

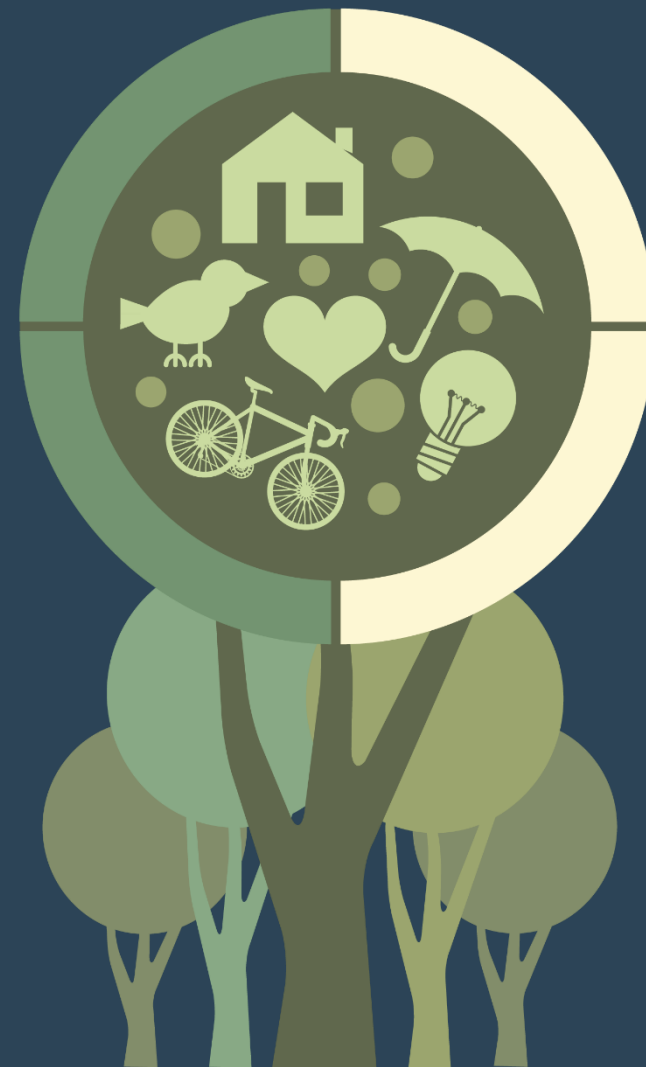


Gjensidige

# Gjensidige Forsikring Group

## 2<sup>nd</sup> quarter 2019 results

12 July 2019

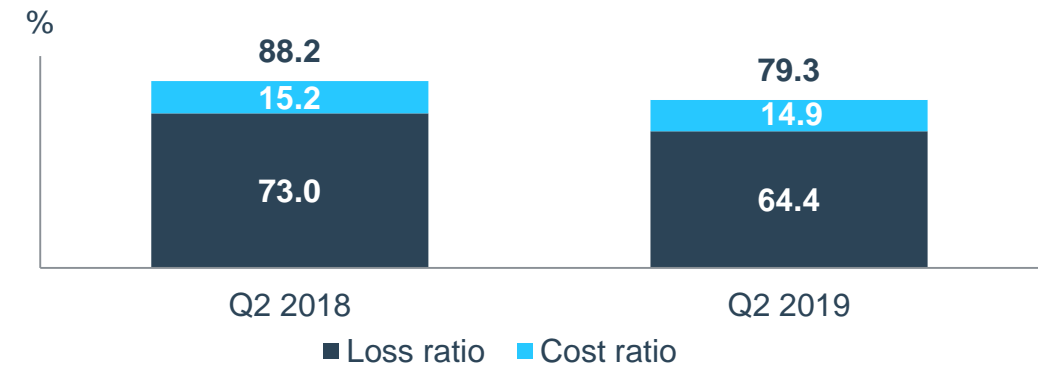




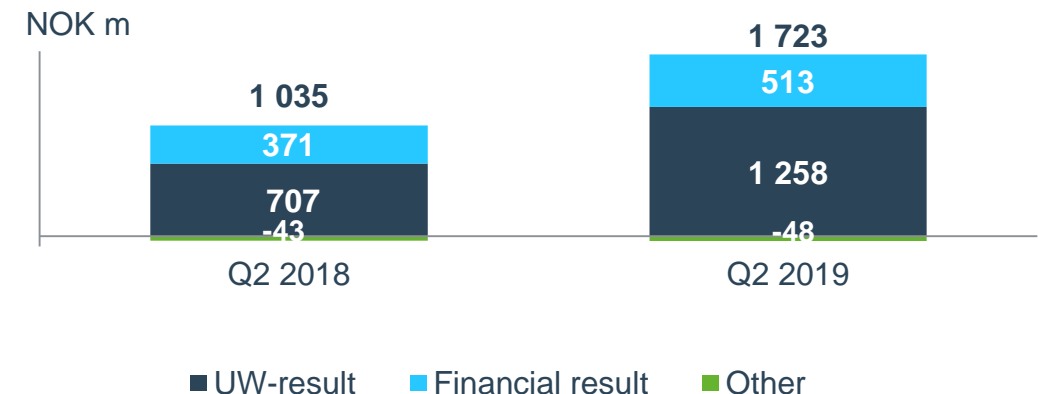
# Strong second quarter results

- Pre-tax profit NOK 1,723m
- Underwriting result NOK 1,258m
  - 1.6% premium growth
  - Improved profitability for Motor in Norway
  - Normal weather conditions
  - Low large losses
  - High run-off gains
  - Good cost control
- Financial result NOK 513m, return 0.9%
- Return on equity 23.5%<sup>1)</sup> excluding gain on sale of Gjensidige Bank

## Combined ratio



## Pre-tax profit



<sup>1)</sup> Annualised, YTD

This presentation contains alternative performance measures (APMs). APMs are described on [www.gjensidige.no/reporting](http://www.gjensidige.no/reporting) in document named APMs Gjensidige Forsikring Group Q2 2019.

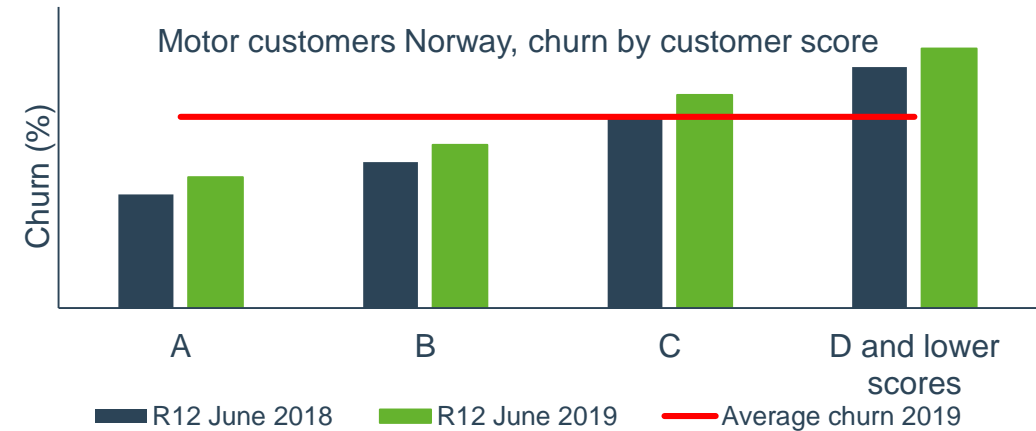


# Operational highlights

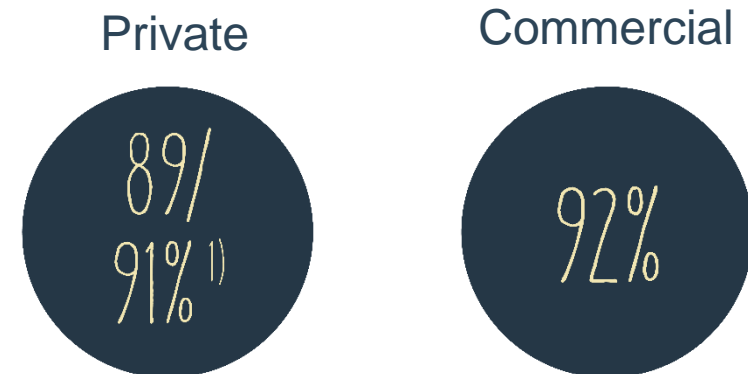
## - focus on improved profitability

- Effective pricing measures in Norway
  - Motor Norway reached good profitability level
  - New sales in Private picking up
  - Maintaining strong retention in both segments
  - Strong competitiveness
- Extending collaboration with Nordea into commercial space
- Continued efforts to increase profits outside Norway
- Progress in operational KPIs
  - Automated tariffs at 30%, online claims reporting at 68% and claims straight-through-processing at 16%

### Keeping the best customers



### High customer retention in Norway



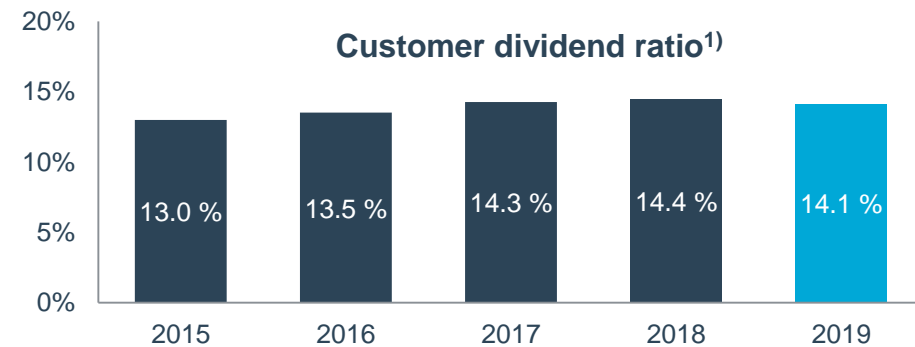
<sup>1)</sup> Retention for the whole portfolio and loyalty/ affinity portfolio respectively. The latter represents 85 per cent of premiums.

# Customer dividend model supports customer loyalty



- Customer dividends paid out every year since IPO in 2010
  - More than NOK 17bn paid out in total
- Highly valued customer proposition
  - 7 out of 10 customers say the customer dividend model contributes to their loyalty
  - 9 out of 10 customers aware of the model
  - 6 out of 10 non-customers aware of the model
- Complements a strong brand and superior customer experiences in building loyalty

## High and stable customer dividends



## Successful marketing campaign

**Sharing** is a **choice**

We **choose** to **share** our surplus with our customers



<sup>1)</sup> Per cent relative to insurance premium paid in the previous year. Distributed by Gjensidigestiftelsen to general insurance customers in Norway.

# Financial performance





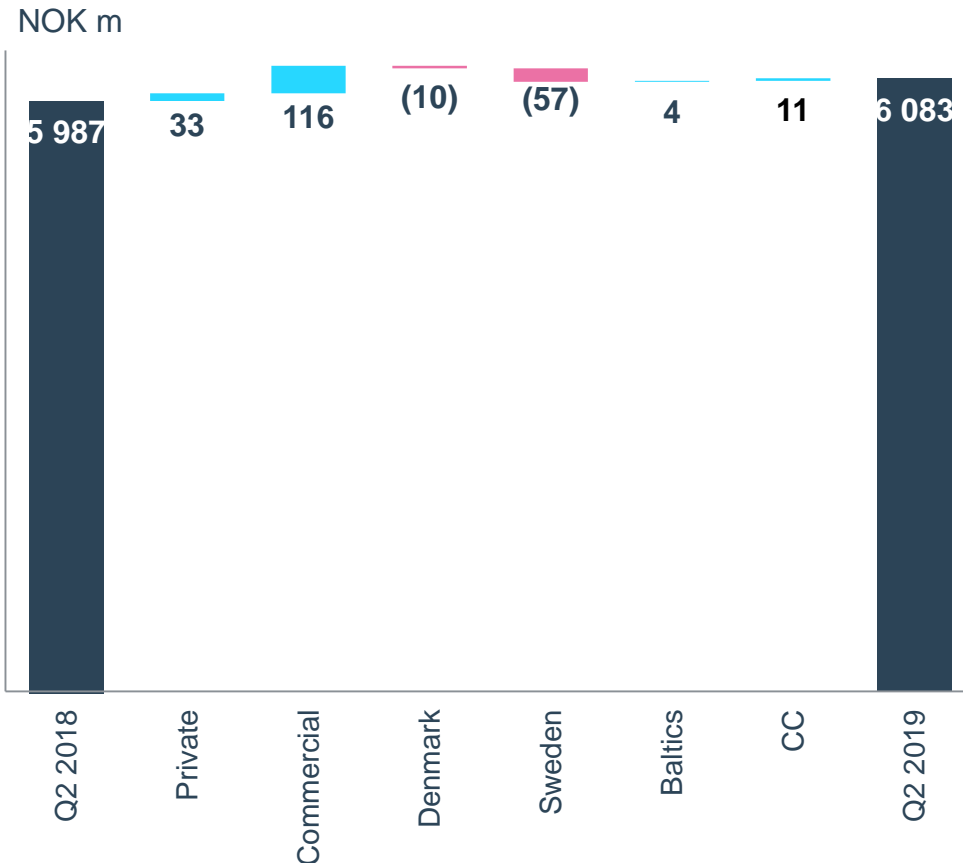
# Continued strong improvement in Norway

NOK m	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Private	584	371	979	715
Commercial	493	307	826	376
Denmark	221	64	324	149
Sweden	14	13	35	23
Baltics	14	11	20	20
Corporate Centre/costs related to owner	(72)	(83)	(152)	(166)
Corporate Centre/reinsurance	4	23	23	(0)
<b>Underwriting result</b>	<b>1 258</b>	<b>707</b>	<b>2 056</b>	<b>1 118</b>
Pension	39	38	93	70
Financial result from the investment portfolio	513	371	1 195	626
Amortisation and impairment losses of excess value	(63)	(69)	(125)	(139)
Other items	(24)	(12)	1 535	(34)
<b>Profit/(loss) before tax expenses</b>	<b>1 723</b>	<b>1 035</b>	<b>4 754</b>	<b>1 640</b>



# 1.6 per cent premium growth

## Premium development



CC = corporate centre

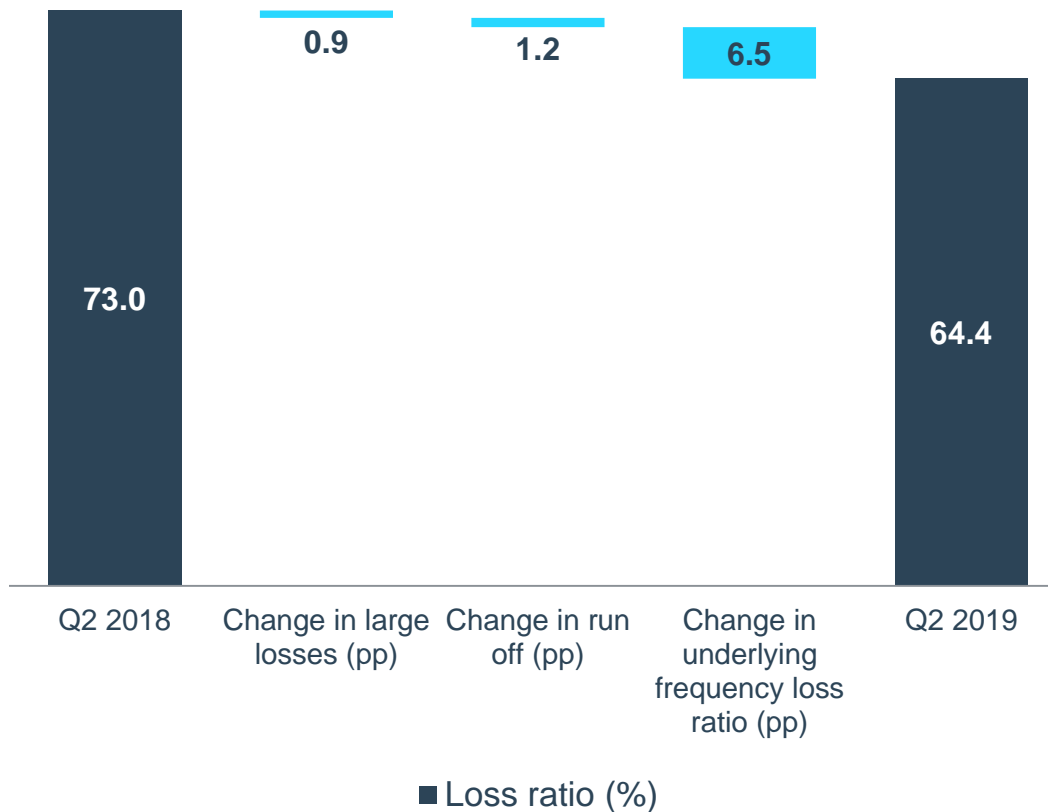
## Key drivers - premium development

- Private +1.5%
  - Price driven
- Commercial +6.2%
  - Price driven
- Denmark -0.8%
  - Negative 2.1% in local currency, following repricing and re-underwriting
- Sweden -14.2%
  - Negative 13.2% in local currency following repricing and re-underwriting
- Baltics 1.4%
  - Negative 0.3% in local currency



# Improved loss ratio mainly due to profitability measures and better weather conditions in Norway

## Loss ratio development



## Key drivers

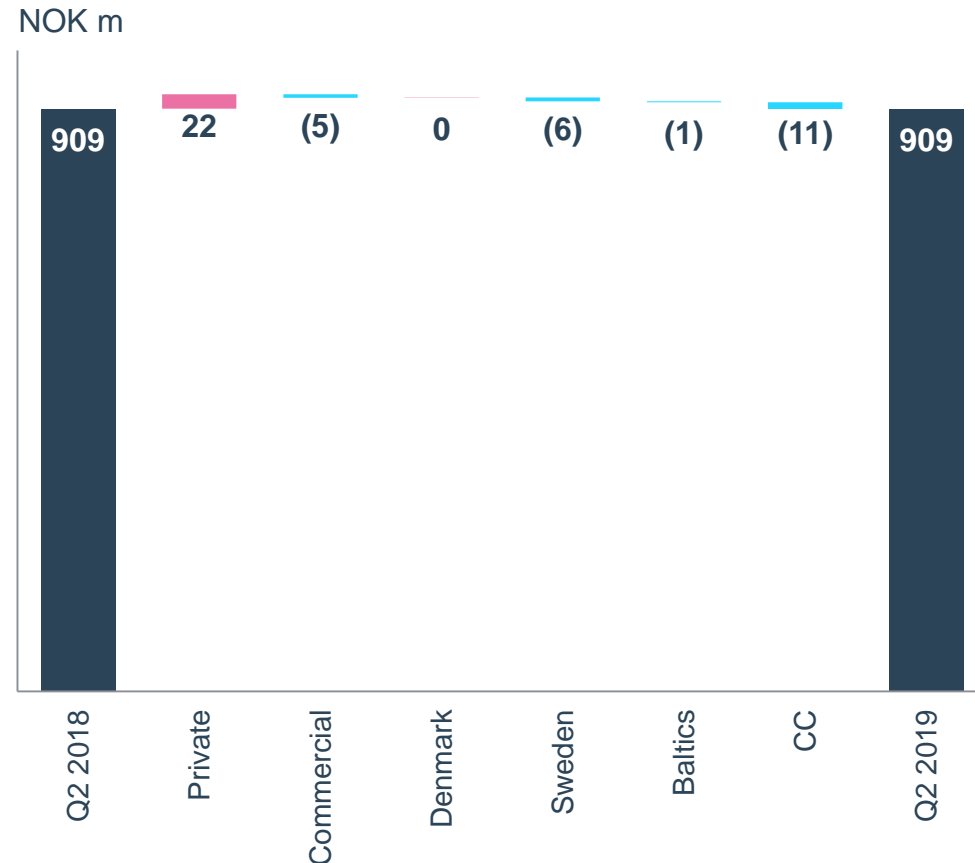
- Better underlying frequency loss ratio
  - Improved underlying profitability for Motor in Norway
  - More favourable weather conditions in Norway
  - Higher underlying profitability for Denmark
- Higher run-off gains
- Lower large losses





# Continued good cost control - cost ratio 14.9 per cent

## Cost development



CC = corporate centre

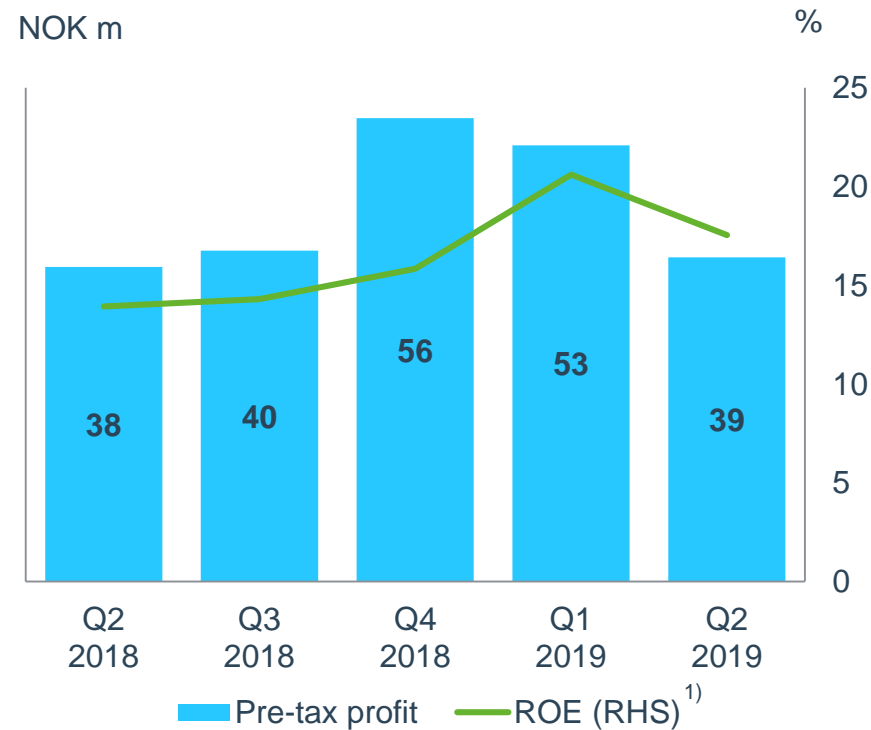
## Key drivers – cost development

- Strong cost discipline across the Group
- Cost ratio 14.2 per cent excluding Baltics



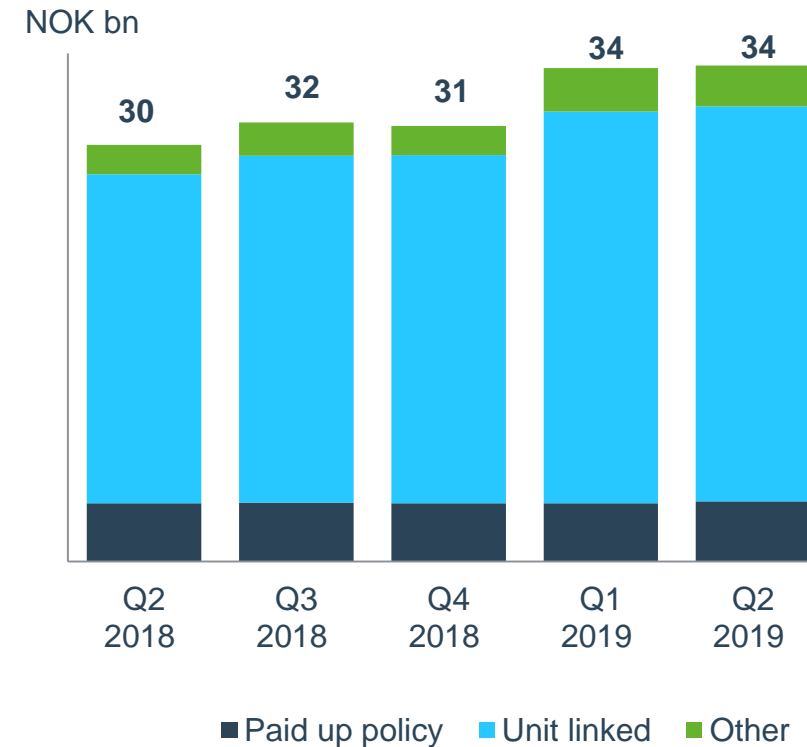
# Solid profit for Pension business

## Profit and return



<sup>1)</sup> Annualised YTD

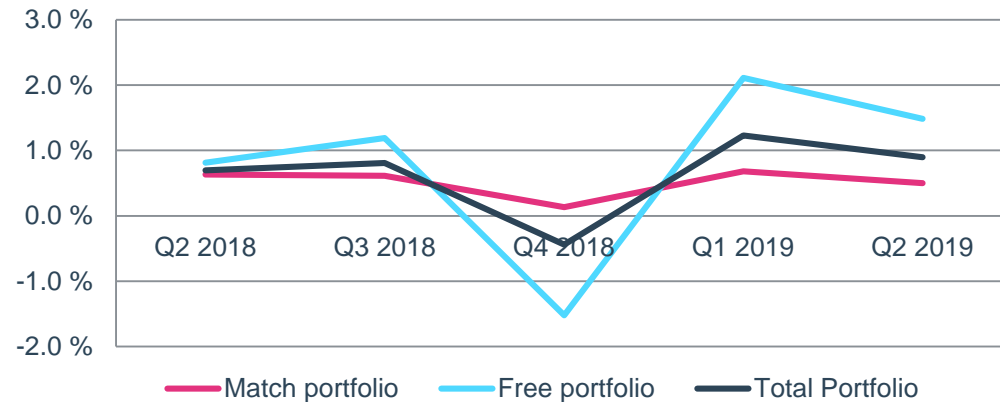
## Assets under management





# Investment return of 0.9 per cent, reflecting market development

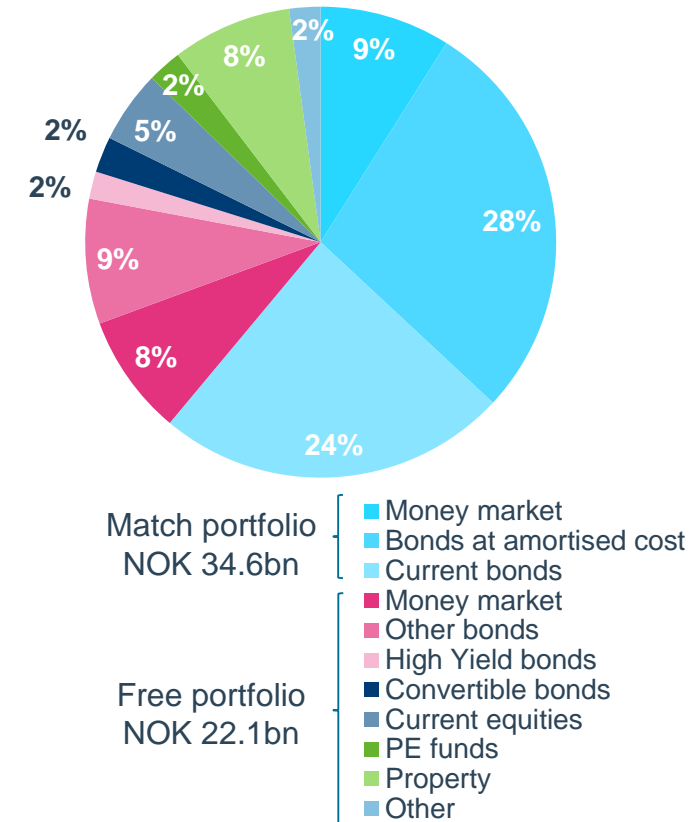
## Investment return



## Investment return, free portfolio

Q2 2019	%
Fixed income	1.3
Current equities	1.8
PE funds	4.5
Property	2.3
<b>Total free portfolio</b>	<b>1.5</b>

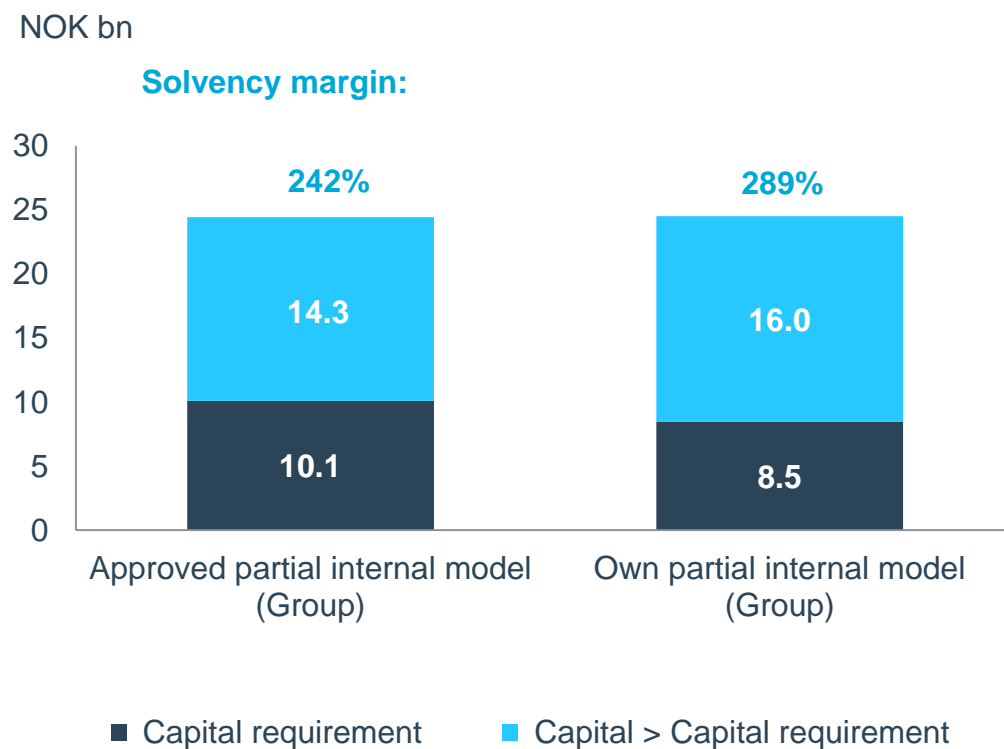
## Portfolio mix as at 30.06.2019



# Strong capital position - continued capital discipline



## Strong capital position



## Capital discipline

- A solid capitalisation with a solvency ratio of 242% for the FSA approved model
- Capital buffers well within risk appetite
- All FSA required changes are implemented in the approved partial internal model

Figures as at 30.06.2019. Solvency margins reflect best estimate reserves. Total comprehensive income for the year-to-date is included in the solvency calculations, minus a formulaic dividend pay-out ratio of 80 per cent of net profit (excluding the gain from Gjensidige Bank).



# Concluding remarks

- Strong second quarter result
- Implemented significant price increases in Norway
  - Motor Norway reached good profitability level
  - Focus on retaining strong and unique position in Norway
- Pursuing strengthened profitability and growth outside Norway
- Strong capital position, exploring M&A opportunities

## Annual financial targets 2019-2022

Metric	Target
Combined ratio	86-89% <sup>1)</sup>
Cost ratio	<15%
Solvency margin (PIM)	135-200%
ROE after tax	>20% <sup>1)</sup>
UW result outside Norway	NOK 750m (in 2022) <sup>2)</sup>
Dividends	Nominal high and stable (and >80 % over time)

<sup>1)</sup> Assuming annual run-off gains ~NOK 1 billion through 2022. Corresponds to 90-93 per cent given zero run-off gains post 2022.

<sup>2)</sup> Excluding run-off

# Appendix





# Moving ahead on operational targets

Metric	Status Q2 2019	Target 2022
Customer satisfaction (CSI)	78.1	> 78, Group
Customer retention	90%	> 90% Norway
	78%	> 85% outside of Norway
Sales effectiveness	5.7%	+ 10%, Group
Automated tariffs	30%	100%, Group
Digital claims reporting	68%	80%, Norway
Claims straight-through processing	16%	64%, Norway
Claims cost	Annual reporting	Reduce by NOK 500 million, Group
Claims related CO2-intensity	Annual reporting	Reduce year by year, Group

- Focus on digital customer interactions
- Simplification is key to enhanced efficiency
- Process optimisation and automation necessary to secure sufficient agility



# Roadshows and conferences post Q2 2019 results

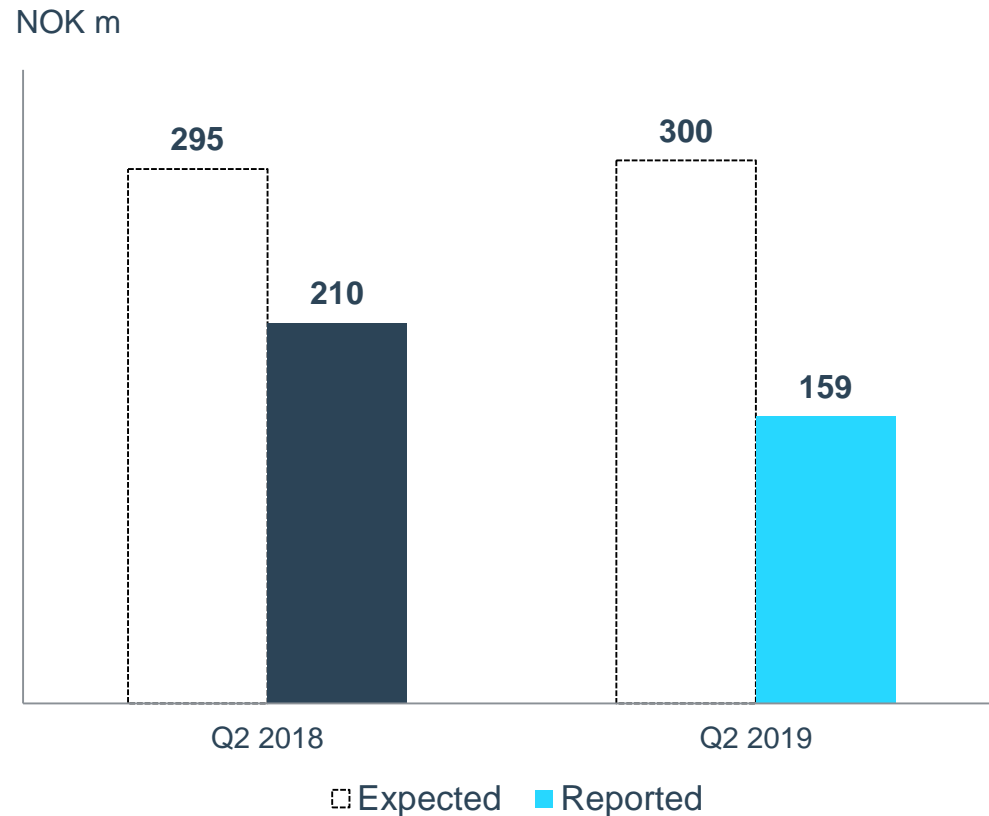
Date	Location	Participants	Event	Arranged by
14 August	Oslo	CEO Helge Leiro Baastad CFO Jostein Amdal Head of IR Mitra H. Negård	Roadshow	Nordea
15 August	London	CEO Helge Leiro Baastad Head of IR Mitra H. Negård	Roadshow	DNB
15 August	Bergen / Stavanger	CFO Jostein Amdal IRO Live Bjønness	Roadshow	Arctic
21 August	Copenhagen	CEO Helge Leiro Baastad Head of IR Mitra H. Negård	Roadshow	Danske Bank
22 August	Helsinki	CFO Jostein Amdal IRO Live Bjønness	Roadshow	Handelsbanken
3 September	Munich	EVP Janne Flessum Head of IR Mitra H. Negård	Roadshow	Nordea
4 September	Amsterdam	EVP Janne Flessum IRO Live Bjønness	Roadshow	Carnegie
24 September	London	CEO Helge Leiro Baastad EVP Janne Flessum IRO Live Bjønness	Conference	Bank of America Merrill Lynch Annual Financials CEO Conference



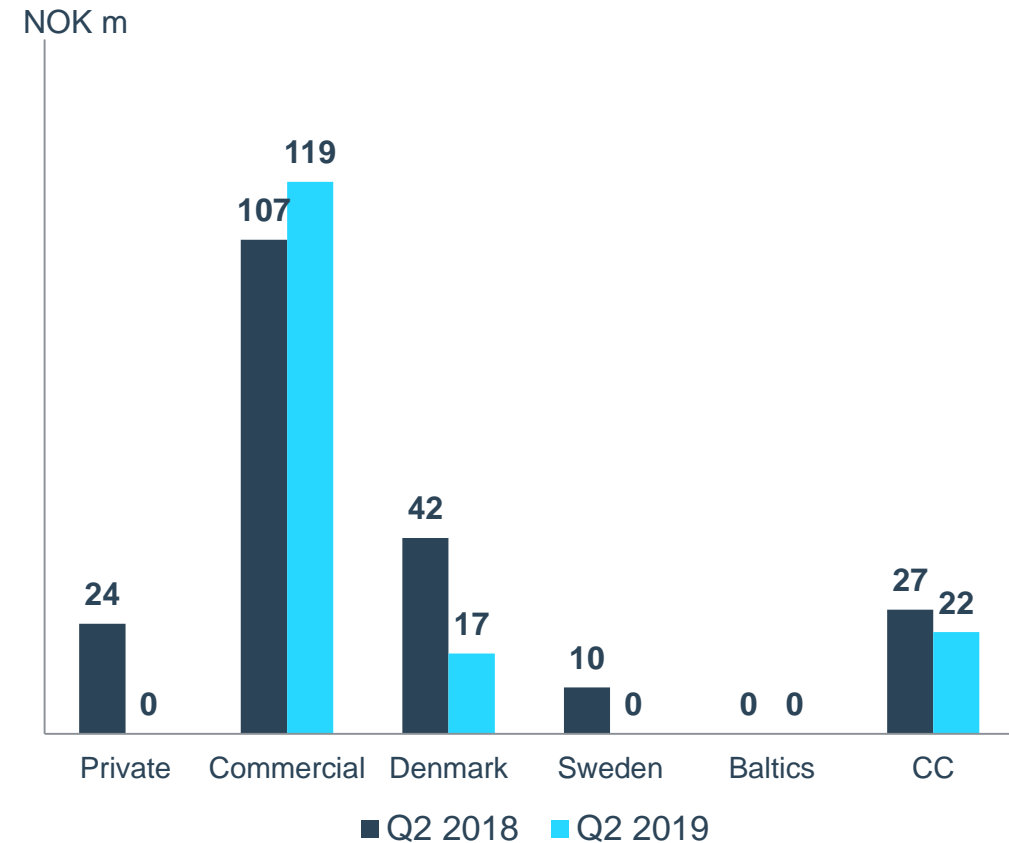


# Large losses 2.6 percentage points - lower than expected

## Large losses – reported vs expected



## Large losses per segment



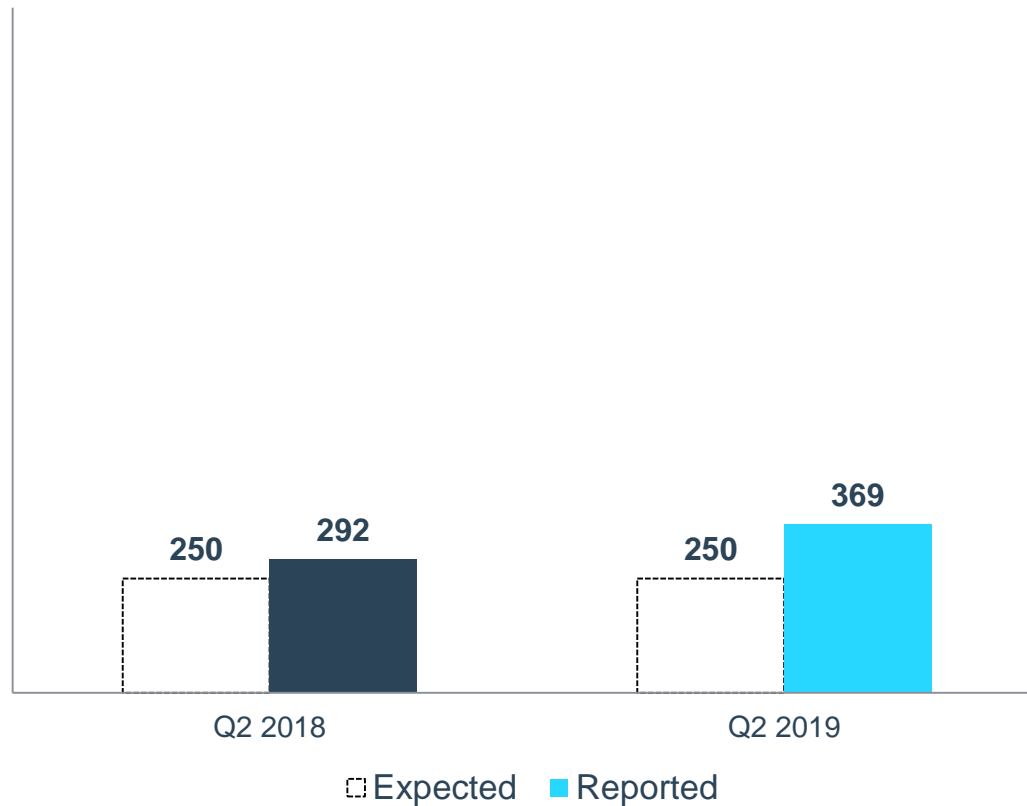
CC = corporate centre. Large losses: Losses > NOK 10m. Weather related large losses are included. Large losses in excess of NOK 30.0m are charged to the Corporate Centre while up to NOK 30m per claim is charged to the segment in which the large loss occurred. The Baltics segment has, as a main rule,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



# Run-off gains 6.1 percentage points - higher than expected

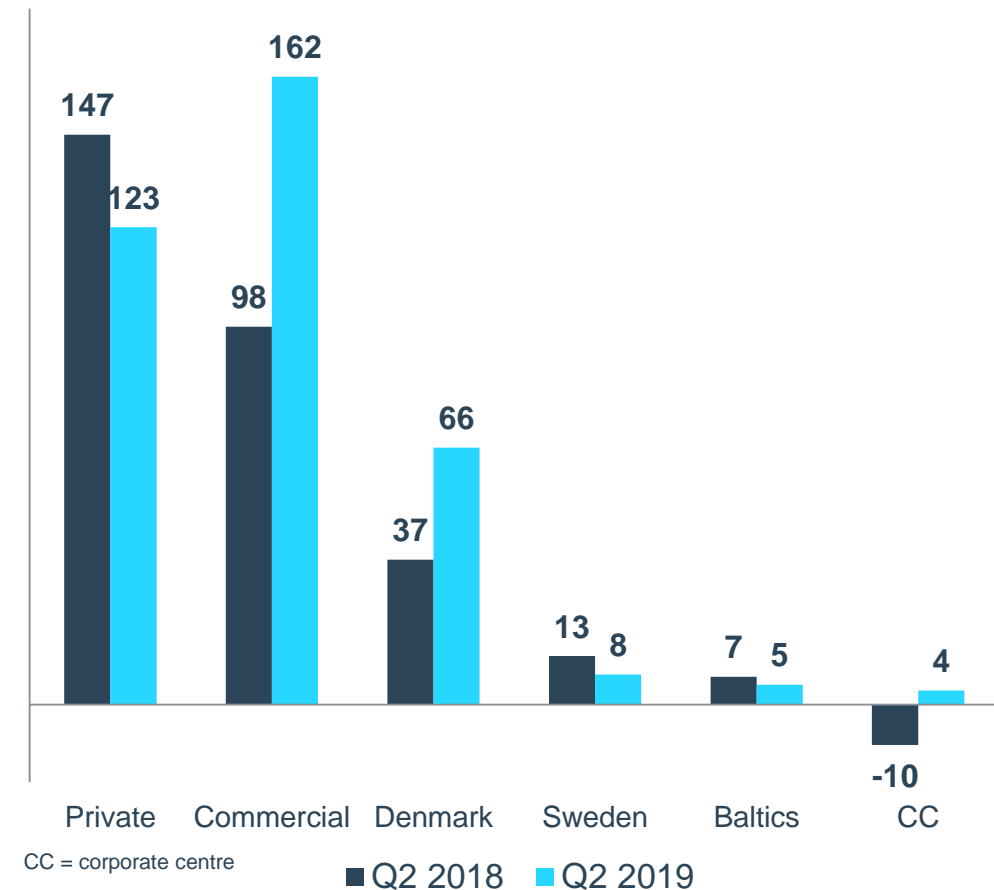
## Run-off net

NOK m



## Run-off net per segment

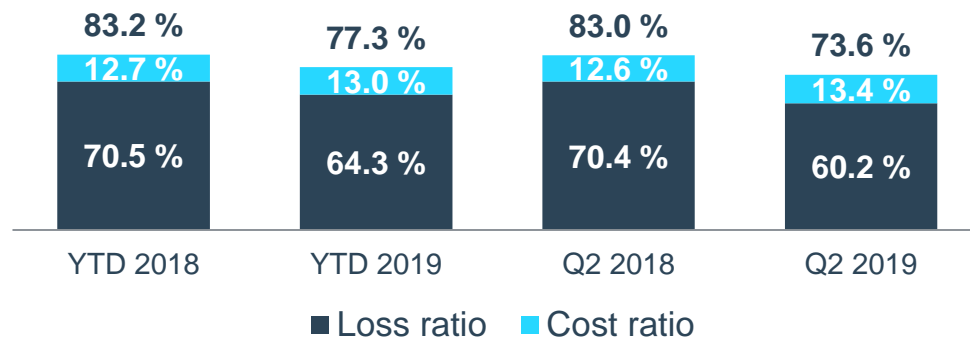
NOK m



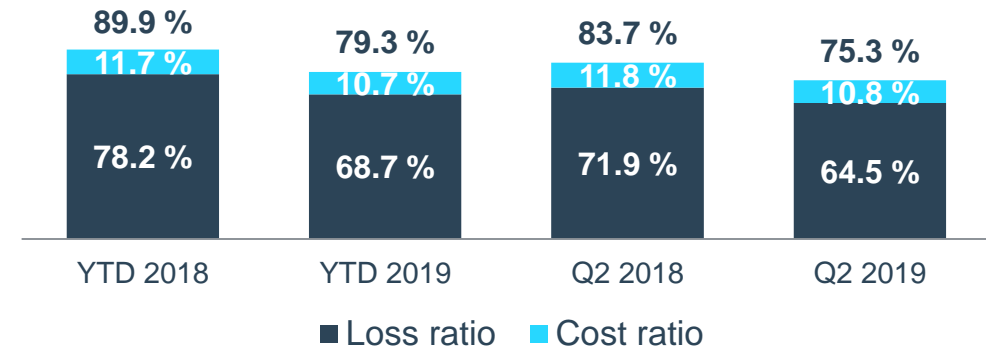
# General insurance – cost ratio and loss ratio per segment



## Private



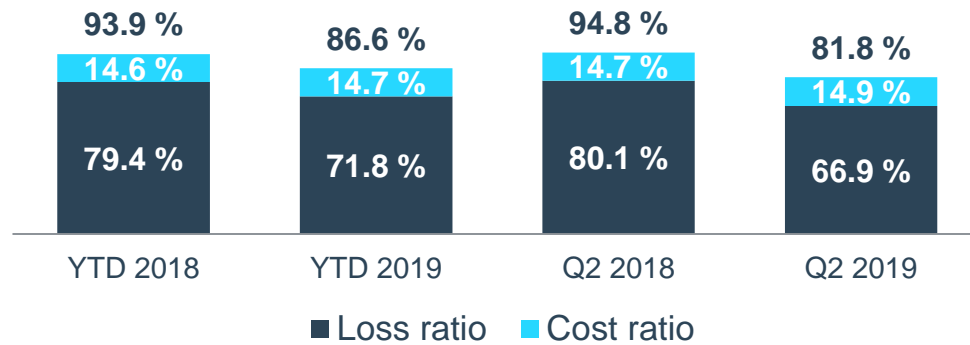
## Commercial



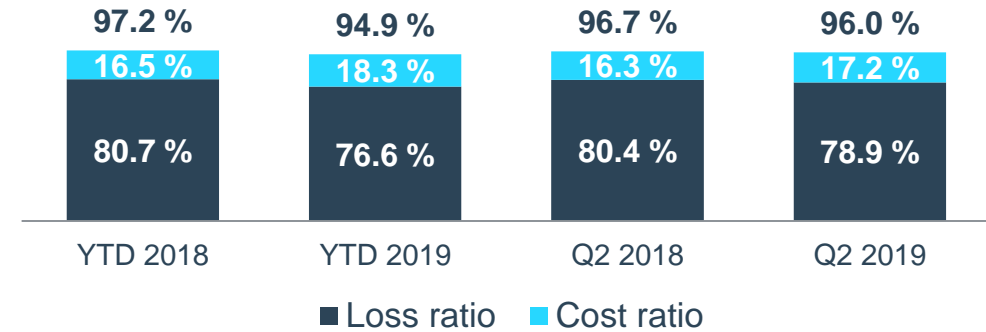
# General insurance – cost ratio and loss ratio per segment (cont'd)



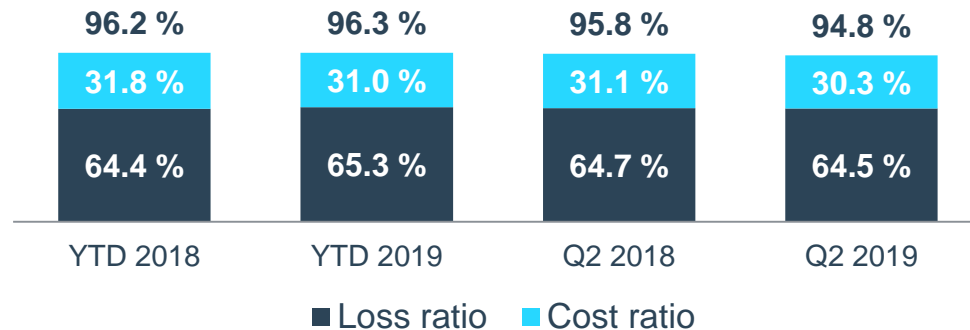
## Denmark



## Sweden



## Baltics

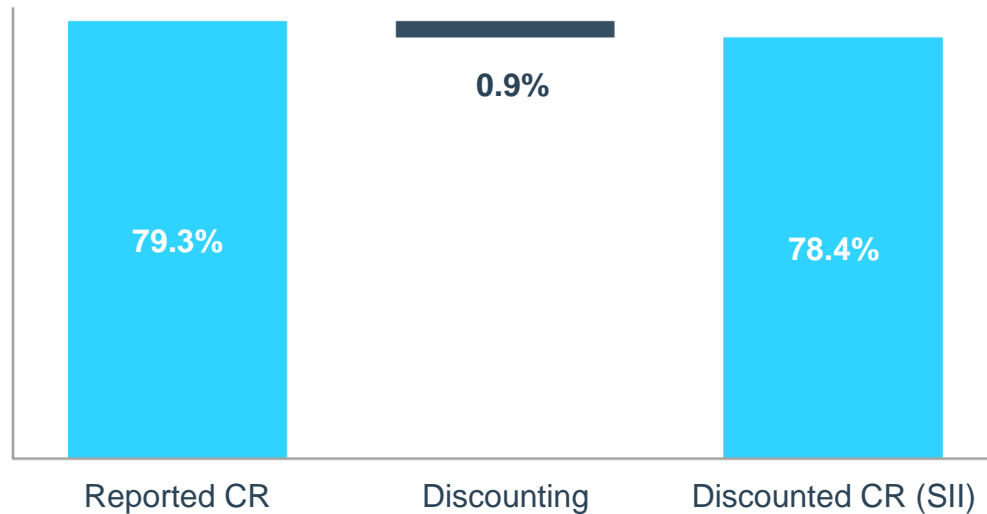




# Effect of discounting of claims provisions

Assuming Solvency II regime

## Effect of discounting on CR – Q2 2019



## 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

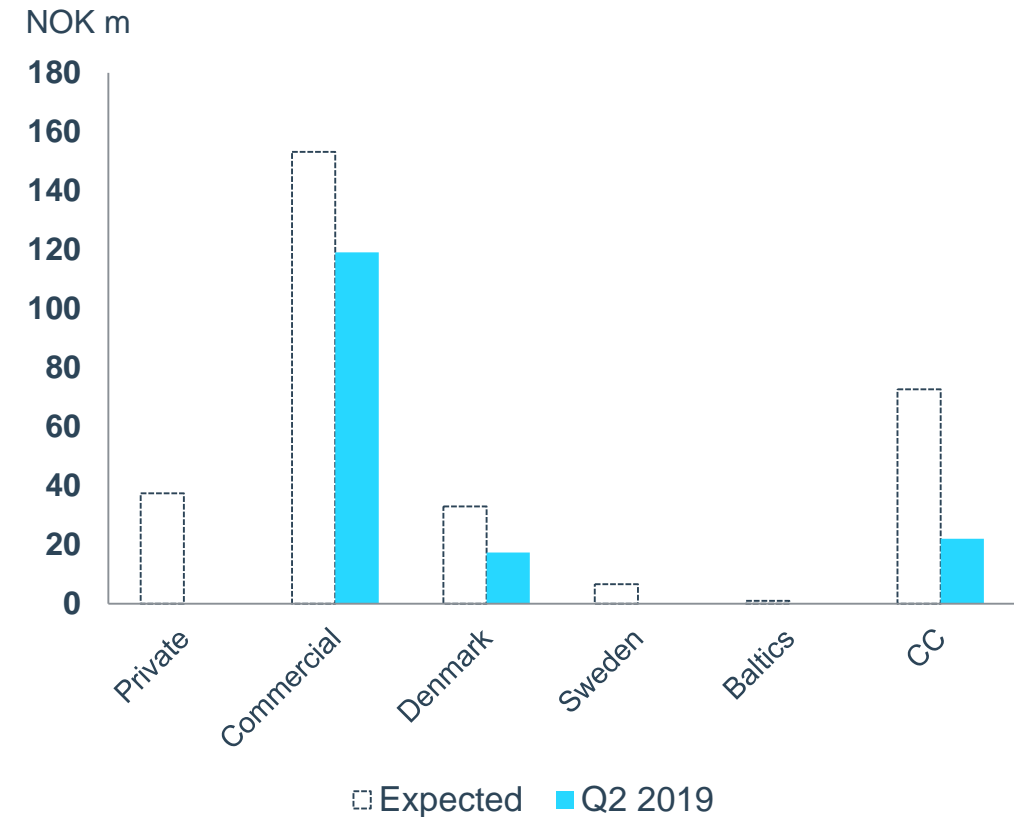


# Large losses development

~ NOK 1.2bn in large losses<sup>1)</sup> expected annually



## Large losses per segment – actual vs expected

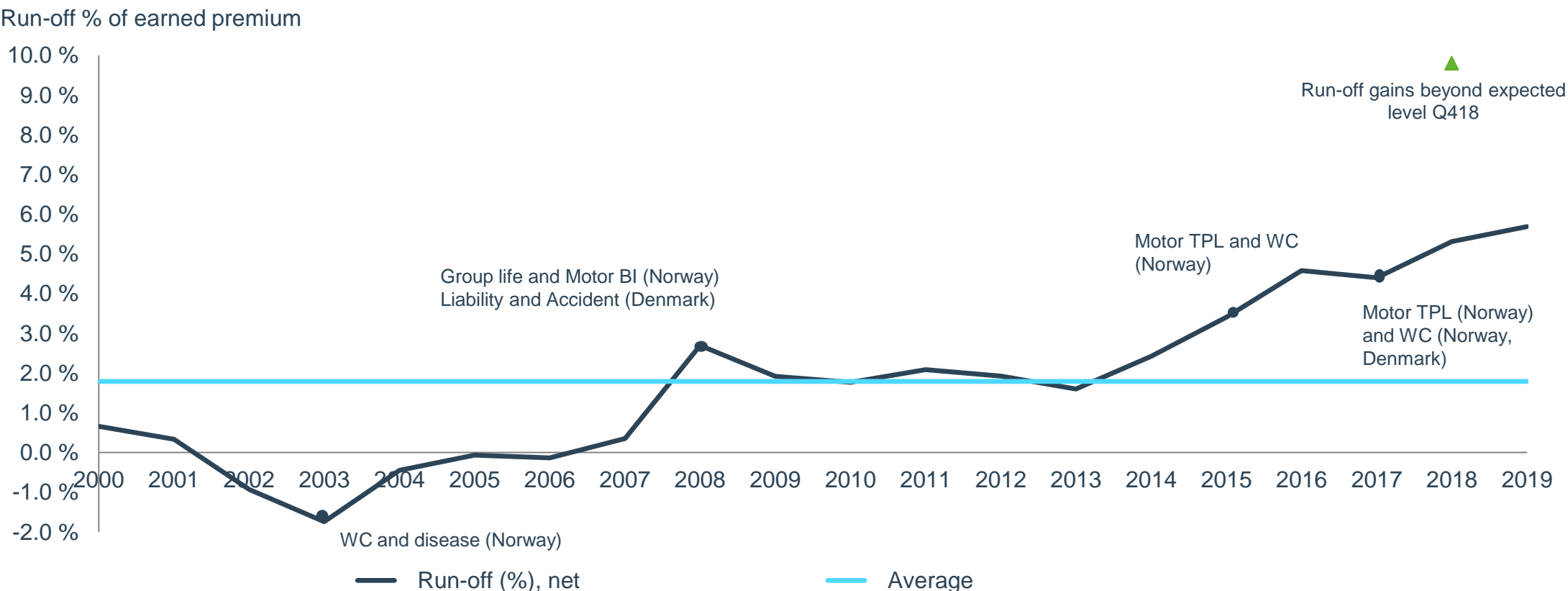


<sup>1)</sup> Losses >NOK 10m. From and including 2012, the numbers include weather related large losses.



# Run-off development

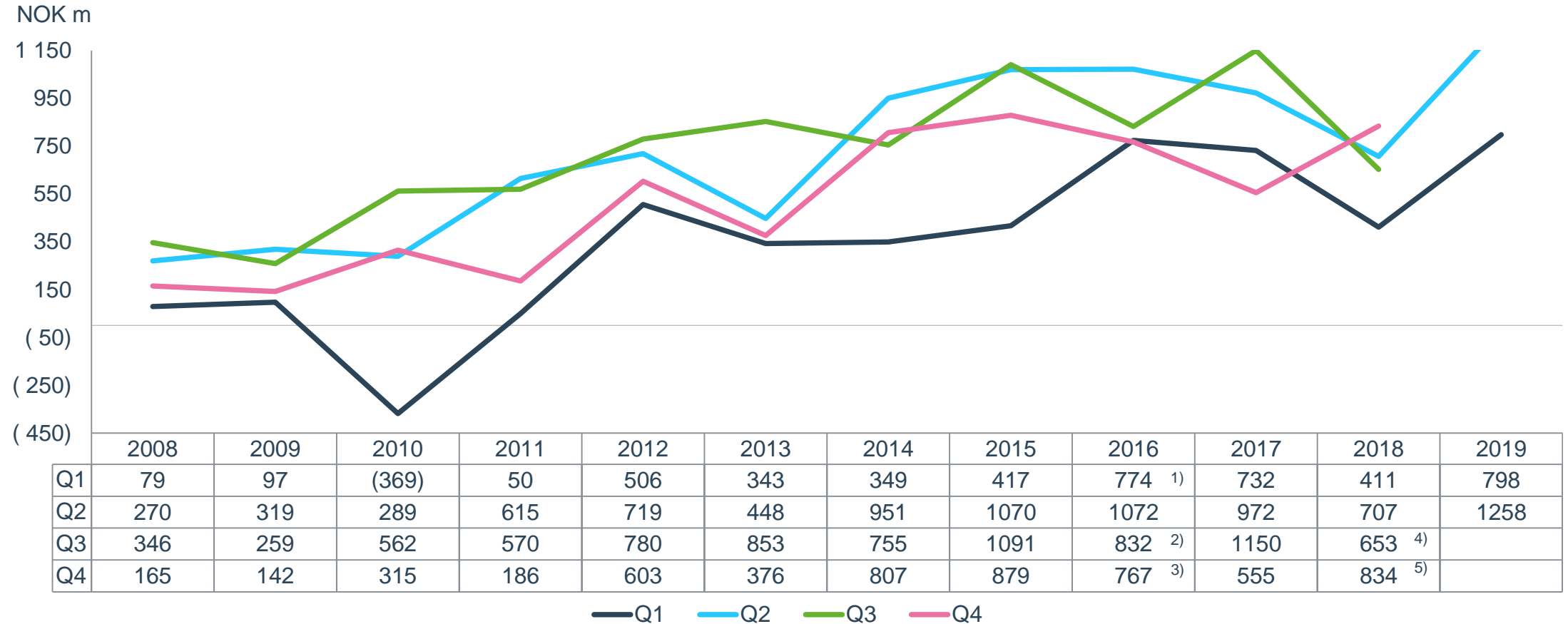
Expected average annual run-off gains of ~4 pp (~NOK 1bn) through 2022





# Quarterly underwriting results

## Seasonality in Nordic general insurance



<sup>1)</sup> 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.

<sup>2)</sup> Reported UW result for Q3 2016 was NOK 712m. Adjusted for a non-recurring NOK 120m restructuring cost the UW result was NOK 832m.

<sup>3)</sup> 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.

<sup>4)</sup> Reported UW result for Q3 2018 was NOK 573m. Adjusted for a non-recurring NOK 80m restructuring cost the UW result was NOK 653m.

<sup>5)</sup> Reported UW result for Q4 2018 was NOK 1,914m. Adjusted for the extra run-off gains of NOK 1.1bn the UW result was NOK 834m.



# 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 <sup>1)</sup>	Benchmark
<b>Match portfolio</b>		
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
<b>Free portfolio</b>		
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	

<sup>1)</sup> See quarterly report for a more detailed description

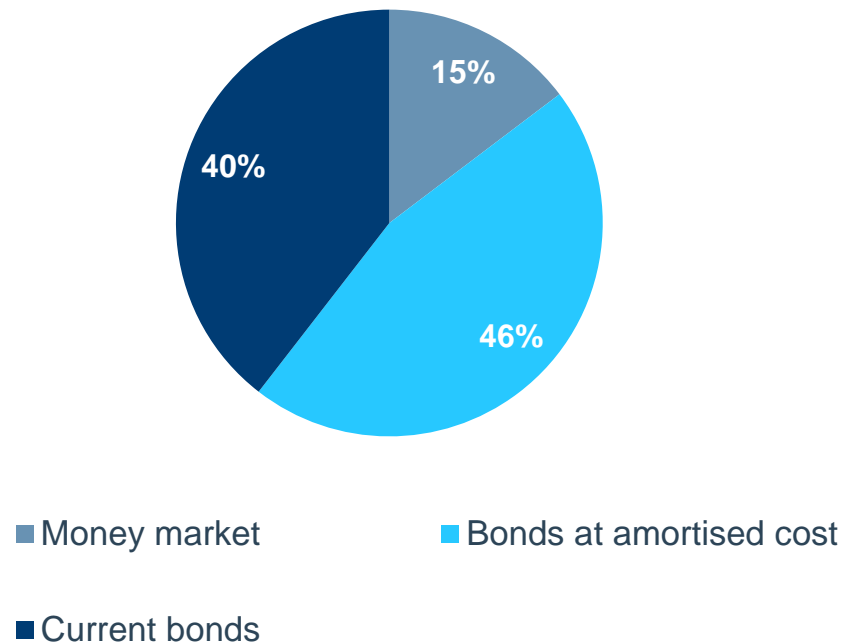


# Asset allocation

## As at 30.06.2019

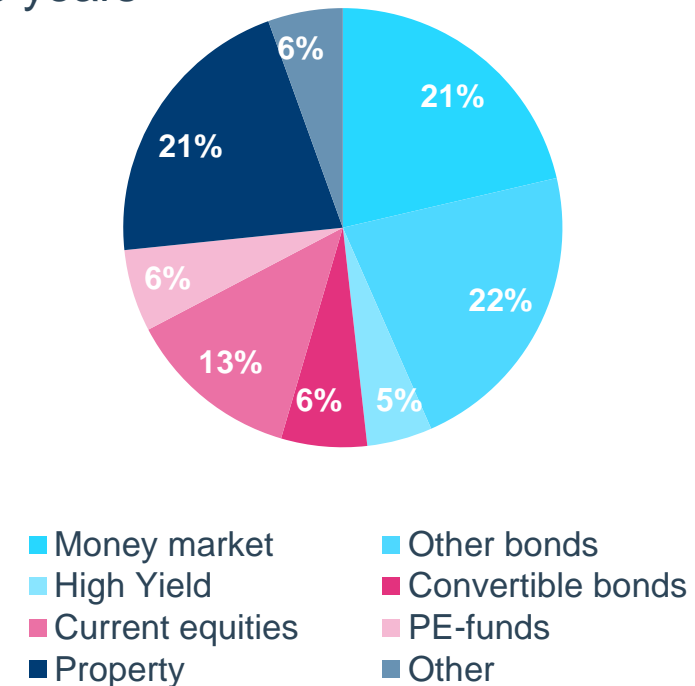
### Match portfolio

- Carrying amount: NOK 34.6bn
- Average duration: 3.3 years



### Free portfolio

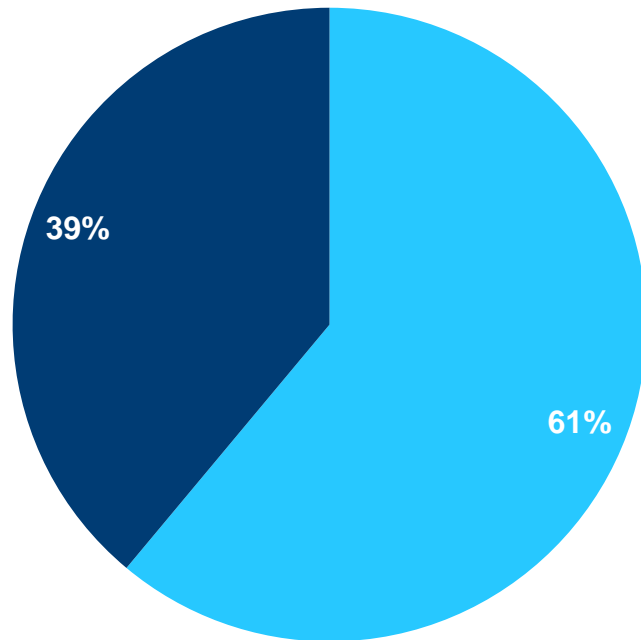
- Carrying amount: NOK 22.1bn
- Average duration fixed-income instruments: 2.8 years





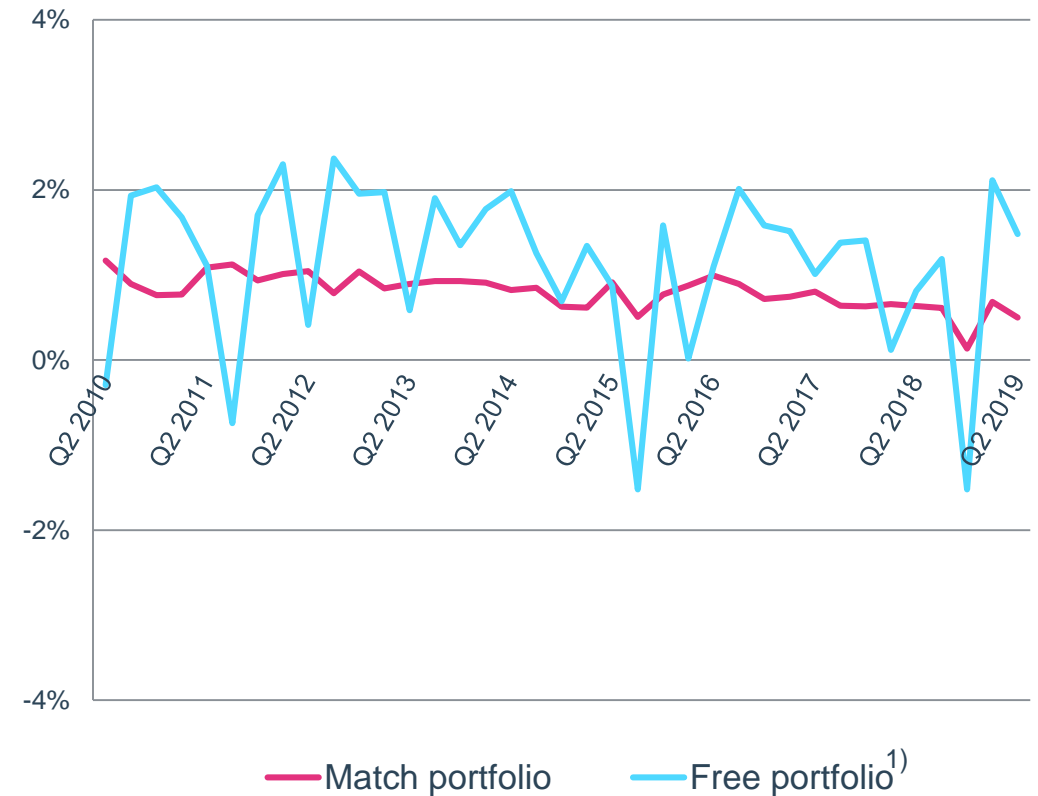
# Contribution from the match portfolio

Asset allocation as at 30.06.2019



■ Match portfolio ■ Free portfolio

Quarterly investment returns

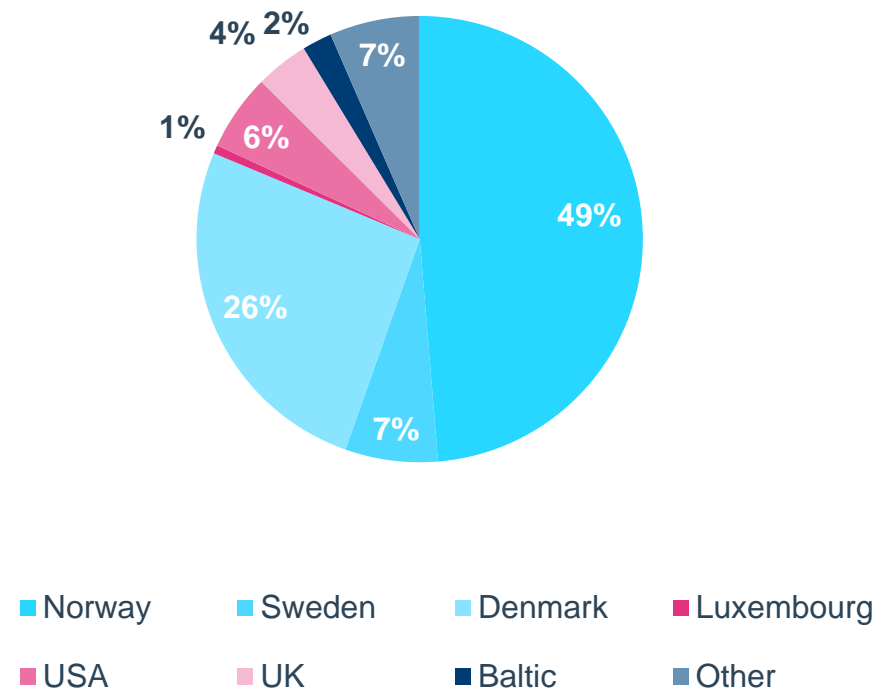


<sup>1)</sup> Prior to 2014 former associated companies were not included in the Free portfolio.

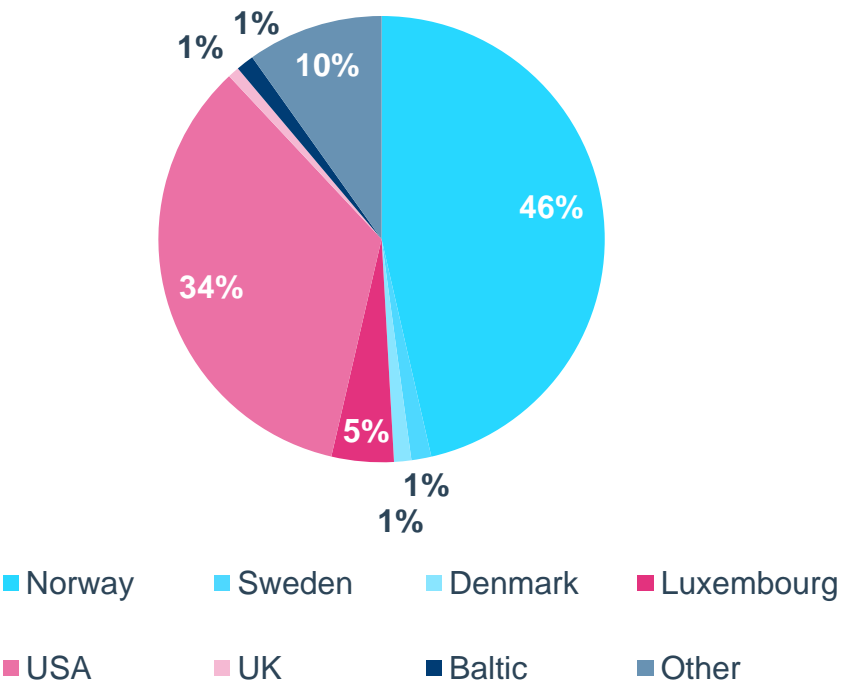


# Balanced geographical exposure

## Match portfolio



## Free portfolio, fixed-income instruments





# 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	11.1	32.1	2.1	17.2
AA	3.0	8.8	2.2	18.7
A	5.8	16.7	2.3	19.0
BBB	4.2	12.0	1.3	11.2
BB	0.3	0.8	0.8	6.4
B	1.5	4.2	0.5	4.5
CCC or lower	0.0	0.1	0.1	0.8
Internal rating <sup>1)</sup>	5.6	16.2	1.7	14.3
Unrated	3.2	9.2	0.9	7.8
<b>Fixed income portfolio</b>	<b>34.7</b>	<b>100.0</b>	<b>12.0</b>	<b>100.0</b>

Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	4.4	12.6	4.4	36.8
Bank/financial institutions	16.7	48.1	4.1	33.9
Corporates	13.6	39.3	3.5	29.3
<b>Total</b>	<b>34.7</b>	<b>100.0</b>	<b>12.0</b>	<b>100.0</b>



# Capital position per operational areas

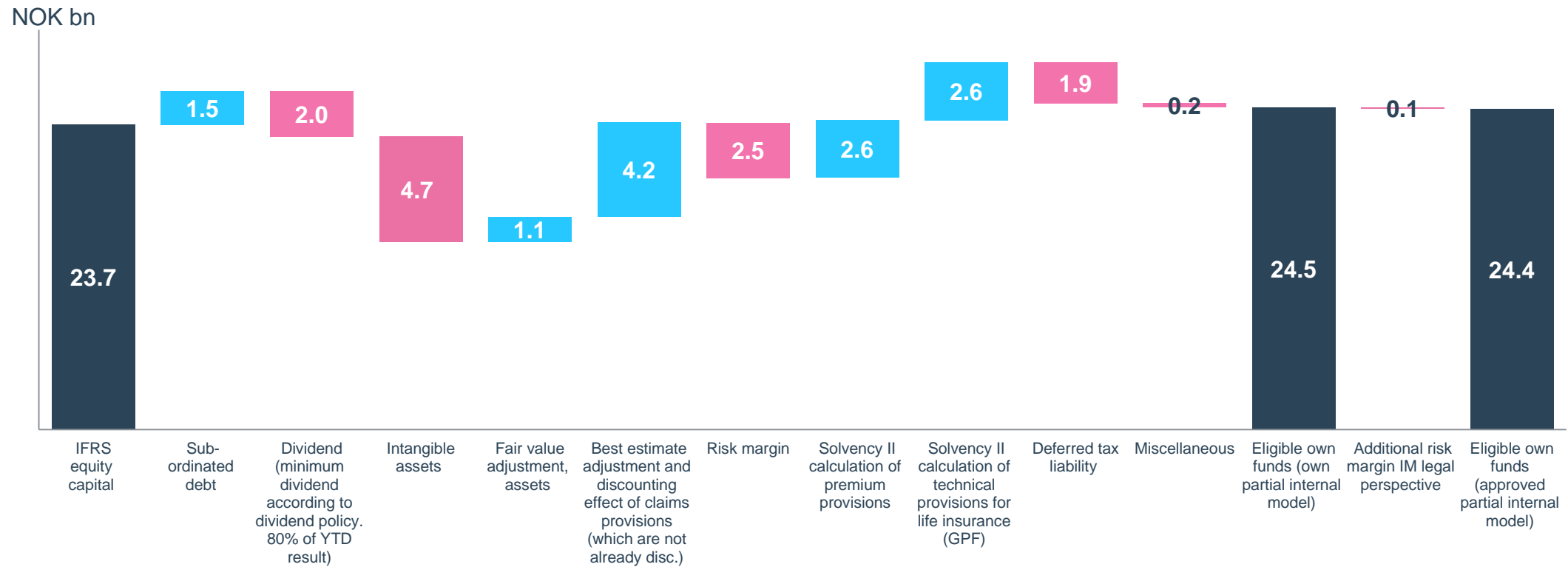
(NOK bn)	Approved partial internal model (Group)	Approved partial internal model (general insurance)	Own partial internal model (Group)	Own partial internal model (general insurance)	Gjensidige Pensjonsforsikring
Capital available	24.4	22.2	24.5	22.3	2.5
Capital requirement	10.1	8.9	8.5	7.3	1.8
<b>Solvency margin</b>	<b>242%</b>	<b>249%</b>	<b>289%</b>	<b>306%</b>	<b>137%</b>

Figures as at 30.06.2019. The legal perspective is the regulatory approved version of the partial internal model. Solvency margins reflect best estimate reserves. Total comprehensive income for the year-to-date is included in the solvency calculations, minus a formulaic dividend pay-out ratio of 80 per cent of net profit (excluding the gain from Gjensidige Bank).



# Solvency II economic capital available

## Bridging the gap between IFRS equity and Solvency II capital



Figures as at 30.06.2019. GPF = Gjensidige Pensjonsforsikring. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. Tax is assumed on the security provision. Miscellaneous: Main effects are related to the guarantee scheme provision and different valuation of Oslo Areal.

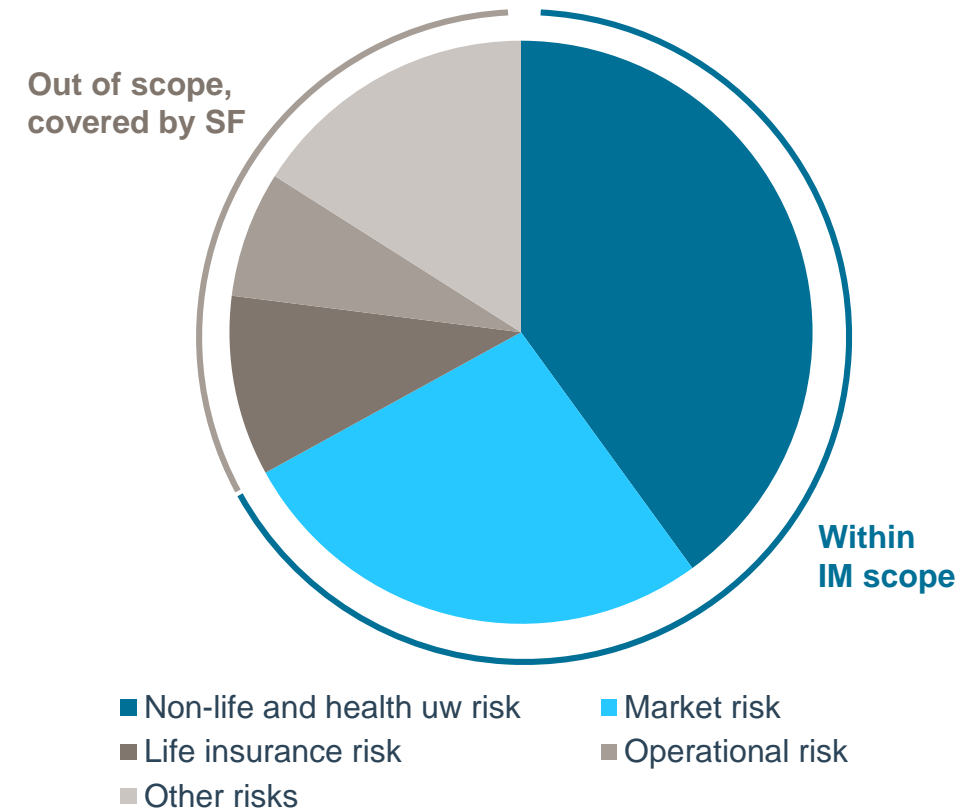




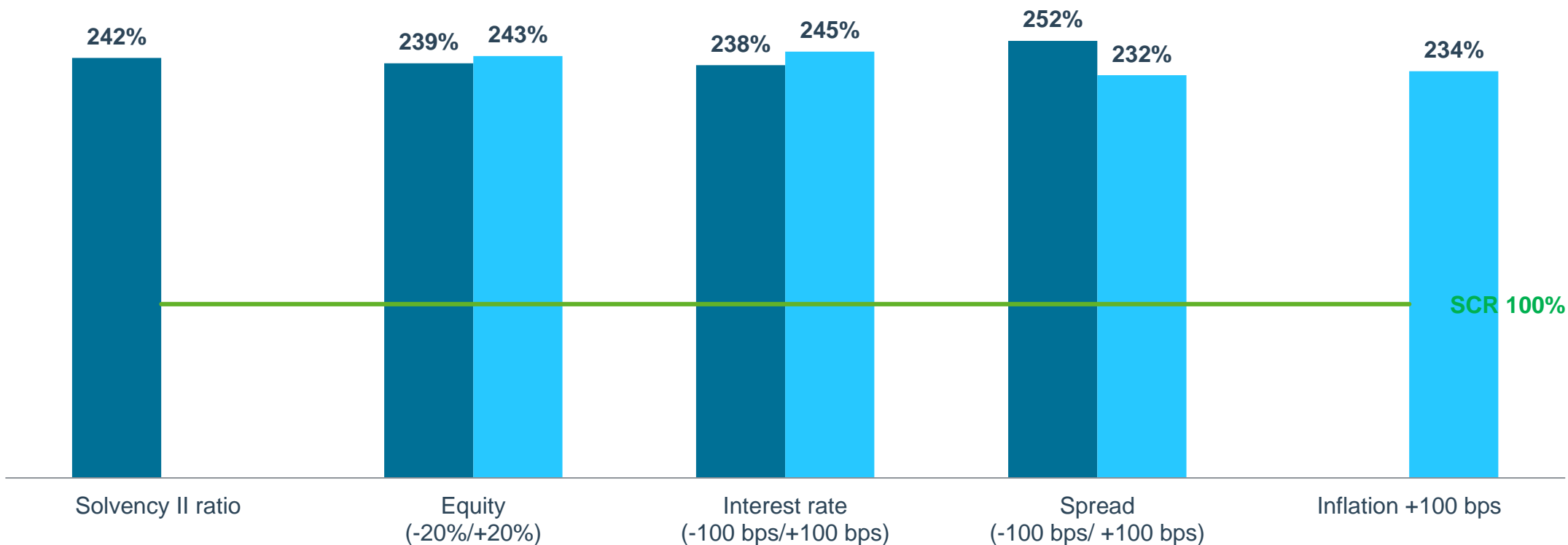
# Solvency II capital requirements

NOK bn	Approved partial internal model (Group)	Own partial internal model (Group)
<b>Eligible own funds</b>	<b>24.4</b>	<b>24.5</b>
Capital charge for non-life and health uw risk	7.2	6.2
Capital charge for life uw risk	1.8	1.8
Capital charge for market risk	7.3	6.4
Capital charge for counterparty risk	0.5	0.5
Diversification	(4.7)	(4.8)
<b>Basic SCR</b>	<b>12.2</b>	<b>10.1</b>
Operational risk	0.8	0.8
Adjustments (risk-reducing effect of deferred tax)	(2.9)	(2.4)
Gjensidige Bank	0	0
<b>Total solvency capital requirement</b>	<b>10.1</b>	<b>8.5</b>
Surplus	14.3	16.0
<b>Solvency ratio</b>	<b>242%</b>	<b>289%</b>

## Scope regulatory approved PIM



# Solvency II sensitivities for the approved partial internal model



Figures as at 30.06.2019. The legal perspective is the regulatory approved version of the partial internal model. Solvency margins reflect best estimate reserves. Total comprehensive income for the year-to-date is included in the solvency calculations, minus a formulaic dividend pay-out ratio of 80 per cent of net profit (excluding the gain from Gjensidige Bank). 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 2.9-3.7bn
  - Utilised Tier 1 debt capacity: NOK 1.0bn
- Tier 2 capacity is fully utilised for the insurance group
  - Utilised sub debt: NOK 1.5bn<sup>1)</sup>
  - Utilised natural perils fund and guarantee scheme: NOK 3.2bn



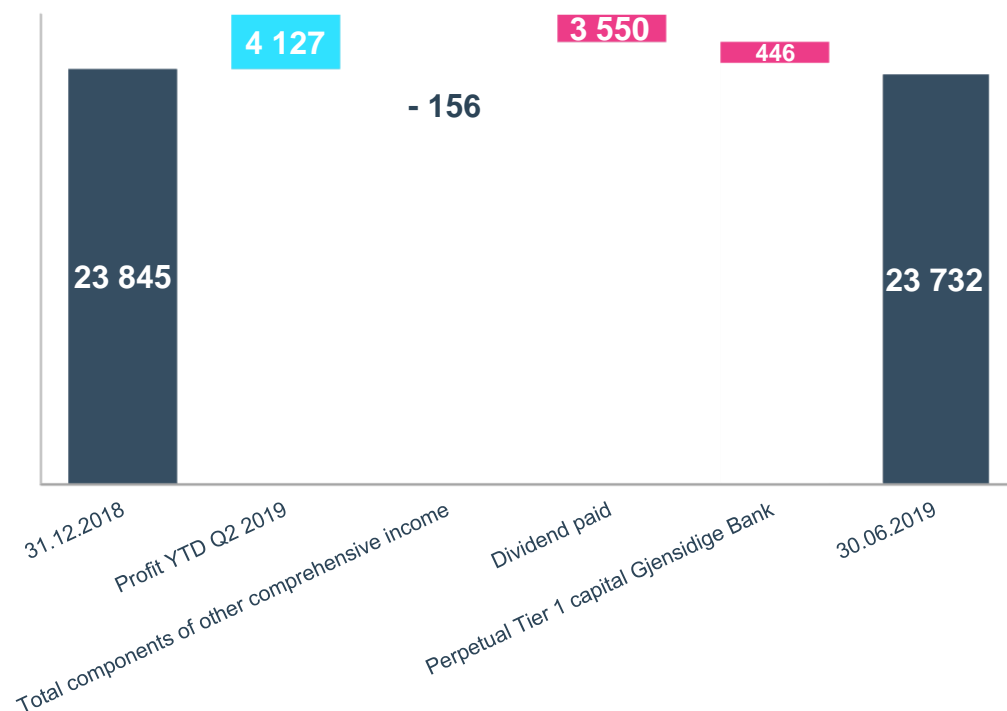
# Reduced Solvency II regulatory uncertainty

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

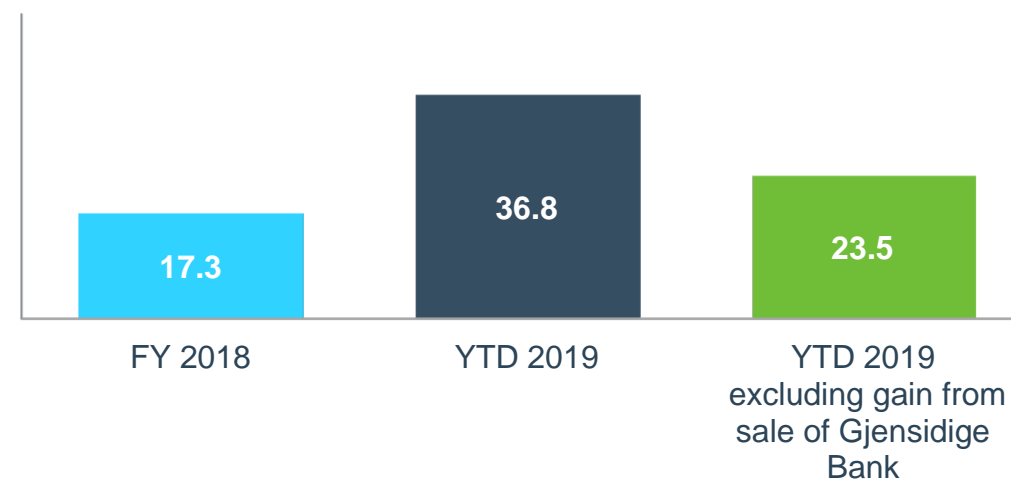
# Annualised return on equity 23.5 per cent excluding gain from sale of Gjensidige Bank



Equity (NOK m)



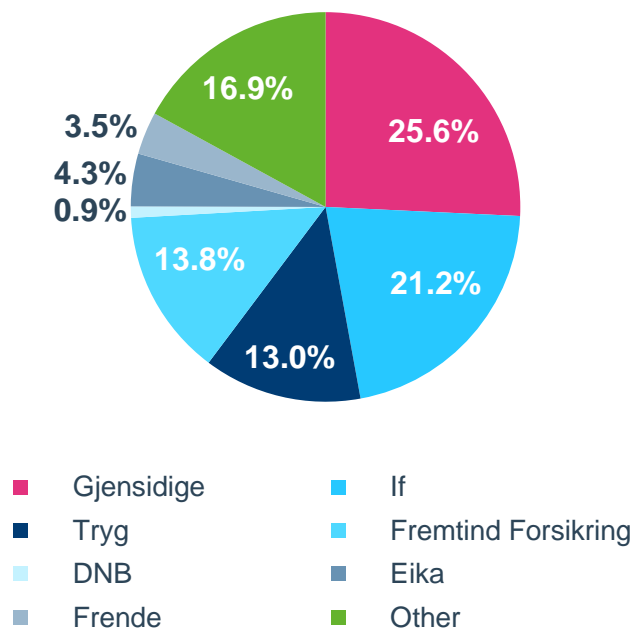
Return on equity (%)



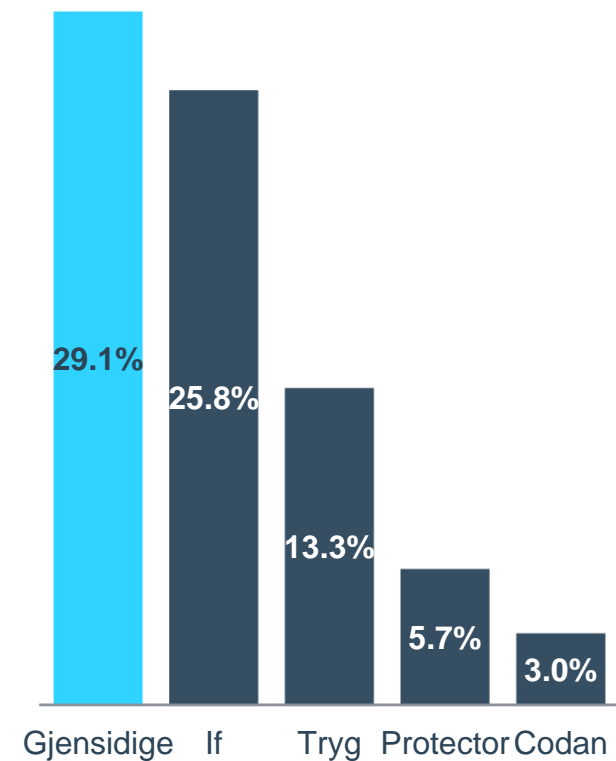


# Market leader in Norway

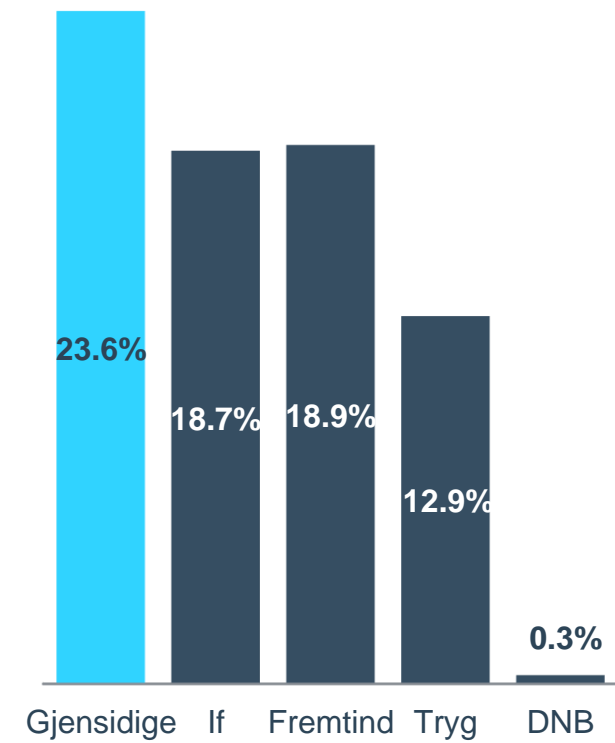
Market share – Total market



Market share – Commercial



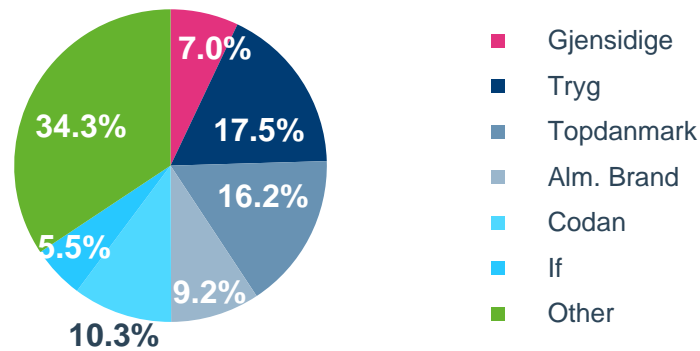
Market share – Private



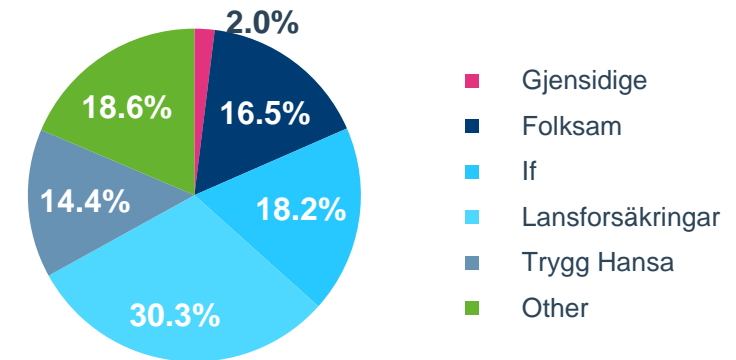


# Growth opportunities outside Norway

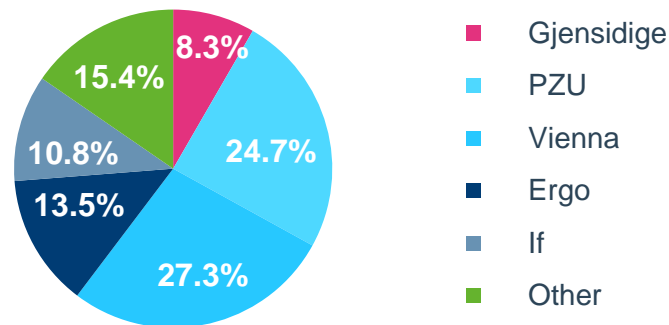
- Market shares Denmark



- Market shares Sweden



- Market shares Baltics



Sources: Insurance Sweden, 1<sup>st</sup> quarter 2019 (Gjensidige including Vardia), The Danish Insurance Association 2<sup>nd</sup> quarter 2018 (Gjensidige including Mølholm). Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 1<sup>st</sup> quarter 2019



# Ownership

## 10 largest shareholders<sup>1)</sup>

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	4.0
3	Deutsche Bank	3.6
4	Caisse de Depot et Placement du Quebec	3.0
5	BlackRock Inc	2.4
6	Danske Bank	1.3
7	State Street Corporation	1.1
8	Nordea	1.0
9	The Vanguard Group, Inc	1.0
10	Svenska Handelsbanken Group	0.9
<b>Total 10 largest</b>		<b>79.6</b>

## Geographical distribution of shares<sup>2)</sup>



### 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

<sup>1)</sup> Shareholder list based on analysis performed by Orient Capital Ltd of the register of shareholders in the Norwegian Central Securities Depository (VPS) as per 28 June 2019. This analysis provides a survey of the shareholders who are behind the nominee accounts. There is no guarantee that the list is complete. <sup>2)</sup> Distribution of shares excluding share held by the Gjensidige Foundation (Gjensidigestiftelsen).





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# Notes



# Notes



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