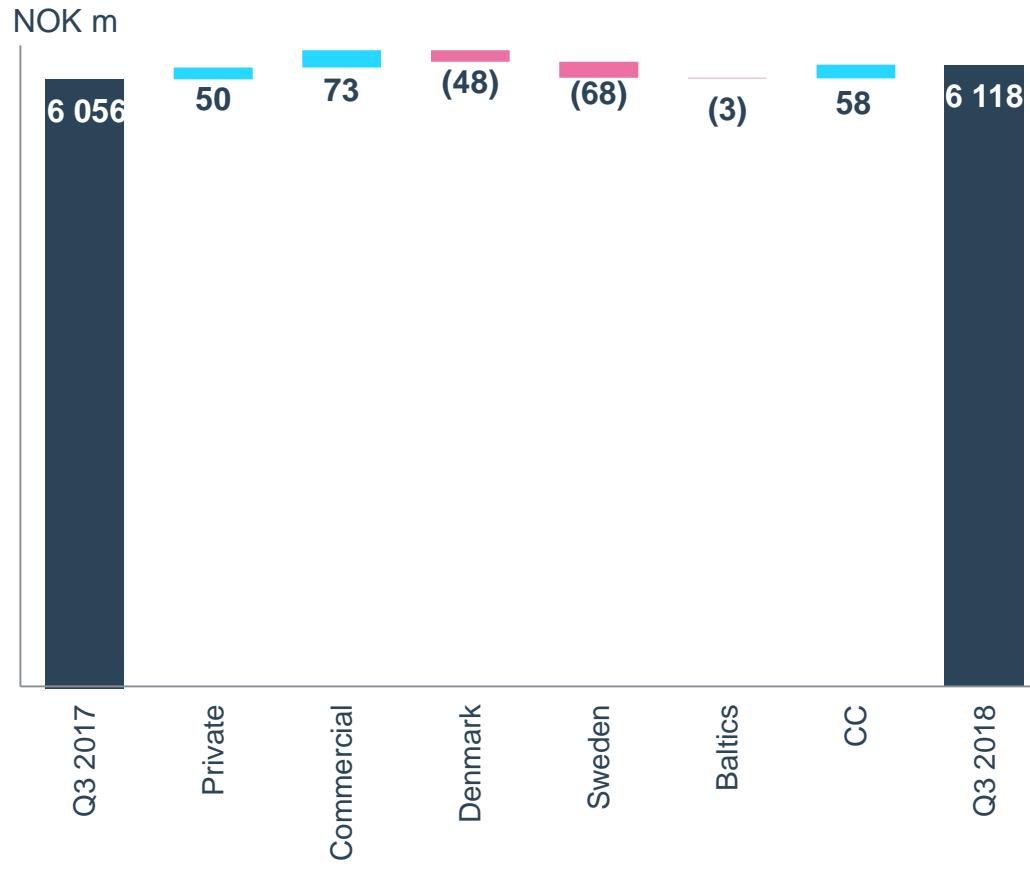
Results in Norway reflect extraordinary weather conditions - continued positive development outside Norway

NOK m	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Private	409	643	1 124	1 807
Commercial	136	501	513	1 320
Denmark	161	153	310	213
Sweden	9	(7)	33	(94)
Baltics	31	5	51	(26)
Corporate Centre/costs related to owner	(133)	(66)	(299)	(203)
Corporate Centre/reinsurance	(39)	(79)	(40)	(163)
Underwriting result	573	1 150	1 691	2 855
Pension	40	22	110	76
Financial result from the investment portfolio	426	477	1 052	1 513
Amortisation and impairment losses of excess value	(62)	(63)	(201)	(189)
Other items	(15)	(8)	(49)	(34)
Profit/(loss) before tax expenses	964	1 578	2 604	4 221



1.0 per cent premium growth

Premium development



CC = corporate centre

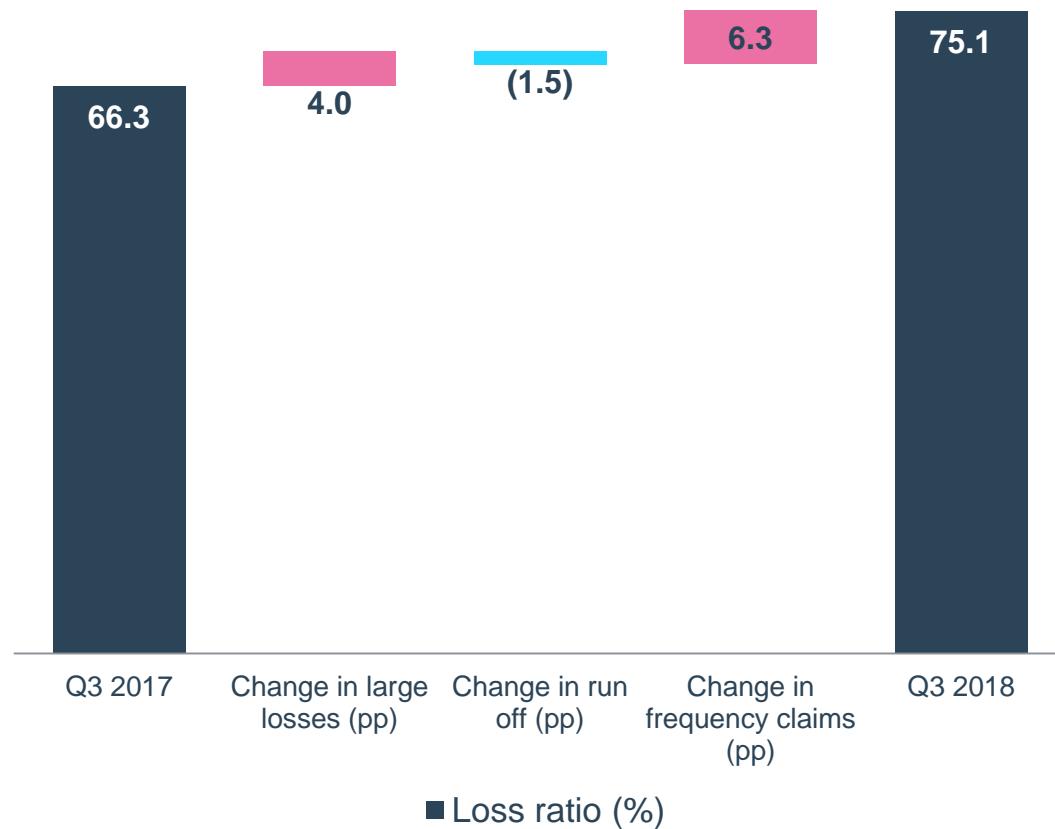
Key drivers - premium development

- **Private +2.2%**
 - Price increases, good competitiveness
- **Commercial +3.9%**
 - Price increases
- **Denmark -3.8%**
 - Negative 6.2% in local currency driven by portfolio re-underwriting in commercial lines
- **Sweden -15.4%**
 - Negative 10.3% in local currency following repricing measures
- **Baltics +1.0%**
 - Negative 3.8% in local currency due to portfolio restructuring and repricing



Higher loss ratio due to extraordinary weather conditions in Norway, large losses and lower underlying motor profitability

Loss ratio development



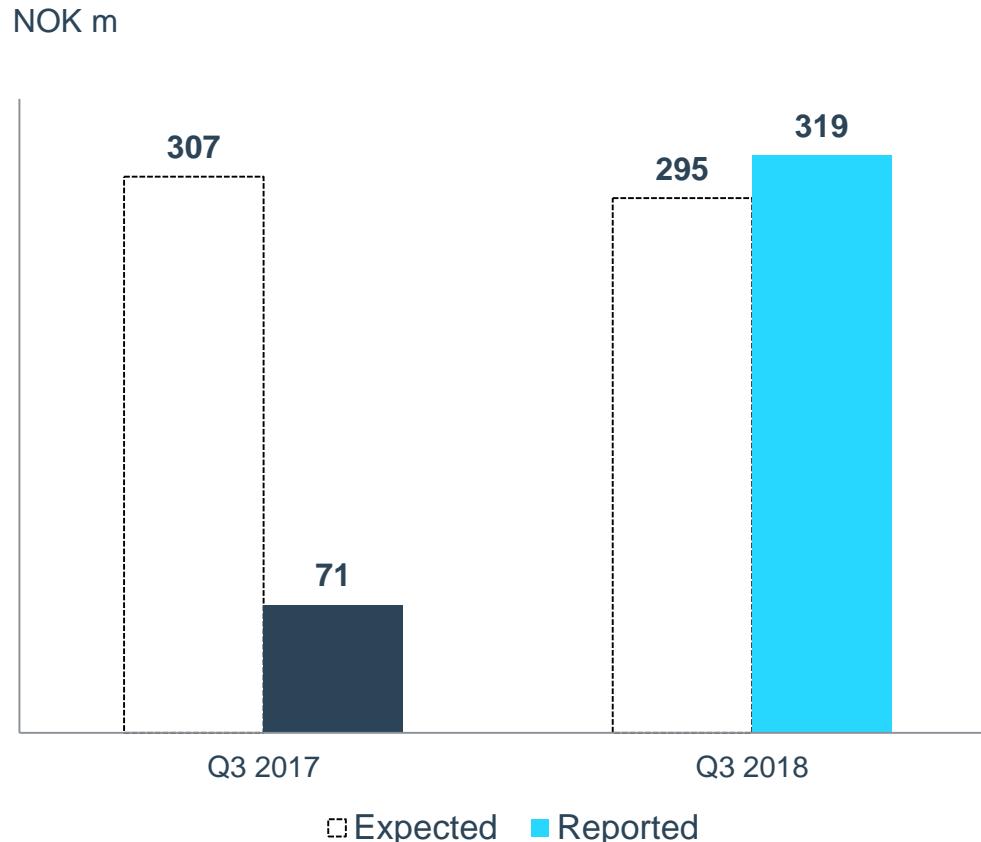
Key drivers

- Large losses and run-off gains higher than in Q317 and expected level
- Higher underlying frequency claims loss ratio
 - Particularly strong Q317, tough comparison
 - Weather-related frequency claims ~NOK 130-160m (2.1-2.6 pp) higher than for an average Q3
 - Higher motor frequency claims level in Norway reflecting change in vehicle fleet – mitigating pricing measures continued through Q318

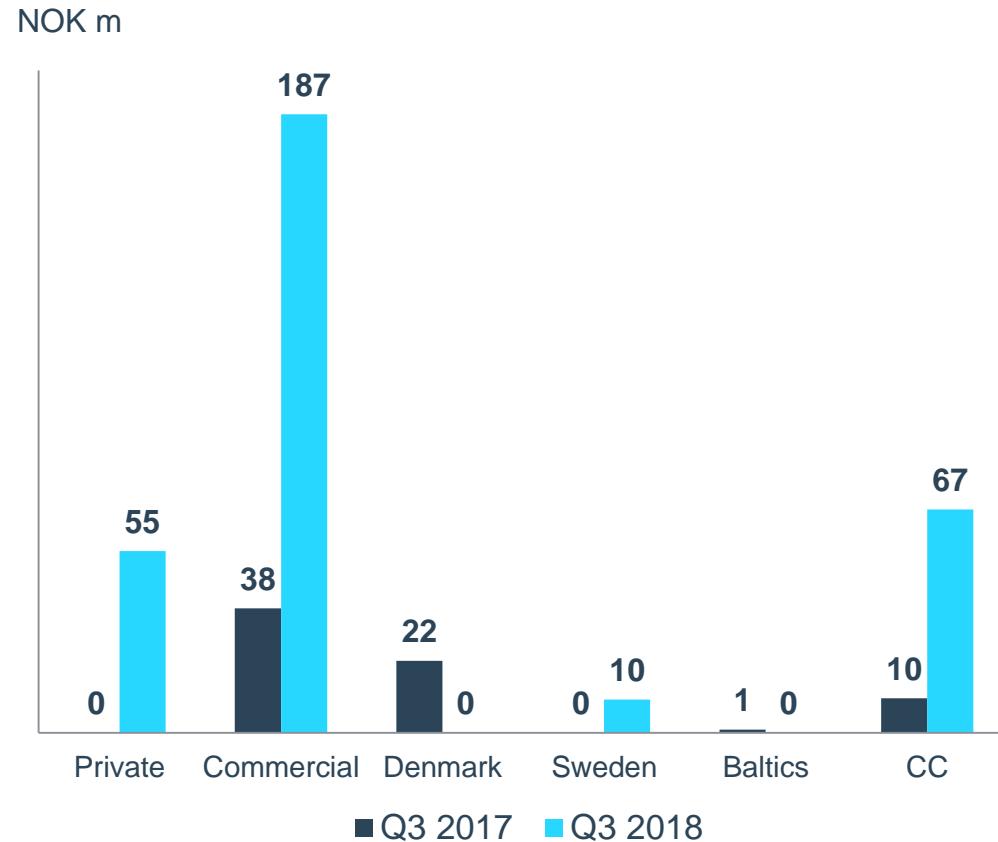


Large losses 5.2 percentage points - higher than expected

Large losses – reported vs expected



Large losses per segment



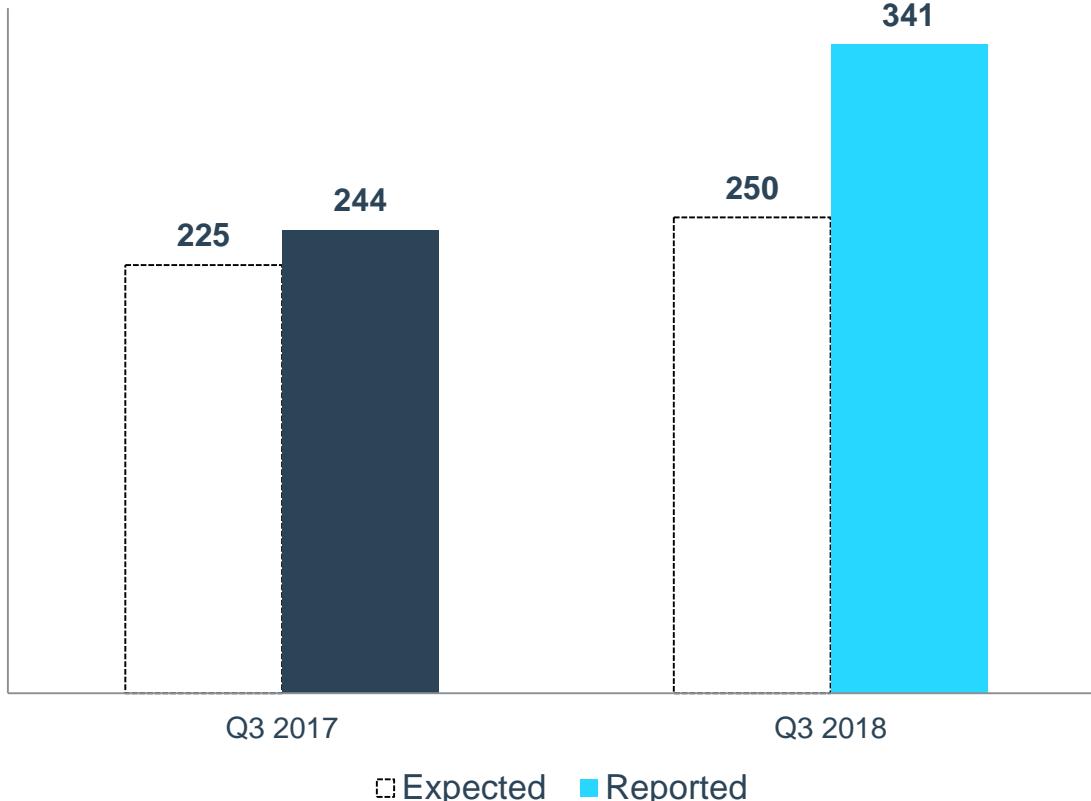
CC = corporate centre. Large losses: Losses > NOK 10m. Weather related large losses are included. Large losses in excess of NOK 30.0m are charged to the Corporate Centre while up to NOK 30m per claim is charged to the segment in which the large loss occurred. The Baltics segment has, as a main rule,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



Run-off gains 5.6 percentage points - higher than expected

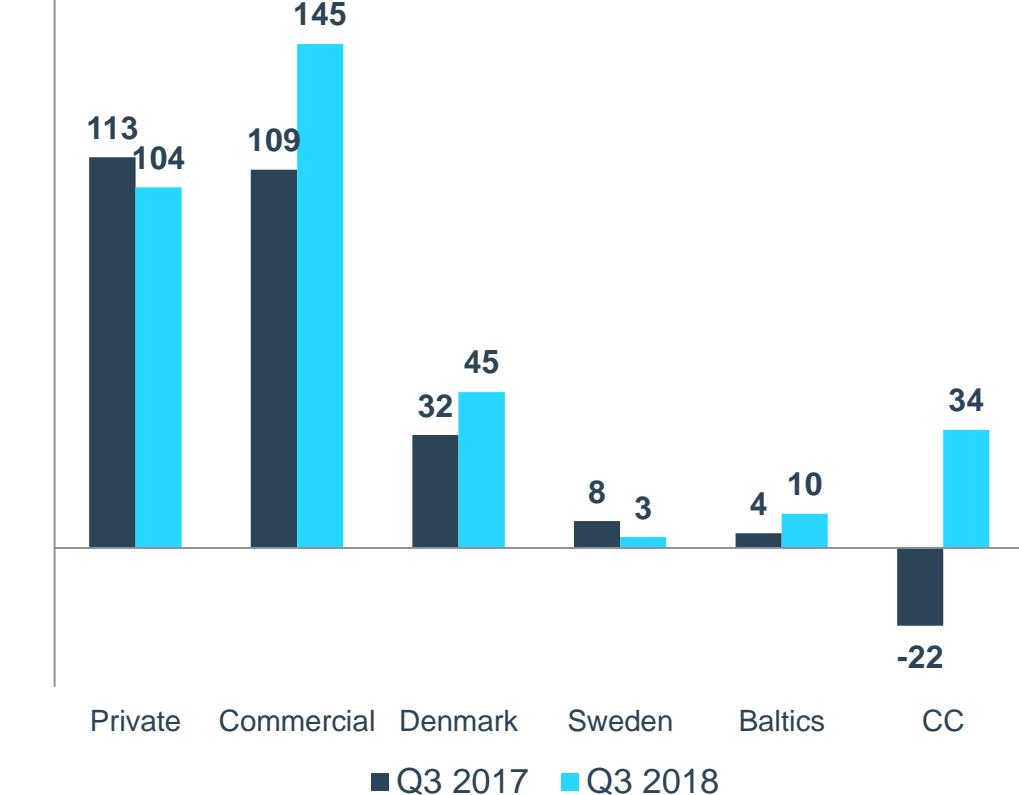
Run-off net

NOK m



Run-off net per segment

NOK m

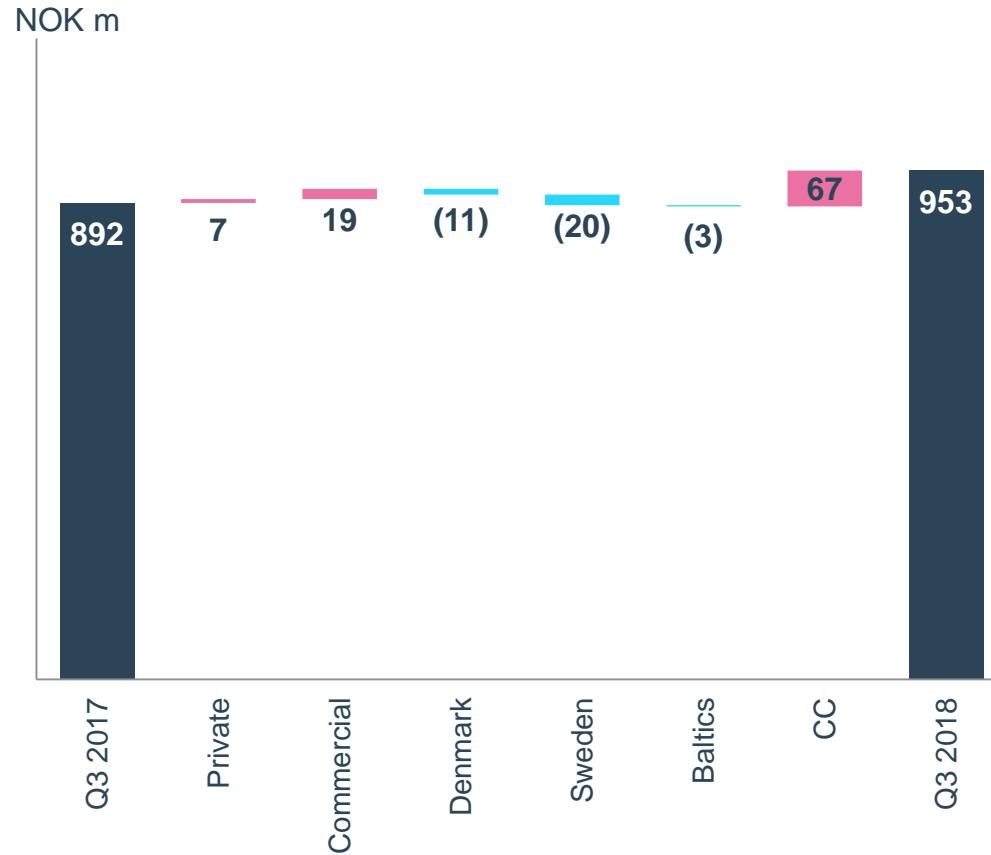


CC = corporate centre



Continued good cost control - cost ratio 15.6 per cent - 14.3 per cent excluding restructuring provisions

Cost development



Key drivers – cost development

- Restructuring provisions, NOK 80m
- Continued cost efficiency measures in all markets
- Cost ratio 13.5% excluding Baltics and the restructuring provision



Pension operations post record profits Closing of bank sale in Q119 on track

Gjensidige Bank ASA



Gjensidige Pensjonsforsikring AS

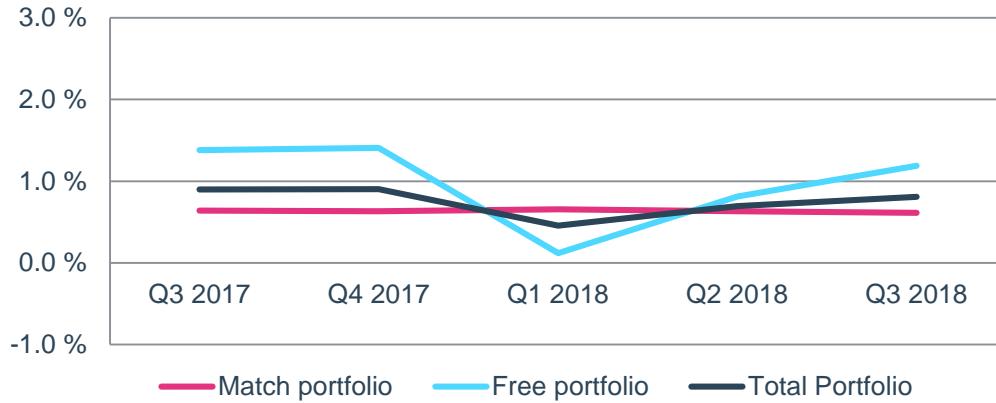


*Annualised YTD



Investment return of 0.8 per cent, reflecting market development

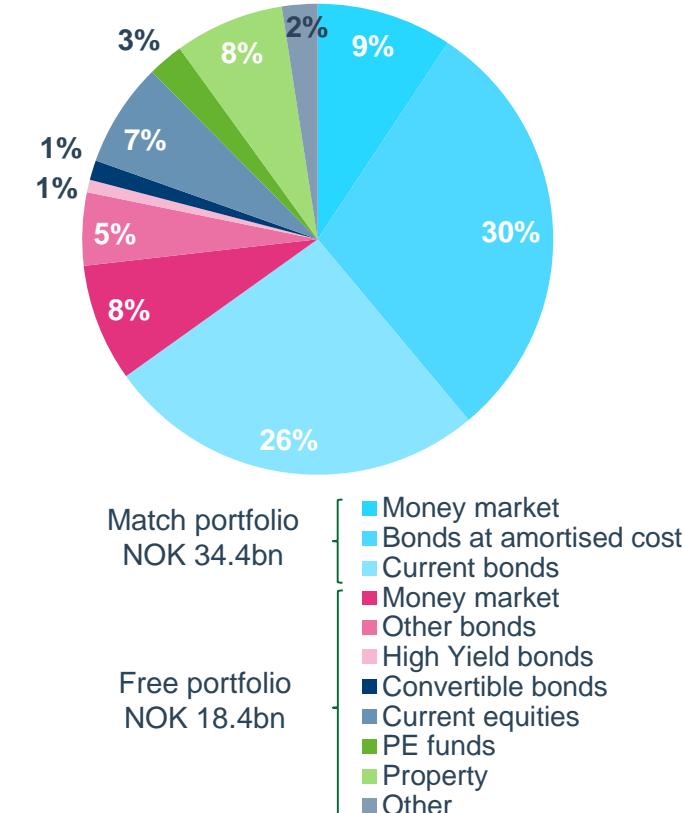
Investment return



Investment return, free portfolio

Q3 2018	%
Fixed income	0.4
Current equities	2.3
PE funds	6.9
Property	1.4
Total free portfolio	1.2

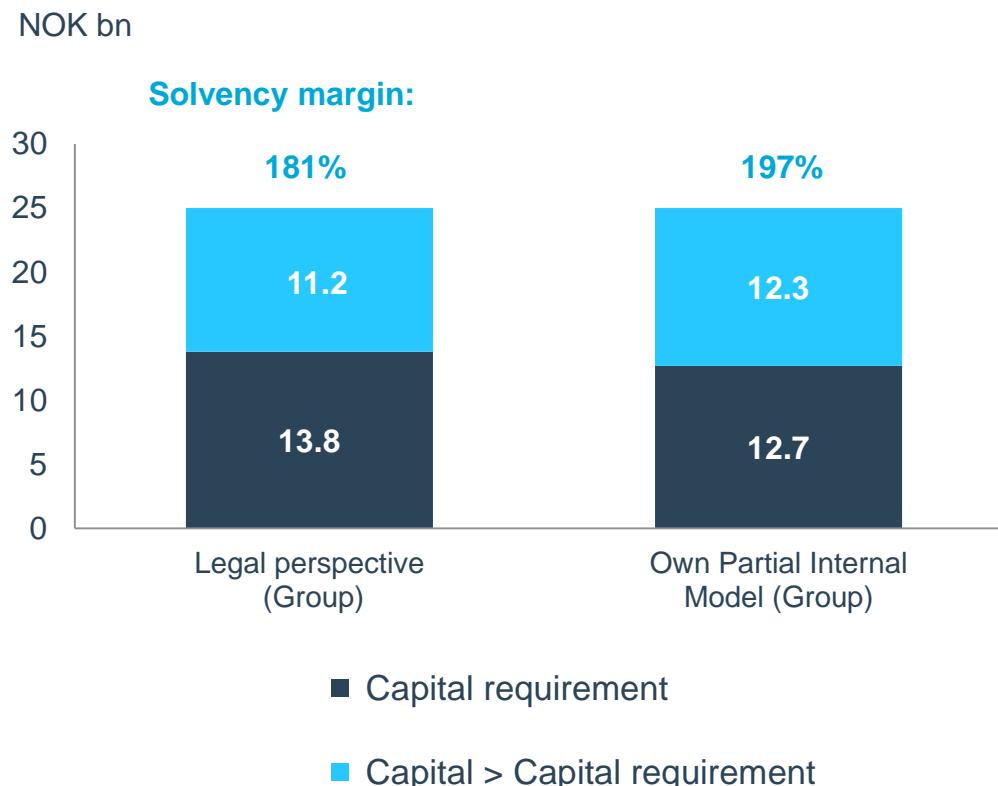
Portfolio mix as at 30.09.2018





Strong capital position - continued capital discipline

Strong capital position



Capital discipline

- Capital buffers well within risk appetite
- From Q318, reported solvency margins reflect the solvency best estimate claims provisions
- 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 September 2018 pro-forma legal Solvency II margin 262 per cent given sale of Gjensidige Bank



Financial targets and dividend policy from 2019 adjusted to reflect disposal of Gjensidige Bank*

Financial targets 2019-2022*

- **Combined ratio 86-89 per cent**
 - Still assuming average annual run-off gains ~ NOK 1 billion through 2022
 - Corresponding to 90-93 per cent given zero run-off gains
- **Cost ratio <15 per cent**
- **Solvency margin 135-200 per cent**
 - Based on the Partial Internal Model
- **Return on equity after tax >20 per cent**
 - Corresponds to >16 per cent excl. run-off gains, comparable to the previous >15 per cent target including the bank

Dividend policy from 2019*

Gjensidige targets high and stable nominal dividends to its shareholders, and a payout ratio over time of at least 80 per cent of profit after tax.

When determining the size of the dividend, the expected future capital need will be taken into account.

Regular

Special

* If for some reason the bank sale was to be cancelled, the targets and dividend policy will not be adjusted, except from the change in cost ratio target.



Concluding remarks

Key takeaways

- Q3 results impacted by extraordinary weather conditions
- Continued positive development outside Norway
- Focus on getting back on track in Norway – price increases and continued good cost control
- Turning point for loss ratio in motor Norway expected during 1H 2019
- Strong capital position, exploring M&A opportunities





Gjensidige

SAVE THE DATE

27 November 2018

Gjensidige Forsikring is hosting
a Capital Markets Day in London





Roadshows and conferences post Q3 2018 results

Date	Location	Participants	Event	Arranged by
25 October	Oslo	CFO Jostein Amdal EVP Group Staff and General Services, Janne Flessum IRO Live Bjønness	Group lunch Roadshow	ABG Sundal Collier
26 October	Frankfurt	CFO Jostein Amdal Head of IR, Mitra H. Negård	Roadshow	Deutsche Bank
26 October	Copenhagen	EVP Denmark, Mats Gottschalk EVP Group Staff and General Services, Janne Flessum	Roadshow	Danske Bank
28 November	London	CEO Helge L. Baastad CFO Jostein Amdal EVP Group Staff and General Services, Janne Flessum Head of IR, Mitra H. Negård IRO Live Bjønness	Post- CMD Roadshow	DNB



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

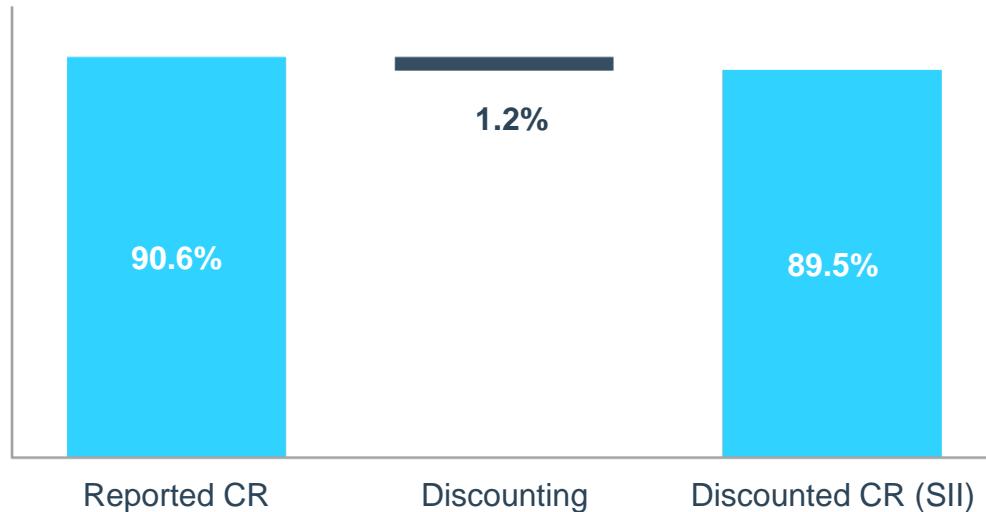




Effect of discounting of claims provisions

Assuming Solvency II regime

Effect of discounting on CR – Q3 2018



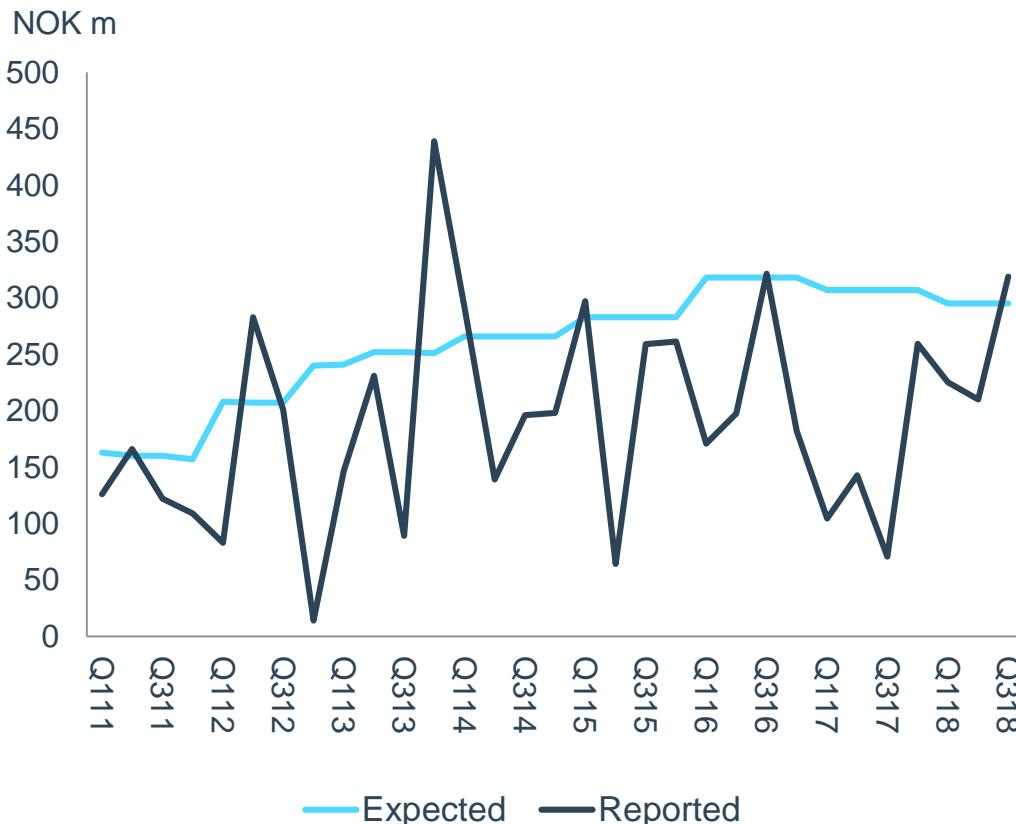
Assumptions

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



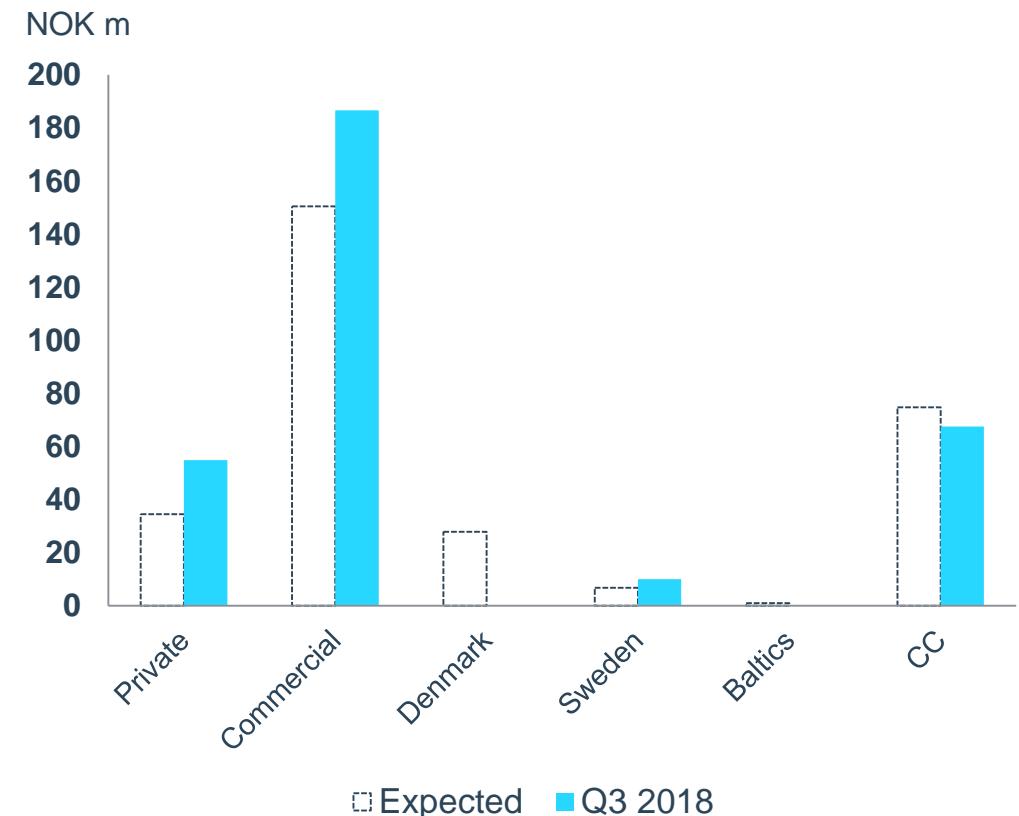
Large losses development

~ NOK 1.2bn in large losses* expected annually



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

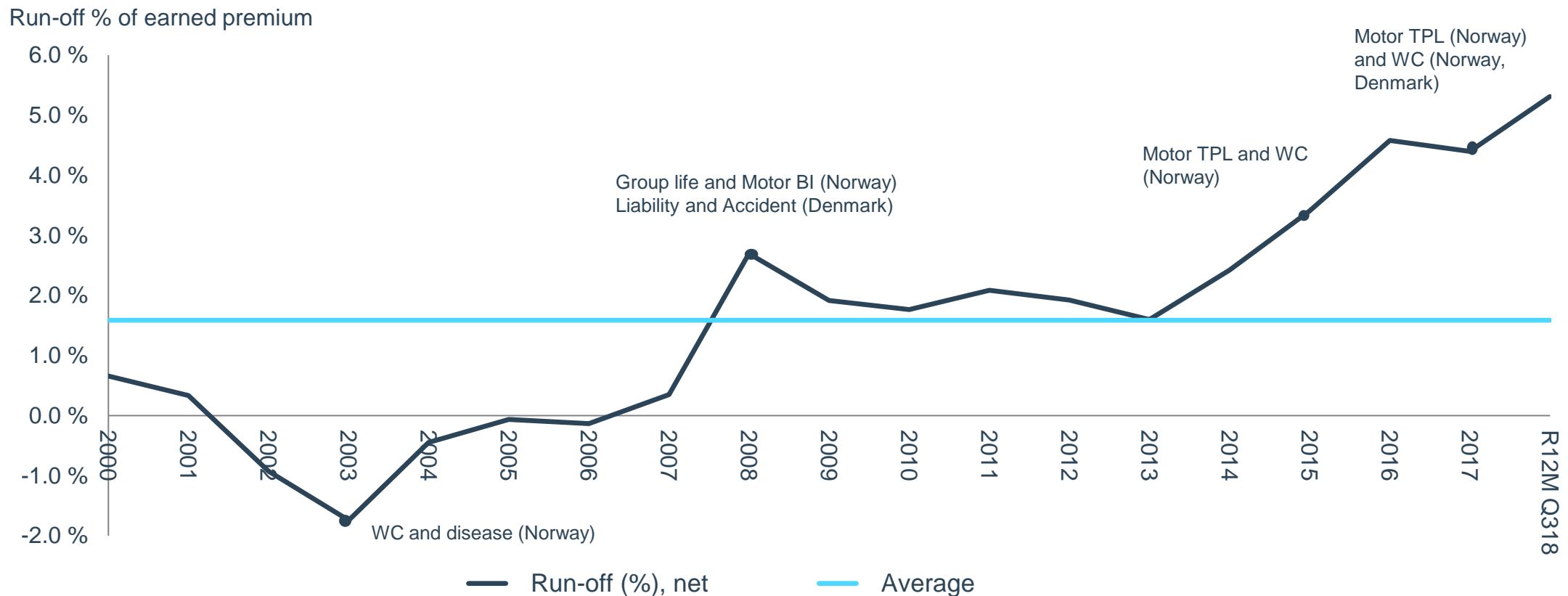
Large losses per segment – actual vs expected





Run-off development

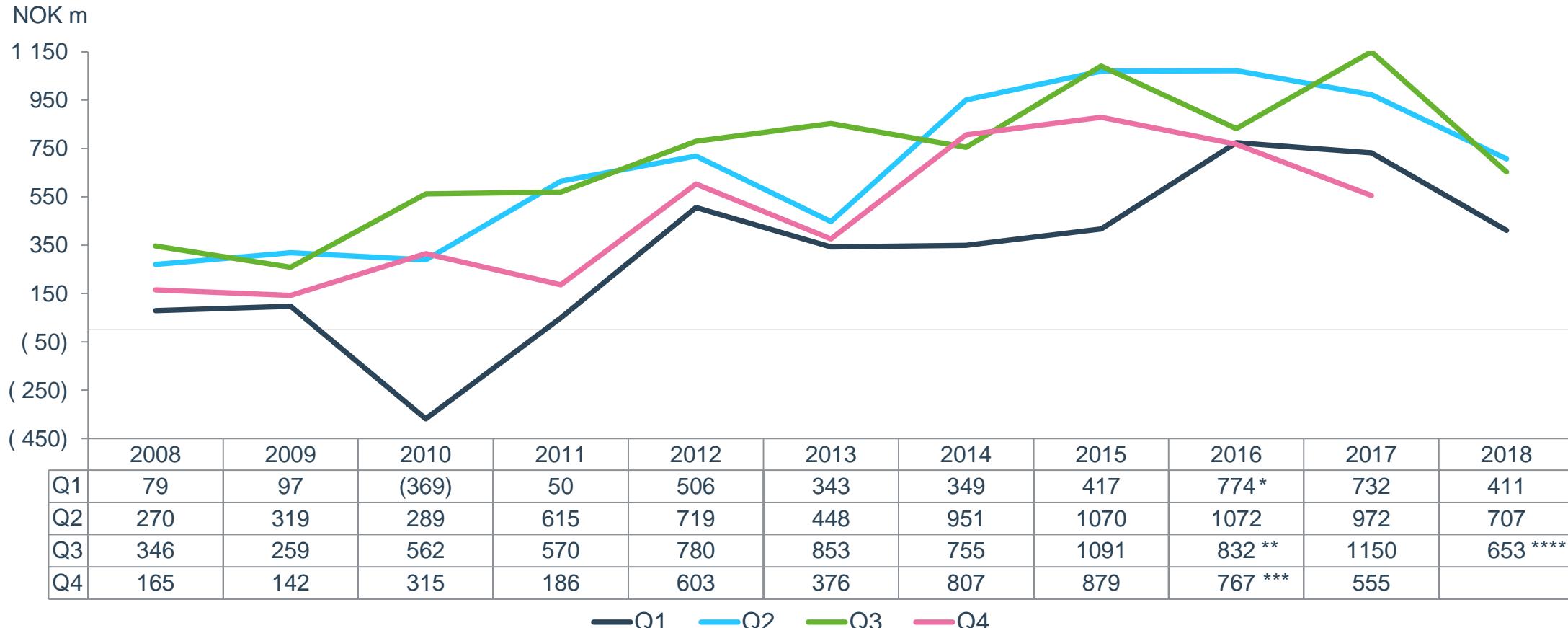
Expected average annual run-off gains of ~4 pp (~NOK 1bn) through 2022





Quarterly underwriting results

Seasonality in Nordic general insurance



*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 NOK 700m. Adjusted for a non-recurring NOK 44m increase in provision for restructuring cost and NOK 23m provision for increased pay-roll tax the UW result was NOK 767m

**** Reported UW result for Q3 2018 was NOK 573m. Adjusted for a non-recurring NOK 80m restructuring cost the UW result was NOK 653.

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

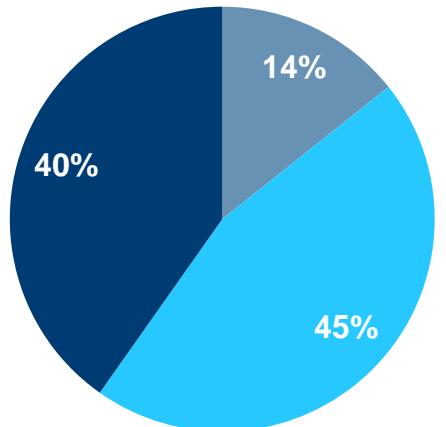


Asset allocation

As at 30.09.2018

Match portfolio

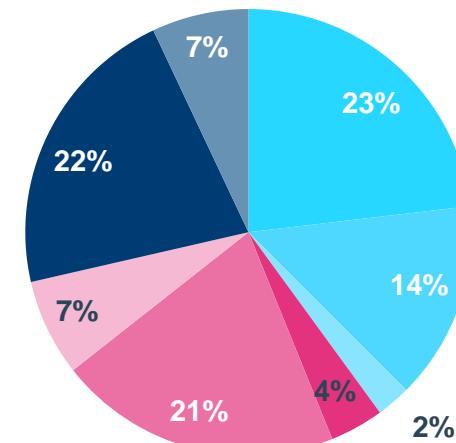
- Carrying amount: NOK 34.4bn
- Average duration: 3.4 years



- Money market
- Bonds at amortised cost
- Current bonds

Free portfolio

- Carrying amount: NOK 18.4bn
- Average duration fixed-income instruments: 1.7 years

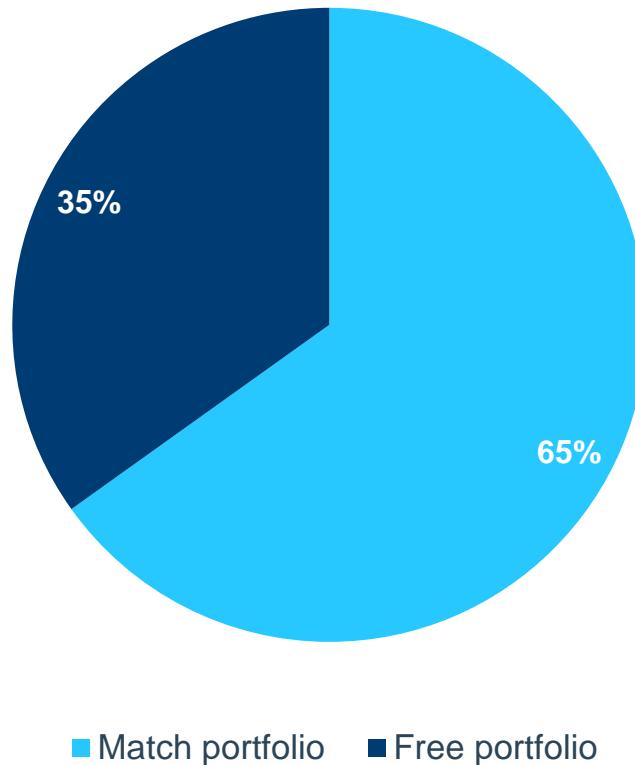


- Money market
- Other bonds
- High Yield
- Convertible bonds
- Current equities
- PE-funds
- Property
- Other



Stable contribution from the match portfolio

Asset allocation as at 30.09.2018



Quarterly investment returns*

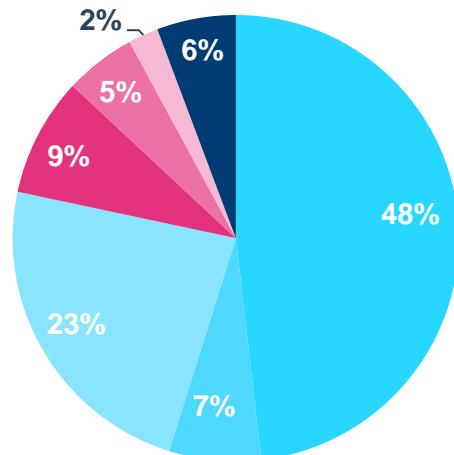


* Prior to 2014 former associated companies were not included in the Free portfolio.



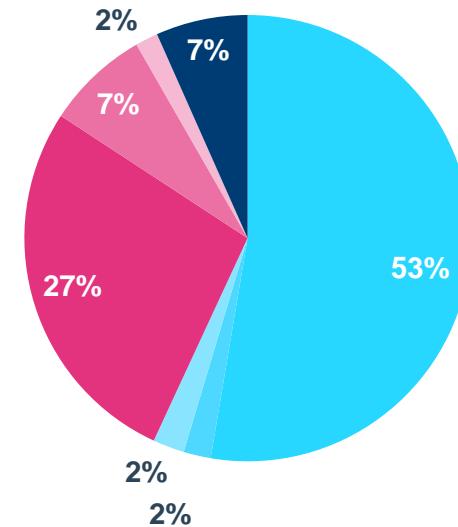
Balanced geographical exposure

Match portfolio



- Norway
- Sweden
- Denmark
- USA
- UK
- Baltic
- Other

Free portfolio, fixed-income instruments



- Norway
- Sweden
- Denmark
- USA
- UK
- Baltic
- Other



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	31.7	1.1	14.1
AA	3.1	9.0	1.0	12.1
A	4.7	13.6	2.1	26.6
BBB	1.8	5.1	1.2	14.8
BB	0.3	0.8	0.3	3.9
B	2.4	7.0	0.3	3.2
CCC or lower	0.1	0.3	0.1	0.7
Internal rating*	7.9	22.8	1.5	18.8
Unrated	3.3	9.7	0.5	5.8
Fixed income portfolio	34.4	100.0	8.1	100.0

Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	4.9	14.4	2.1	26.6
Bank/financial institutions	15.8	46.0	3.6	44.2
Corporates	13.7	39.7	2.4	29.2
Total	34.4	100.0	8.1	100.0

Figures as at 30.09.2018. *Internal rating – rating by Gjensidige



Capital position per operational areas

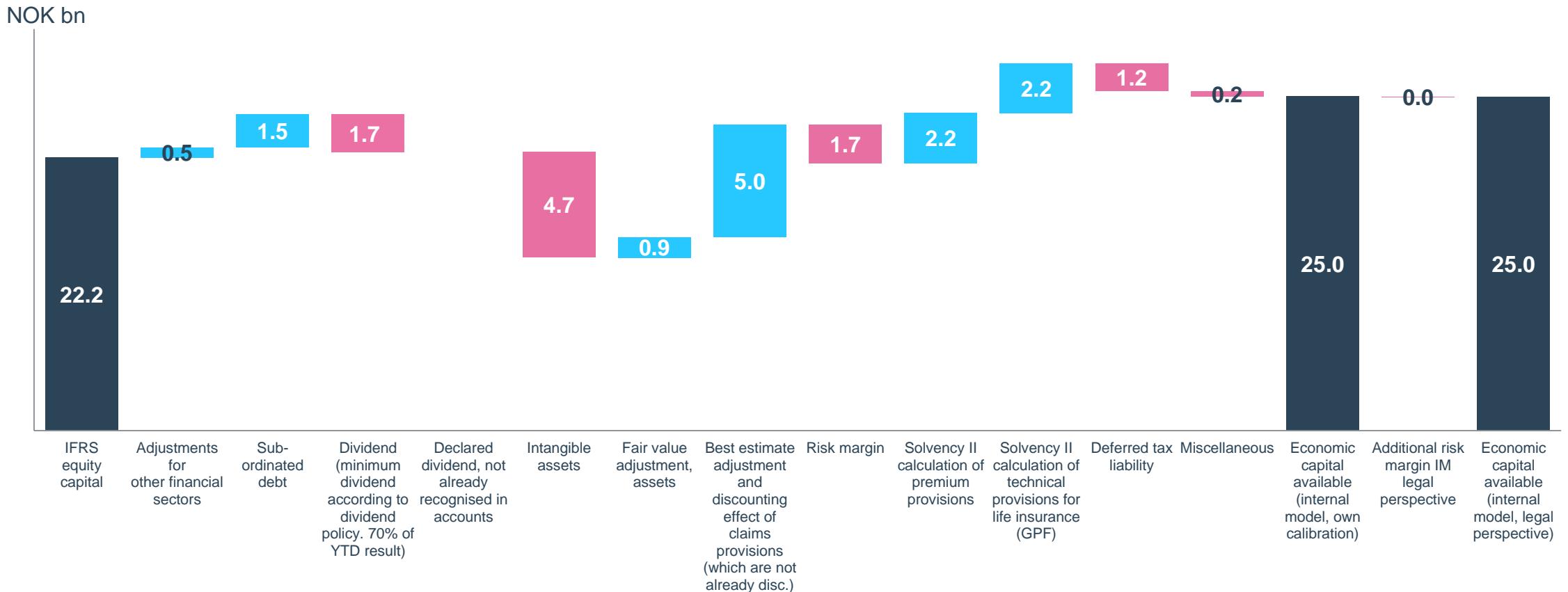
(NOK bn)	Legal perspective (Group)	Legal perspective (general insurance)	Own partial internal model (Group)	Own partial internal model (general insurance)	Gjensidige Pensjons-forsikring	Gjensidige Bank
Capital available	25.0	18.0	25.0	18.0	2.1	4.7
Capital requirement	13.8	8.4	12.7	7.3	1.5	4.4
Solvency margin	181%	214%	197%	246%	146%	105%

Figures as at 30.9.2018. The legal perspective is the regulatory approved version of the partial internal model. Solvency margins reflect best estimate reserves. 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

Bridging the gap between IFRS equity and Solvency II capital



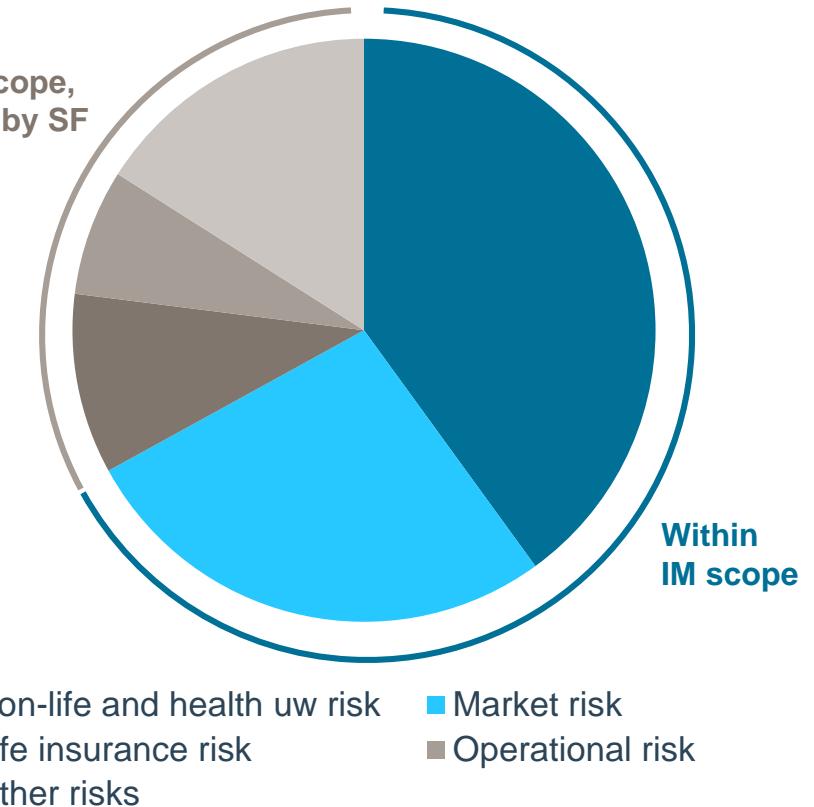
Figures as at 30.9.2018. GPF = Gjensidige Pensjonsforsikring. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. No tax is assumed on the security provision. Miscellaneous: Main effects are related to the guarantee scheme provision and different valuation of Oslo Areal.



Solvency II capital requirements

NOK bn	Legal perspective (Group)	Own Partial Internal Model (Group)
Capital available	25.0	25.0
Capital charge for non-life and health uw risk	6.8	6.4
Capital charge for life uw risk	1.5	1.5
Capital charge for market risk	6.7	6.5
Capital charge for counterparty risk	0.4	0.4
Diversification	(4.1)	(4.9)
Basic SCR	11.2	9.8
Operational risk	0.8	0.8
Adjustments (risk-reducing effect of deferred tax)	(2.7)	(2.4)
Gjensidige Bank	4.4	4.4
Total capital requirement	13.8	12.7
Surplus	11.2	12.3
Solvency ratio	181%	197%

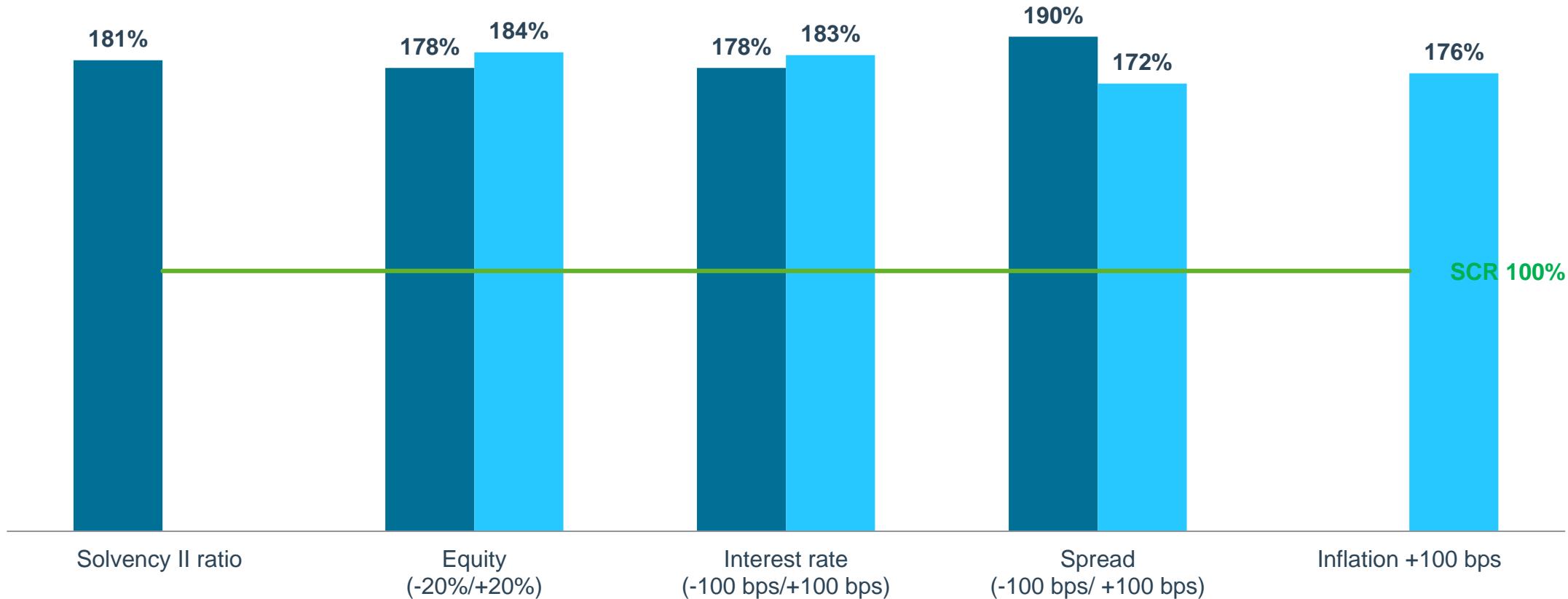
Scope regulatory approved PIM



Figures as at 30.9.2018 The legal perspective is the regulatory approved version of the partial internal model. 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 30.9.2018. The legal perspective is the regulatory approved version of the partial internal model. Solvency margins reflect best estimate reserves. 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.	
<hr/>			
	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 1.5-2.1bn
 - 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



Solvency II regulatory uncertainty

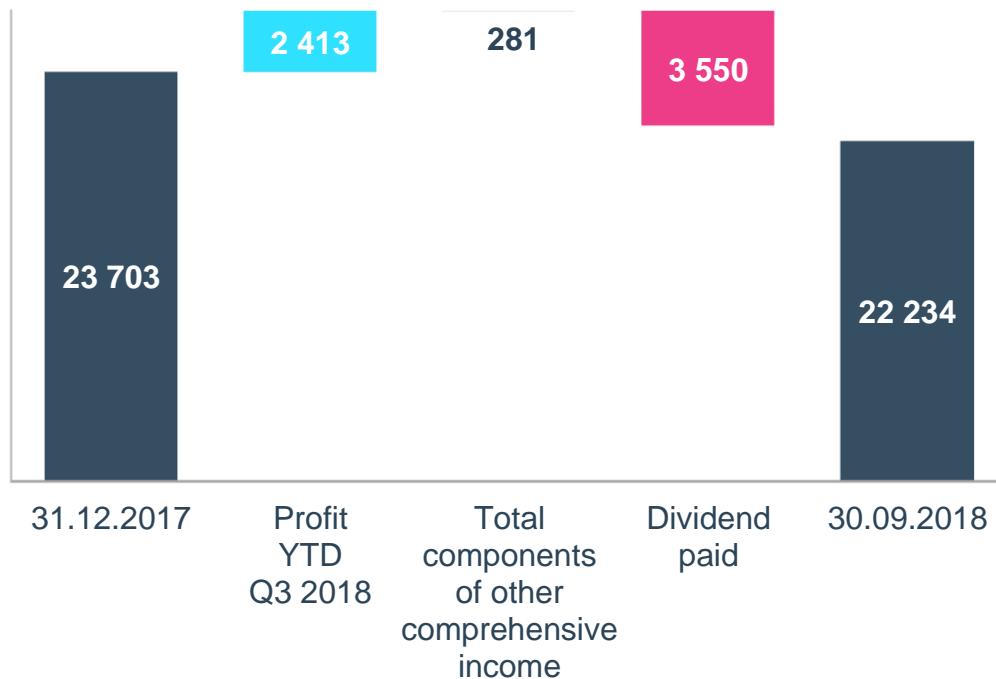
- limited effects on dividend capacity expected

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

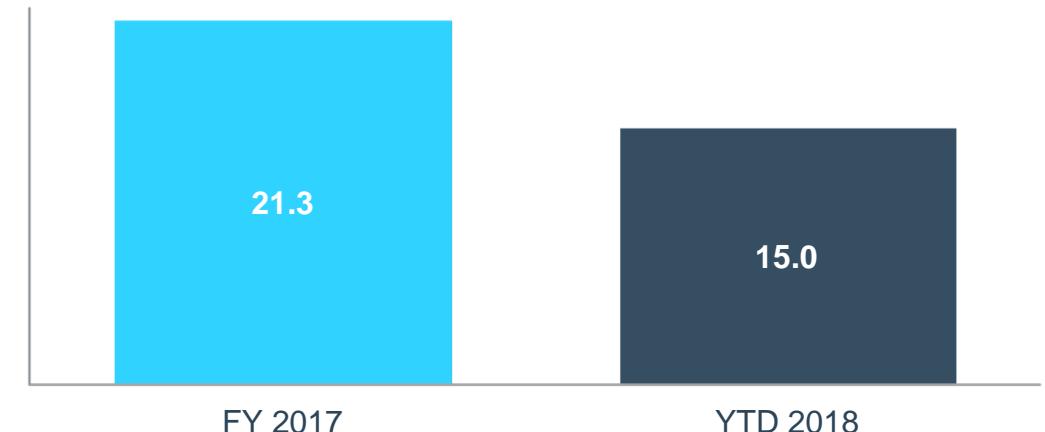


Annualised return on equity 15.0 per cent

Equity (NOK m)



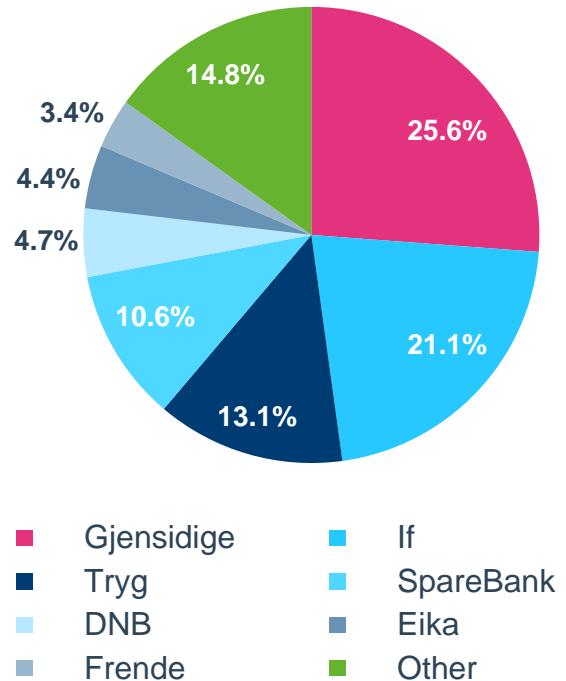
Return on equity (%)



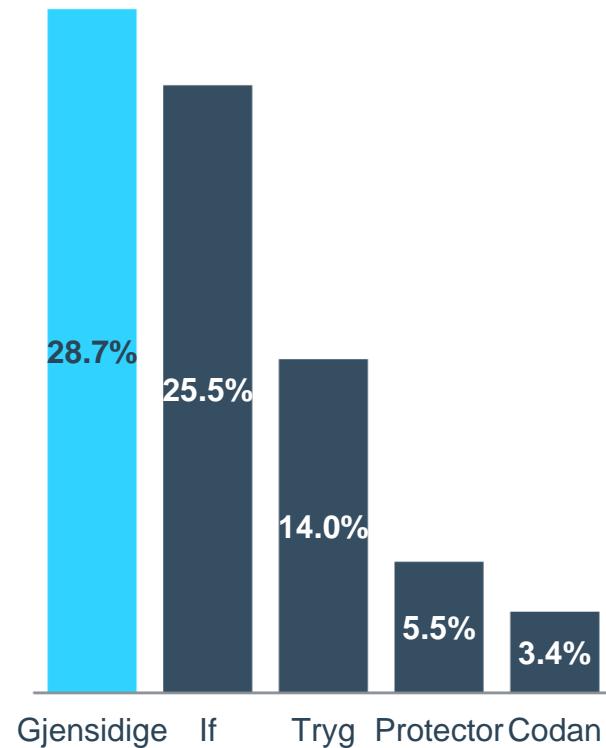


Market leader in Norway

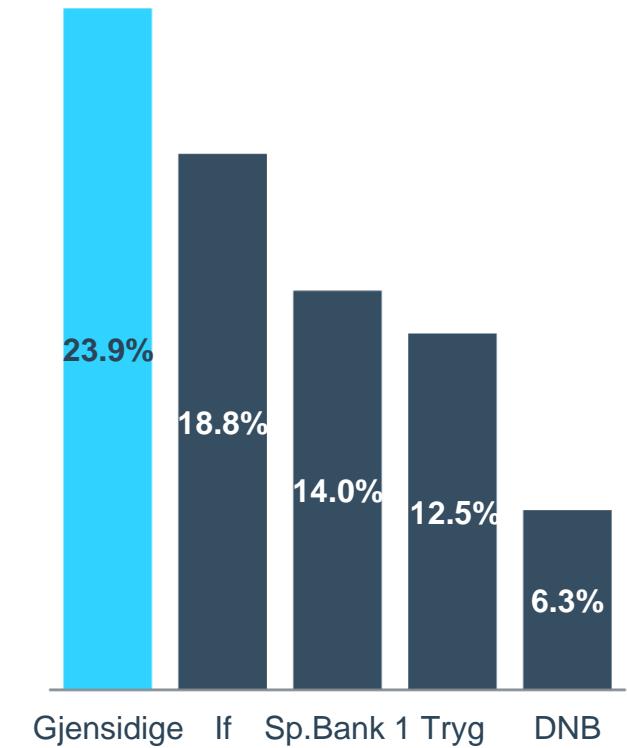
Market share – Total market



Market share – Commercial



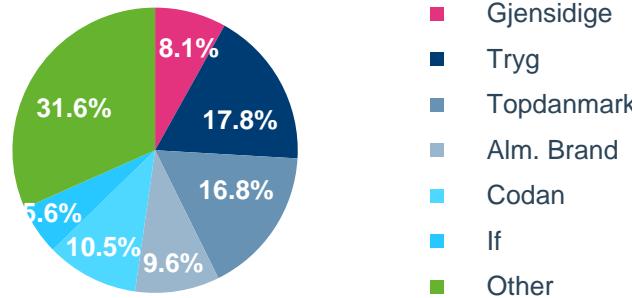
Market share – Private



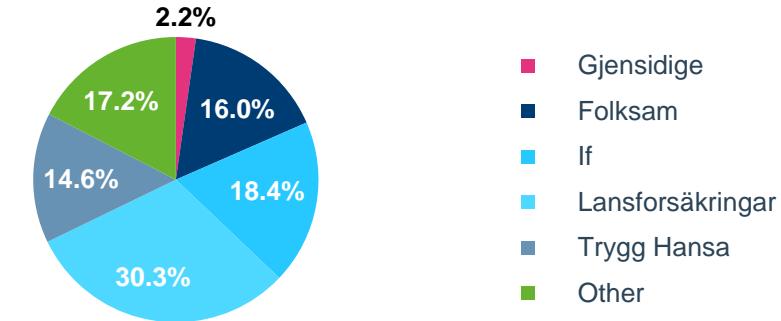


Growth opportunities outside Norway

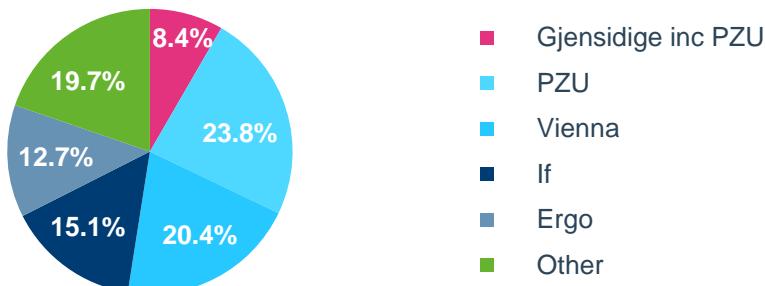
Market shares Denmark



Market shares Sweden



Market shares Baltics



Sources Insurance Sweden, 2nd quarter 2018 (Gjensidige including Vardia), The Danish Insurance Association 3rd quarter 2017 (Gjensidige including Mølholm). Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 1st quarter 2018



Ownership

10 largest shareholders*

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	4.2
3	Caisse de Depot et Placement du Quebec	3.7
4	Deutsche Bank	3.6
5	Danske Bank	2.0
6	Black Rock	2.0
7	The Vanguard Group	0.9
8	DNB	0.9
9	State Street Corporation	0.8
10	Storebrand Investments	0.7
Total 10 largest		81.0

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 01 October 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



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Gjensidige