

# Gjensidige Forsikring Group

**3rd quarter 2020 results**

20 October 2020

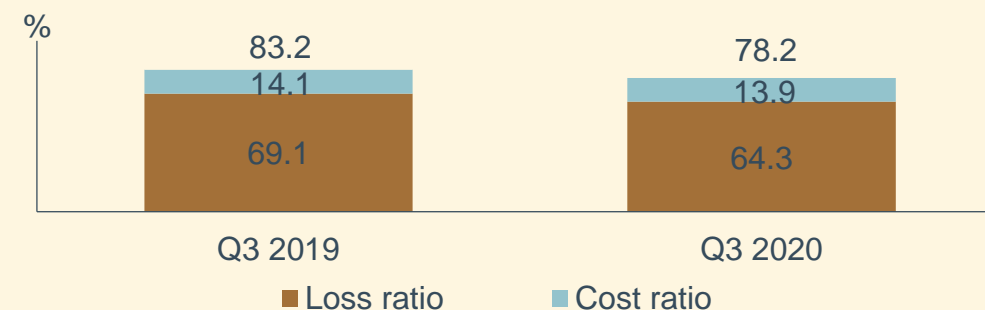


**Gjensidige**

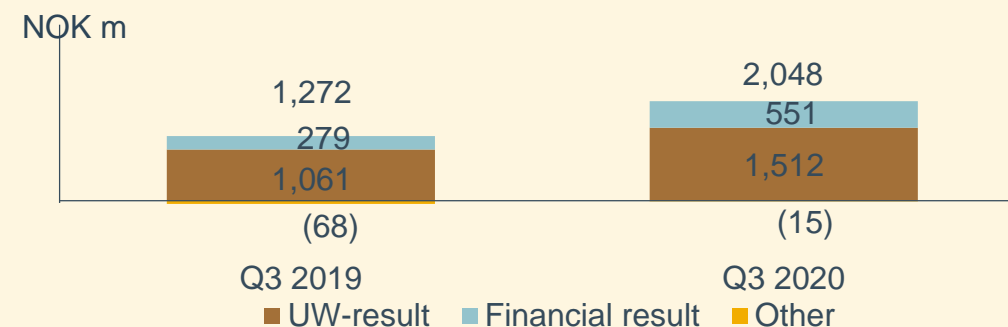
# Best ever quarterly underwriting result

- Pre-tax profit NOK 2,048m
- Underwriting result NOK 1,512m
  - 10% premium growth
  - Strong underlying frequency loss ratio
  - Slightly positive Covid-19 impact
  - Low large losses, run-off gains higher than planned
  - Good cost control
- Financial result NOK 551m, return 0.9%
- Return on equity 15.3%<sup>1)</sup>
- Dividend declared and paid in September

## Combined ratio



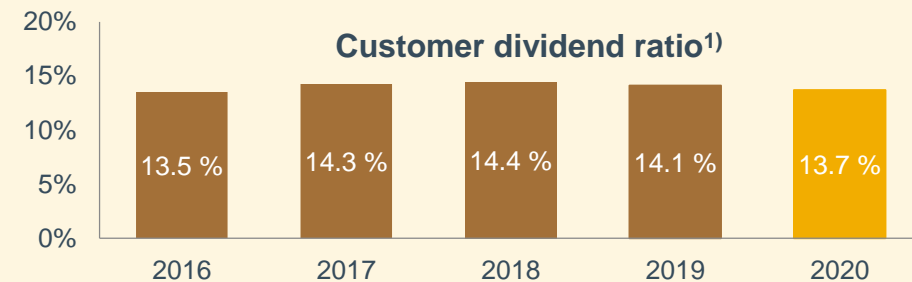
## Pre-tax profit



# Customer dividend model supports customer loyalty

- More than NOK 21bn paid out since 2007
- Highly valued customer proposition
  - 8 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

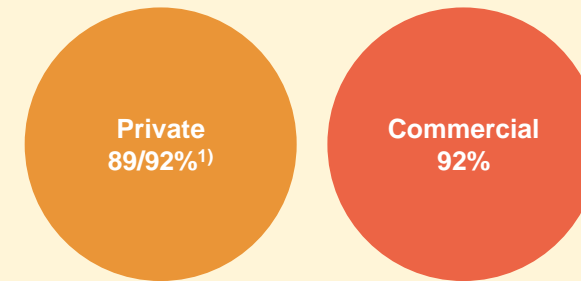


<sup>1)</sup> Per cent relative to insurance premium paid in the previous year. Distributed by Gjensidigestiftelsen to general insurance customers in Norway.

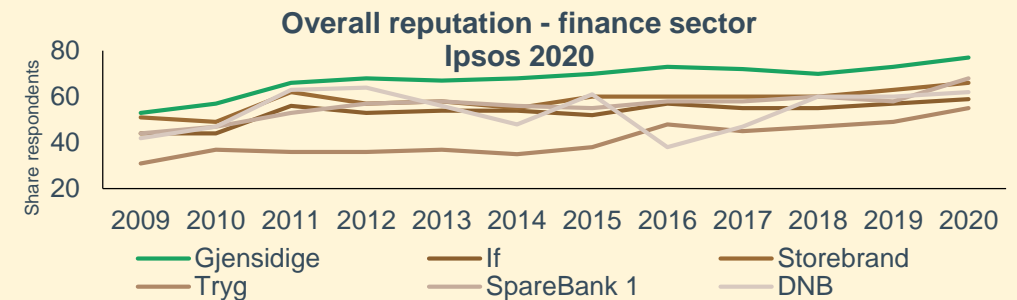
# Strong operations

- Encouraging macro outlook for the Nordics
- Solid performance in Norway
  - Maintaining superior market position
  - Effective pricing measures
- Progress outside Norway
  - Continued implementation of efficiency measures

## Continued strong customer retention in Norway



## Ranked #1 on reputation again



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



# Innovation for sustainable growth



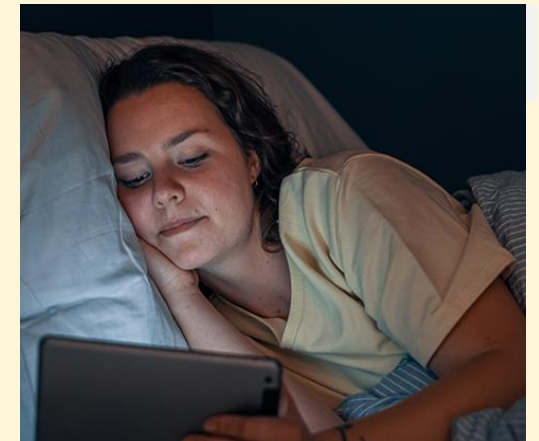
**Research  
collaboration for  
customer-oriented  
innovation**



**Expanding offering  
on medical  
consultation**



**Climate  
compensation on  
home content and  
travel insurance**



**New service for  
commercial  
customers,  
contributing to a  
quicker return of  
employees on sick  
leave**



# Financial performance

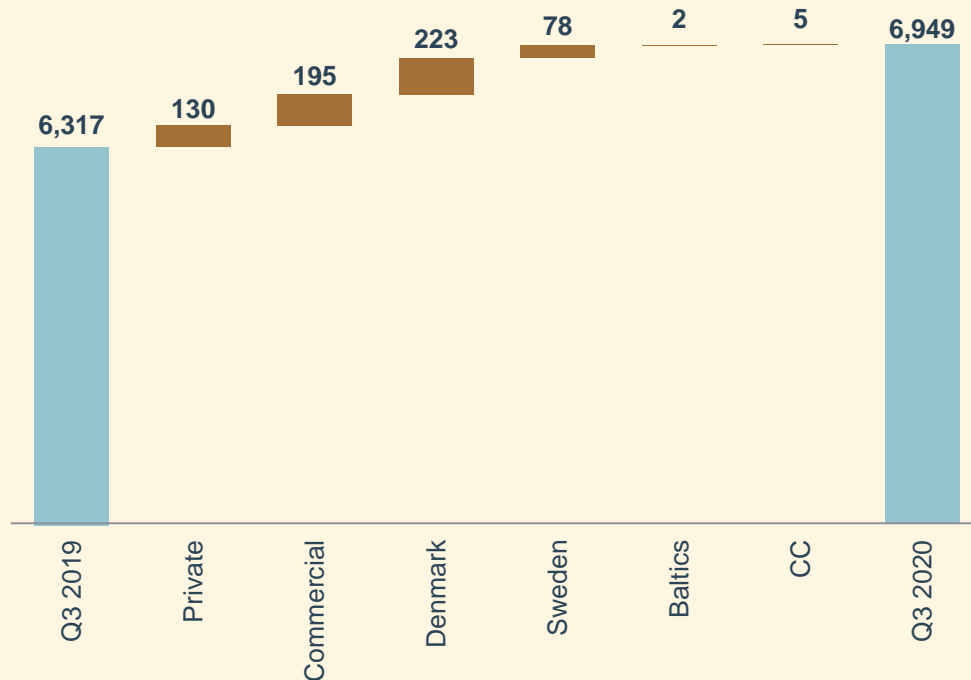


# Best ever quarterly underwriting result

NOK m	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Private	786	495	2 053	1 475
Commercial	603	475	1 620	1 302
Denmark	163	176	575	500
Sweden	67	22	73	58
Baltics	10	21	63	42
Corporate Centre/costs related to owner	(84)	(76)	(265)	(227)
Corporate Centre/reinsurance	(32)	(54)	(204)	(32)
<b>Underwriting result</b>	<b>1 512</b>	<b>1 061</b>	<b>3 914</b>	<b>3 117</b>
Pension	41	43	111	136
Financial result from the investment portfolio	551	279	190	1 474
Amortisation and impairment losses of excess value	(43)	(68)	(139)	(193)
Other items	(13)	(44)	(47)	1 492
<b>Profit/(loss) before tax expenses</b>	<b>2 048</b>	<b>1 272</b>	<b>4 028</b>	<b>6 025</b>

# 10.0 per cent premium growth - 7.3 per cent adjusted for currency effects

## Premium development



CC = corporate centre

## Key drivers – premium development

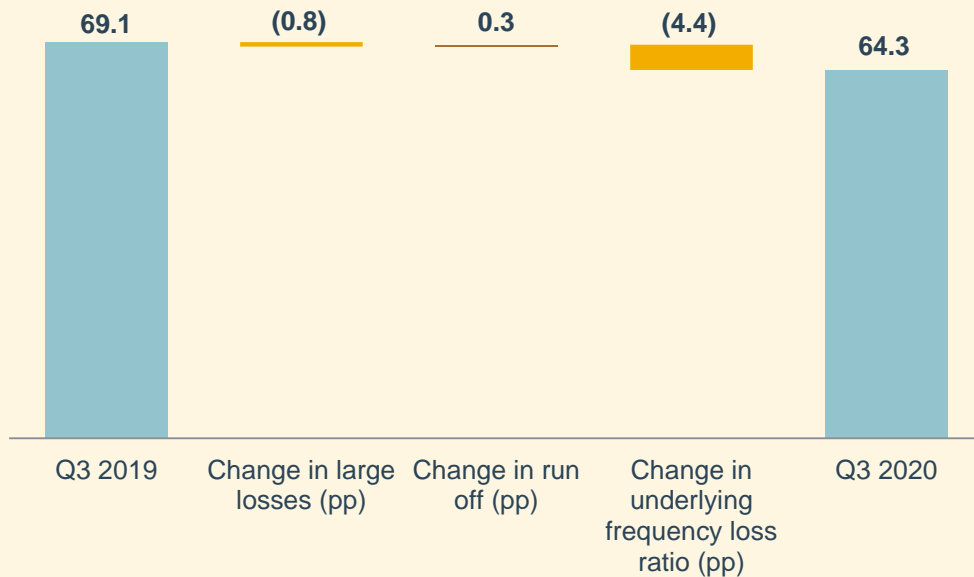
- Private +5.6%
  - Price and volume driven
- Commercial +9.4%
  - Price and volume driven
- Denmark +17.8%
  - Positive 8.5% in local currency, volume and price driven
- Sweden +22.7%
  - Positive 10.2% in local currency, volume and price driven
- Baltics +0.6%
  - Negative 7.2% in local currency, price and volume driven



# Strong underlying loss ratio

## Loss ratio development

Loss ratio (%)



## Key drivers

- Improved underlying frequency loss ratio
  - Effective pricing measures
  - Slightly positive Covid-19 impact
- Lower large losses

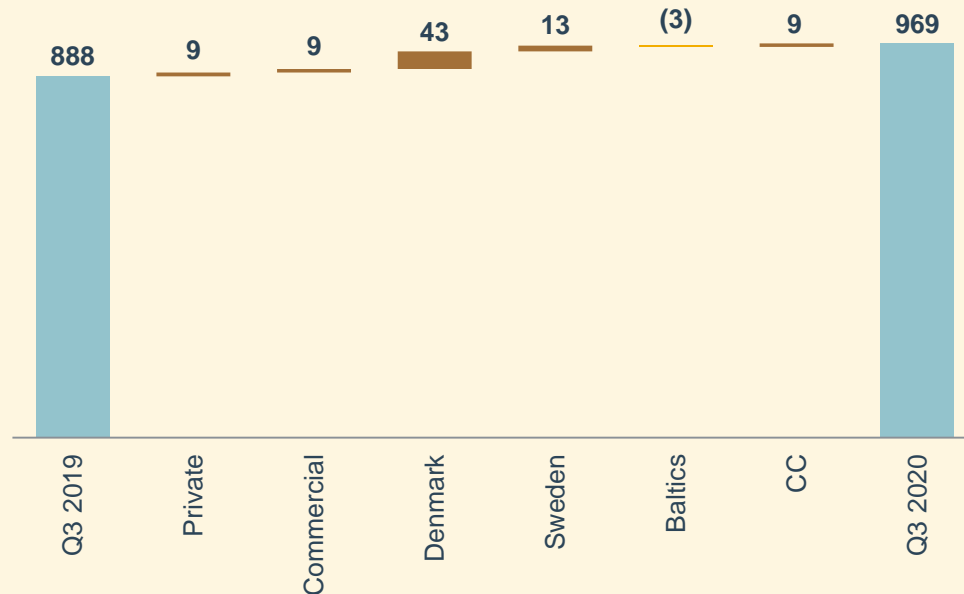
## Slightly positive claims impact from Covid-19

Claims, NOK million	Q1 20	Q2 20	Q3 20	YTD 20
Corporate Center, gross	(222)	(38)	(24)	(284)
Corporate Center, net of reinsurance	(60)	(72)	(31)	(162)
Private	39	69	49	157
Commercial	30	25	17	72
Denmark	(12)	108	7	103
Sweden	(2)	(11)	(5)	(19)
Baltics	(1)	14	3	17
<b>Total impact on claims, net of reinsurance</b>	<b>(6)</b>	<b>132</b>	<b>41</b>	<b>167</b>

# Continued good cost control – cost ratio 13.9 per cent

## Cost development

NOK m

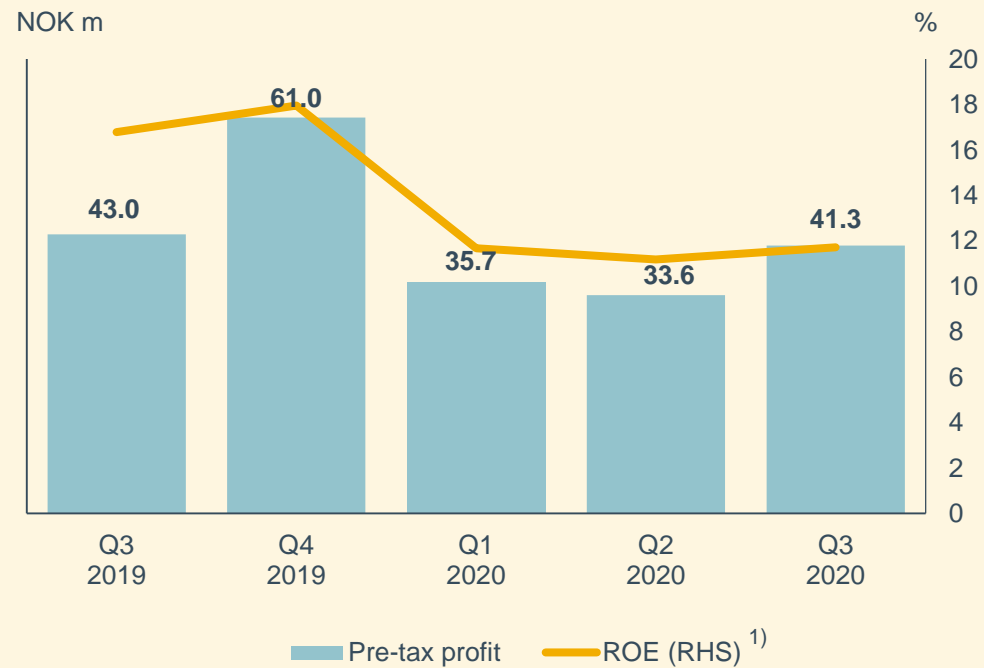


## Key drivers – cost development

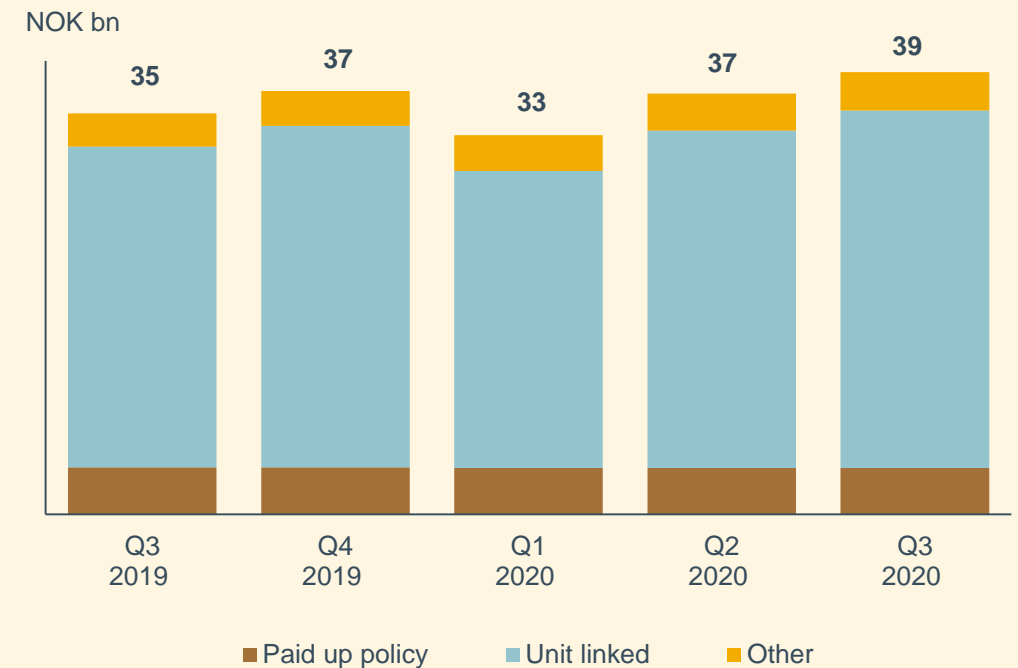
- Strong cost discipline across the Group
- Cost ratio 13.3 per cent excluding Baltics

# Lower profit for Pension operation

## Profit and return



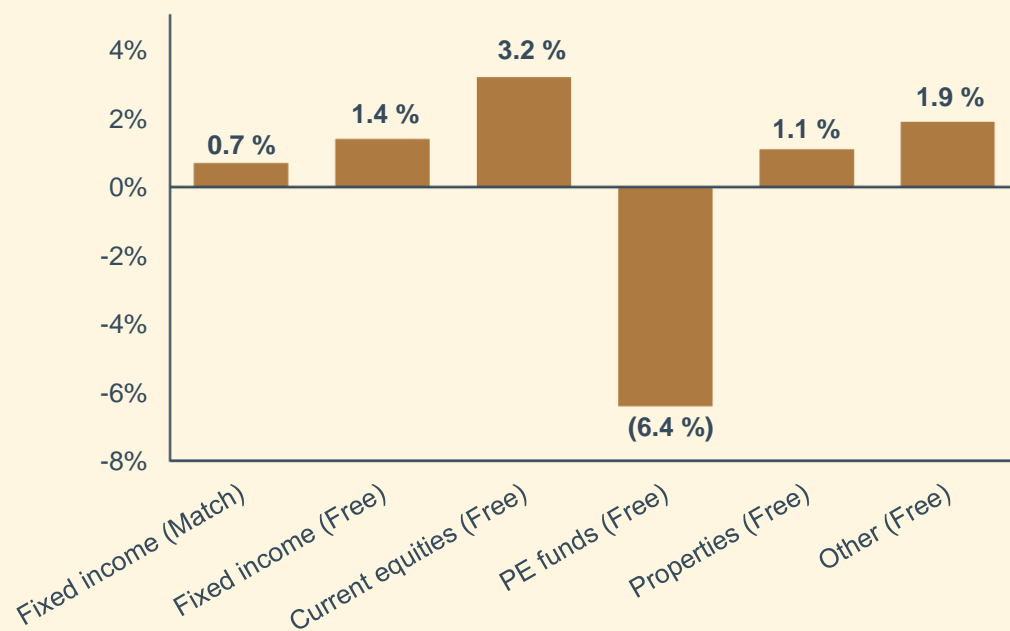
## Assets under management



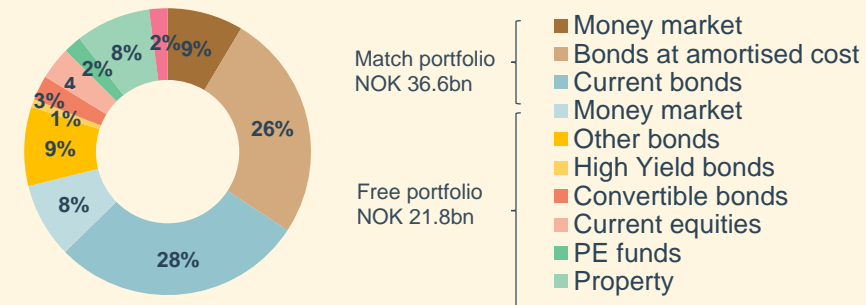
<sup>1)</sup> Annualised YTD

# Investment return of 0.9 per cent, reflecting continued rebound

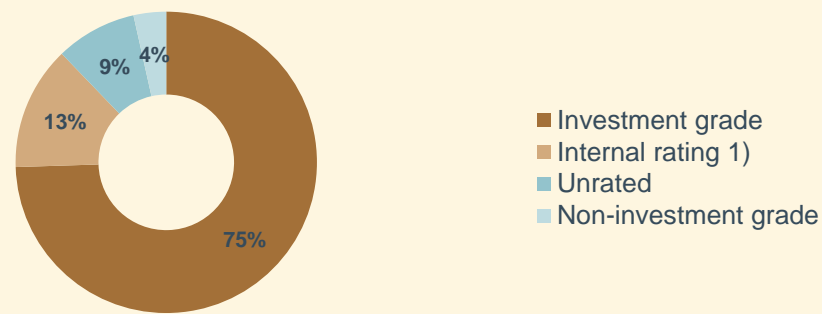
## Investment return per asset class



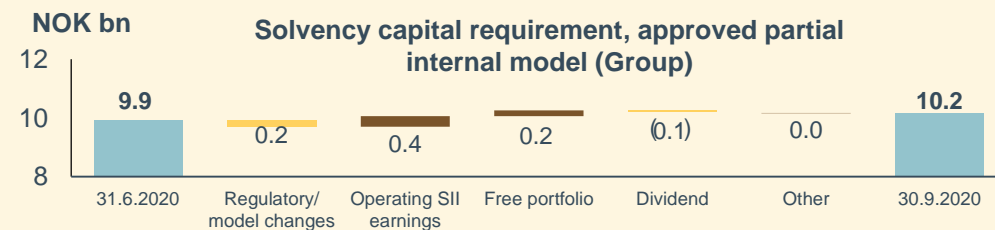
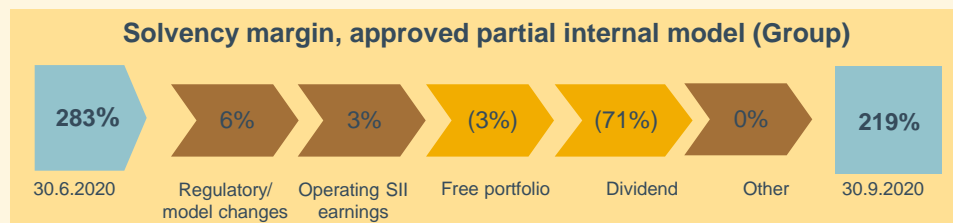
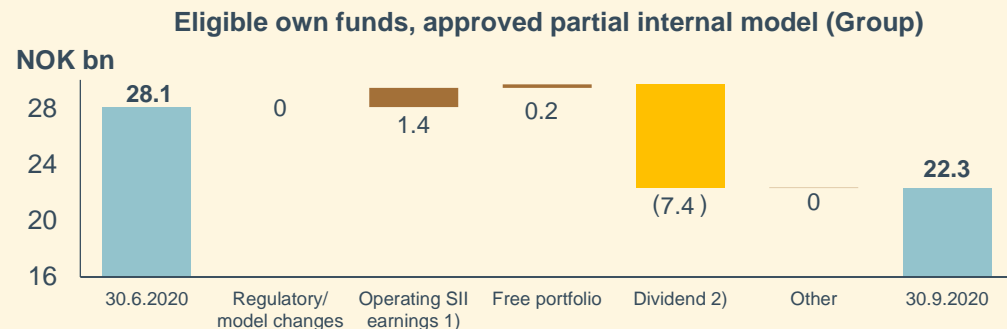
## Balanced investment portfolio



## High credit quality



# Strong capital generation



- Capital generation driven by a strong underwriting result and distributed dividends
- Distributed NOK 6.1 bn in dividends for 2019
- Gjensidige's appeal on the Financial Supervisory Authority of Norway's decision on the calibration of market risk partly approved, reducing the capital requirement by NOK 0.2 bn

<sup>1)</sup> Operating SII earnings comprise SII underwriting result and SII financial result of the match portfolio after tax

<sup>2)</sup> Dividend is the total effect of the dividend paid out for 2019 of NOK 12.25 per share for the accounting year 2019 and a 80 per cent pay-out ratio according to dividend policy for the accounting year 2020



# Moving ahead on operational targets

## Gjensidige Forsikring Group

Metric	Status Q3 2020	Target 2022
Customer satisfaction (CSI)	78	> 78, Group
Customer retention	90%	> 90%, Norway
	78%	> 85%, outside Norway
Sales effectiveness	+10.0%	+ 10%, Group
Automated tariffs	52%	100%, Group
Digital claims reporting	80%	80%, Norway
Claims straight-through processing	16%	64%, Norway
Claims cost	NOK 421 million	Reduce by NOK 500 million, Group
Claims related CO <sub>2</sub> -intensity	1.7 <sup>1)</sup>	Reduce year by year, Group

## Digital milestone – fully automated motor claims process



<sup>1)</sup> CO<sub>2</sub>-emissions in tonnes from claims handling processes, divided by earned premiums in NOK million from general insurance. Only reported annually.

# Concluding remarks

- Strong and best ever underwriting result
- Encouraging outlook
  - Economic rebound in the Nordics
  - Strong market position and solid operational platform
- Strong capital position
- ROE target not expected to be achieved for 2020

## Annual financial targets through 2022

Metric	Target
Combined ratio	86-89% <sup>1)</sup>
Cost ratio	<15%
Solvency margin (PIM)	150-200%
ROE after tax	>20% <sup>2)</sup>
UW result outside Norway	NOK 750m (in 2022) <sup>3)</sup>
Dividends	Nominal high and stable (and >80% over time)

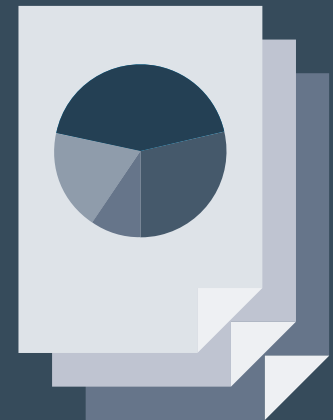
<sup>1)</sup> Assuming annual run-off gains ~NOK 1 billion through 2022. Corresponds to 90-93 per cent given zero run-off gains post 2022.

<sup>2)</sup> Corresponds to >16 per cent given zero run-off gains post 2022

<sup>3)</sup> Excluding run-off



# Appendix

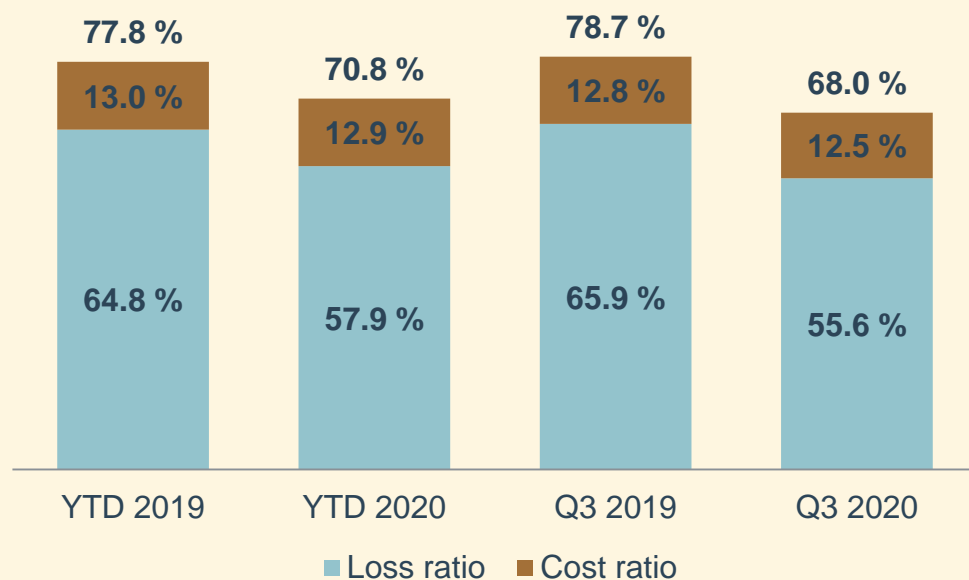


# Roadshows and conferences post Q3 2020 results

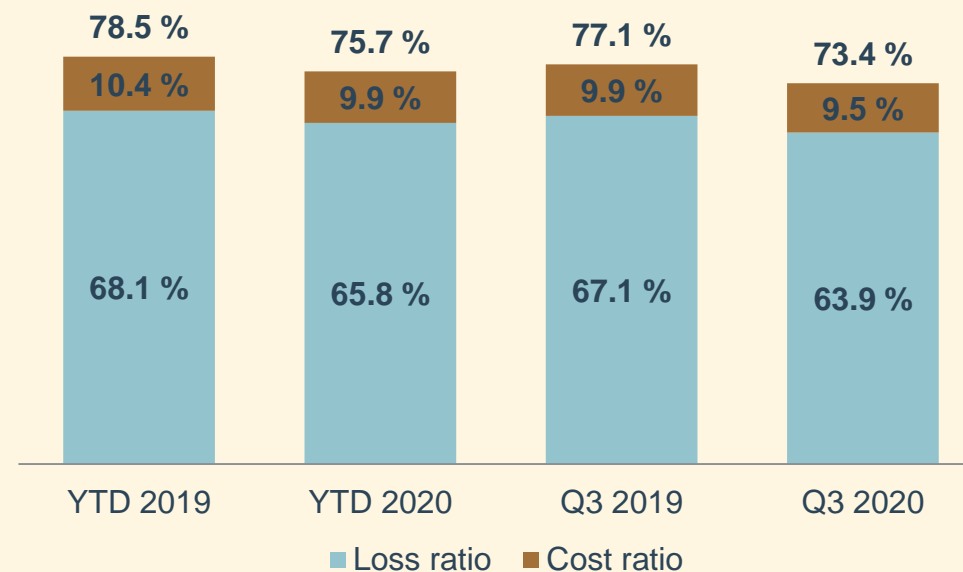
Date	Location	Participants	Event	Arranged by
20 October	Oslo	CFO Jostein Amdal Head of IR Mitra H. Negård	Roadshow	DNB
21 October	London	CEO Helge Leiro Baastad Head of IR Mitra H. Negård	Roadshow (tel. meetings)	DNB
4 November	Amsterdam	EVP Communication and Shared Services Janne Flessum Head of IR Mitra H. Negård	Roadshow (tel. meetings)	Barclays
10 November	Stockholm	CFO Jostein Amdal IRO Kjetil Gill Østvold	Roadshow (tel. meetings)	ABGSC
12 November	Frankfurt	CEO Helge Leiro Baastad Head of IR Mitra H. Negård	Roadshow (tel. meetings)	Berenberg
24 November	Zürich/Geneva	CFO Jostein Amdal IRO Kjetil Gill Østvold	Roadshow (tel. meetings)	Carnegie
7 December	New York	CEO Helge Leiro Baastad Head of IR Mitra H. Negård	Conference (tel. meetings)	DNB

# General insurance – cost ratio and loss ratio per segment

## Private

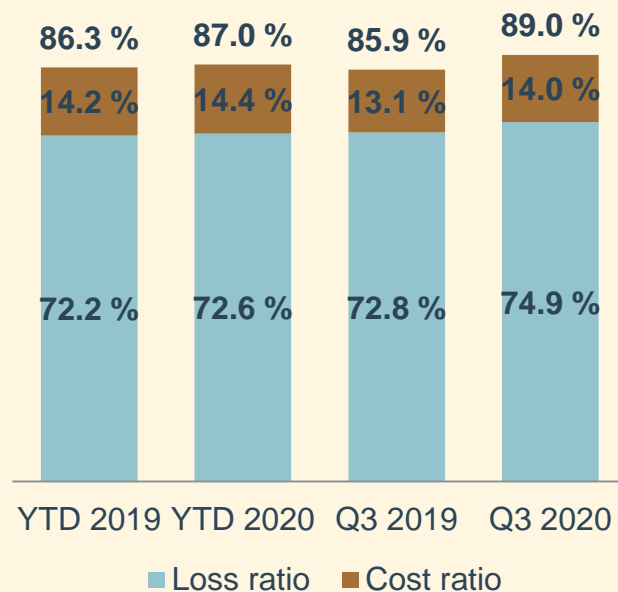


## Commercial

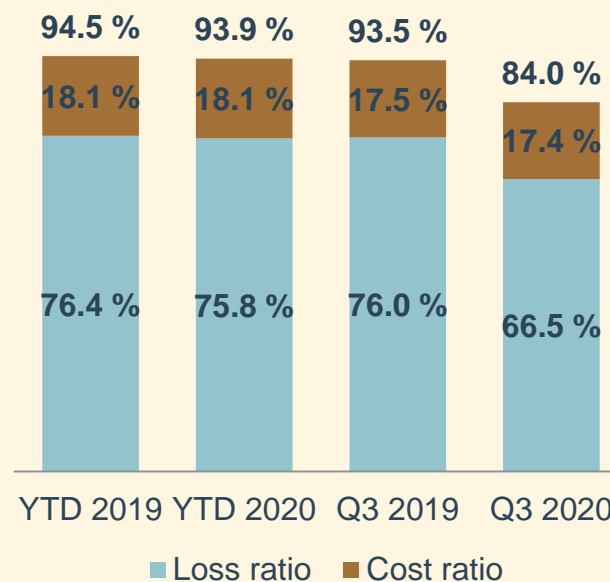


# General insurance – cost ratio and loss ratio per segment

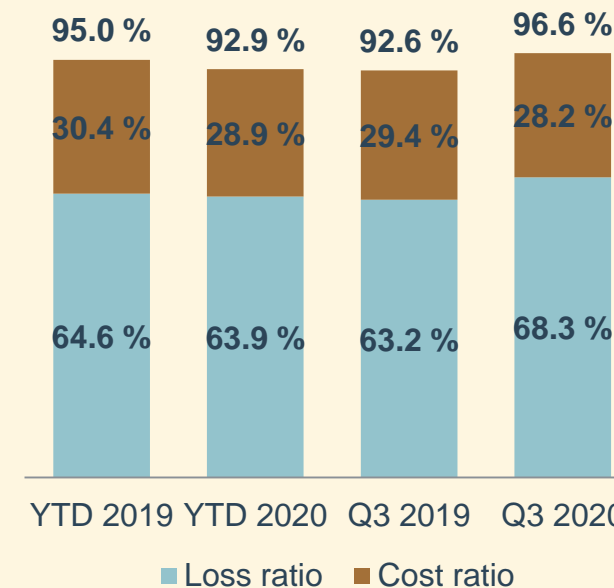
## Denmark



## Sweden



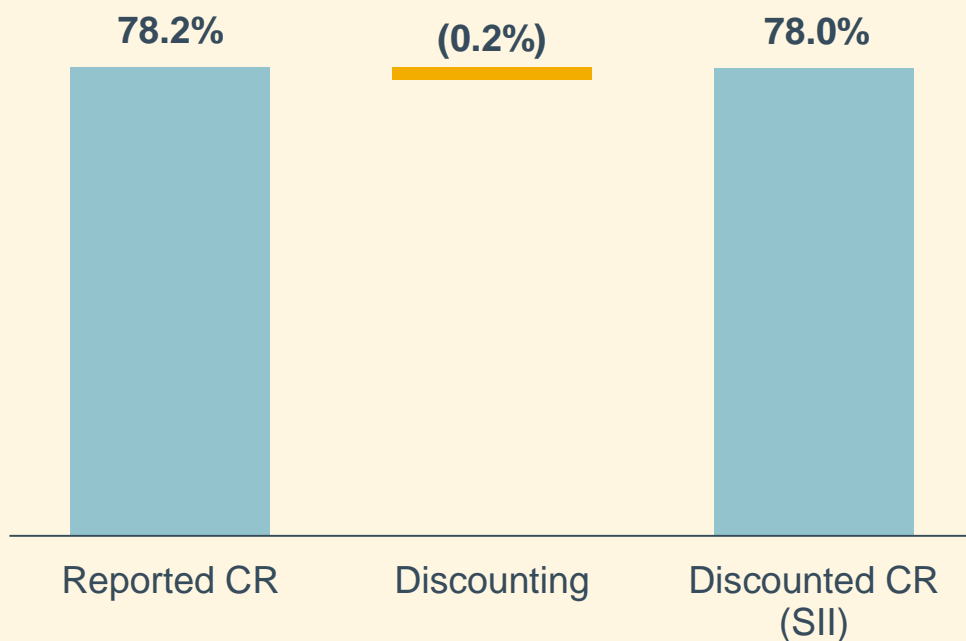
## Baltics





# Effect of discounting of claims provisions

## Effect of discounting on CR – Q3 2020

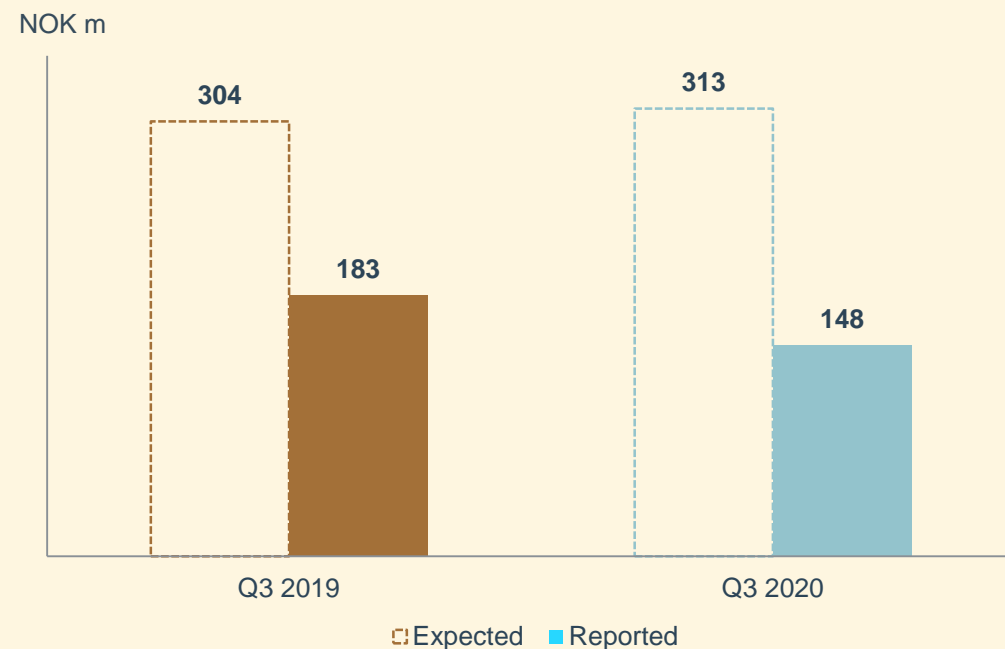


## Assumptions

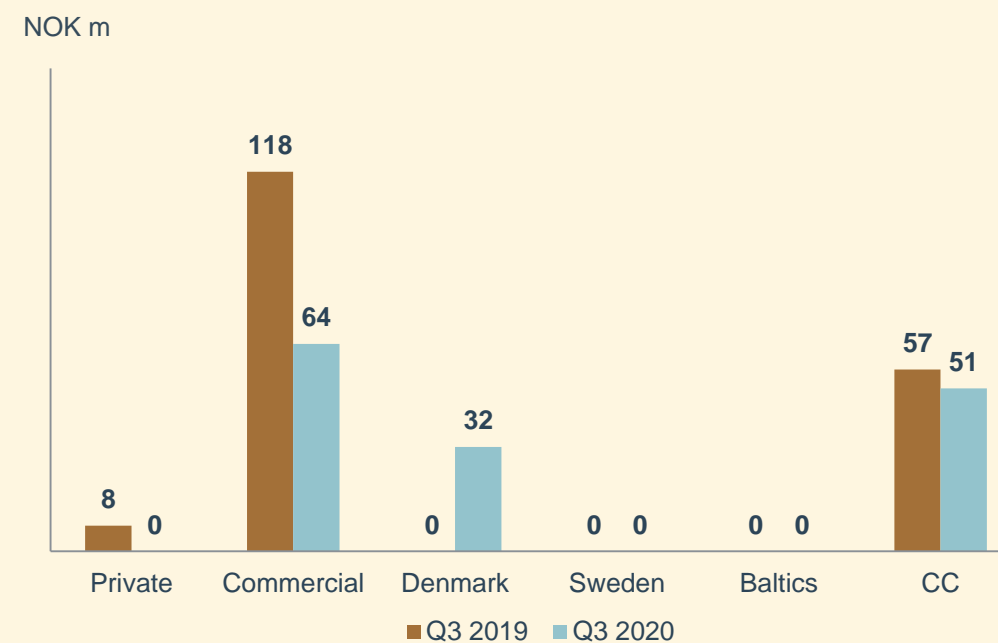
- Only claims provisions are discounted (i.e. premium provisions are undiscounted)
- Swap rates in Norway, Sweden and Denmark
- Euroswap rates in the Baltic countries

# Large losses 2.1 percentage points – lower than expected

## Large losses – reported vs. expected



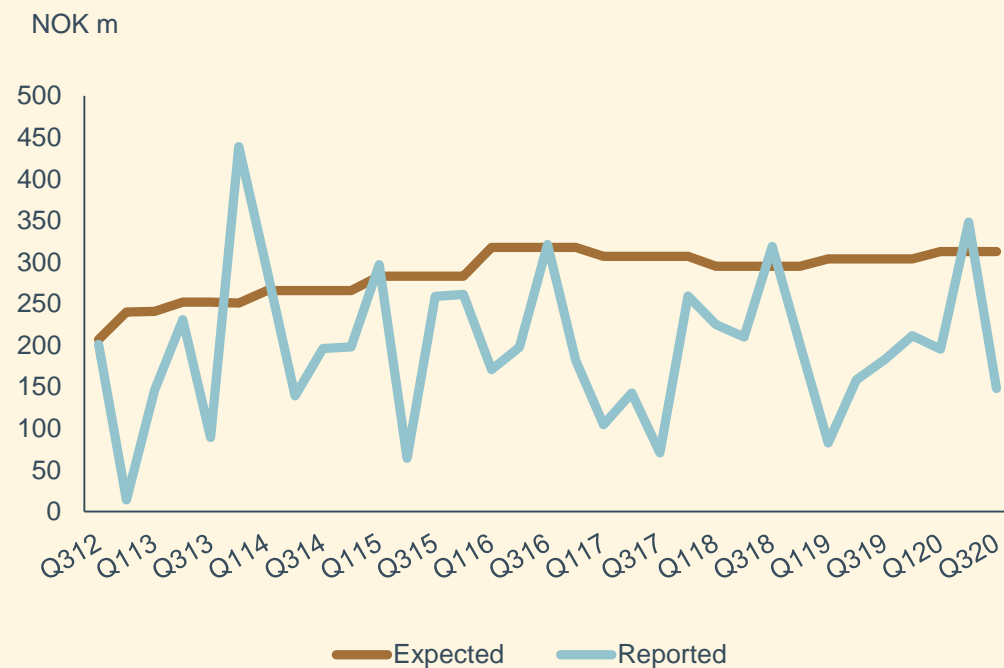
## Large losses per segment



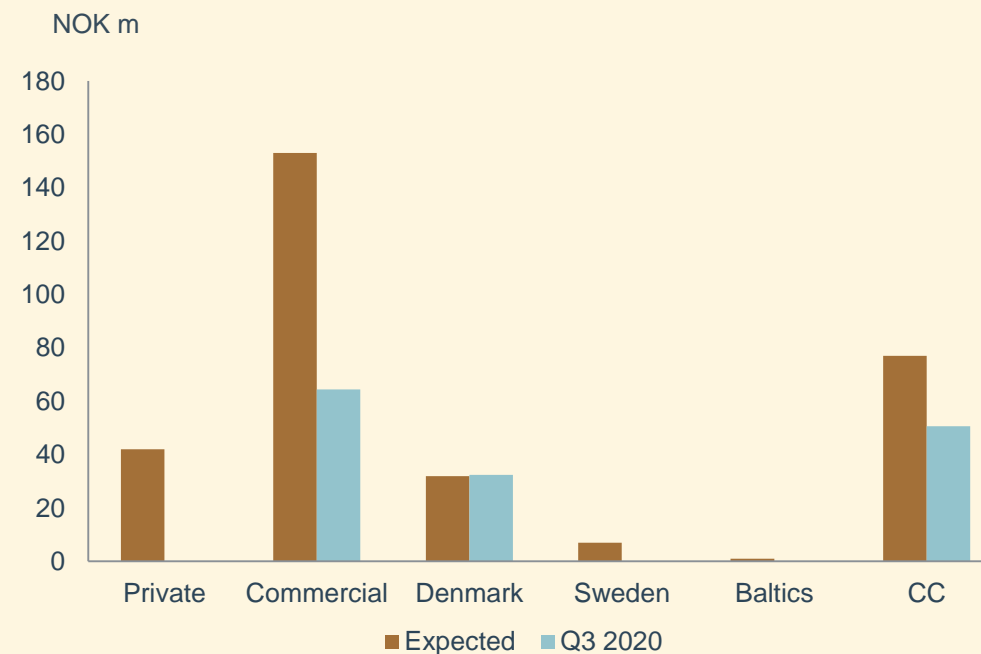
CC = corporate centre. Large losses: Losses > NOK 10m. Weather related large losses are included. Large losses in excess of NOK 30m are charged to the Corporate Centre while up to NOK 30m per claim is charged to the segment in which the large loss occurred. The Baltics segment has, as a main rule, a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

# Large losses development

~ NOK 1.25bn in large losses expected annually

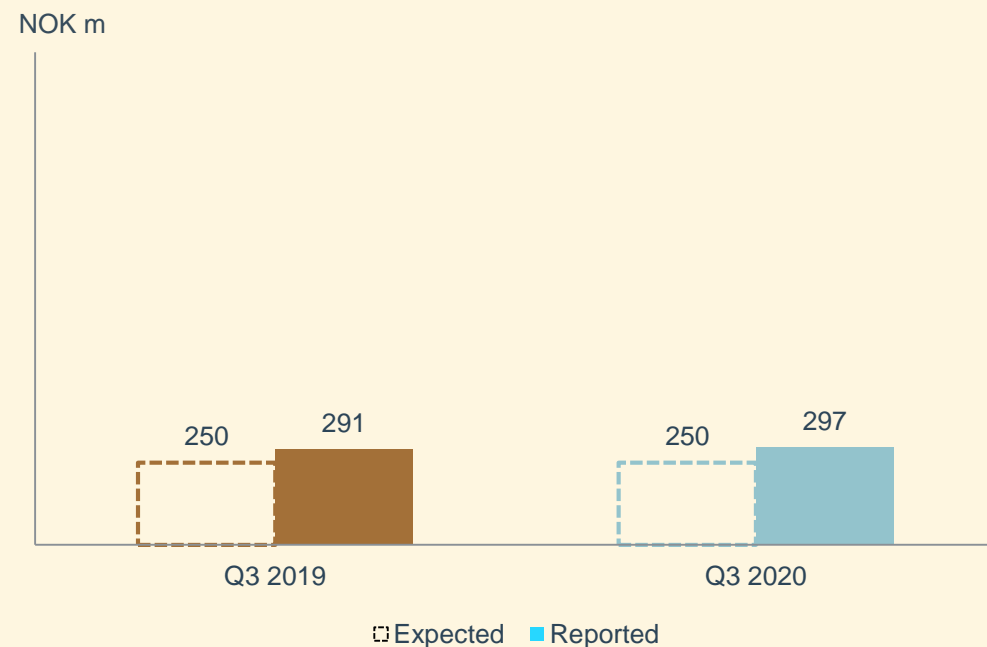


Large losses per segment – actual vs. expected

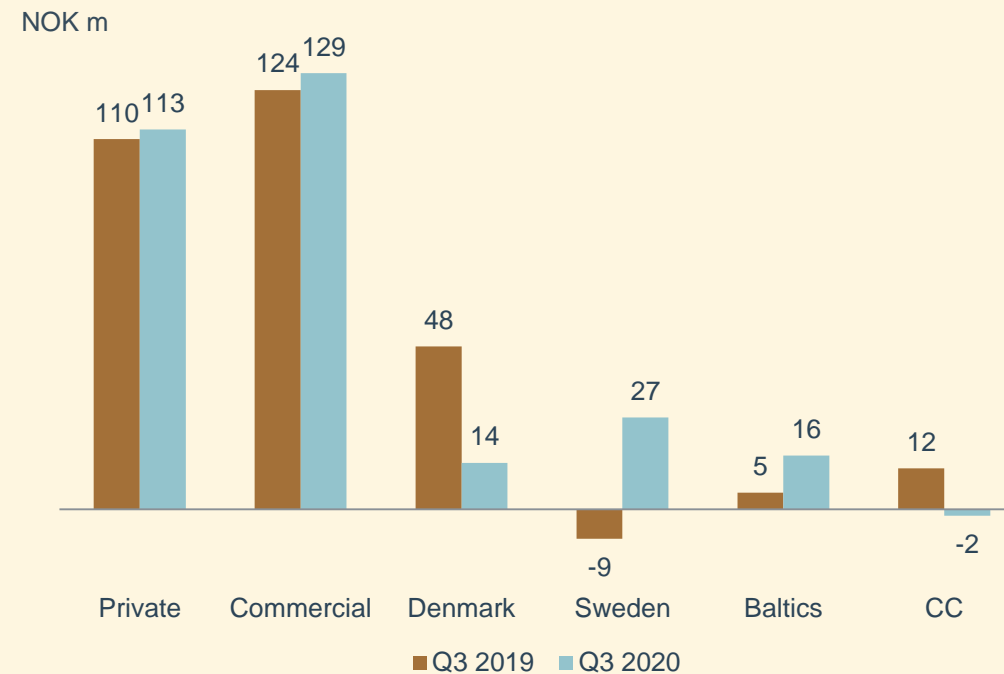


# Run-off gains 4.3 percentage points – higher than expected

## Run-off net



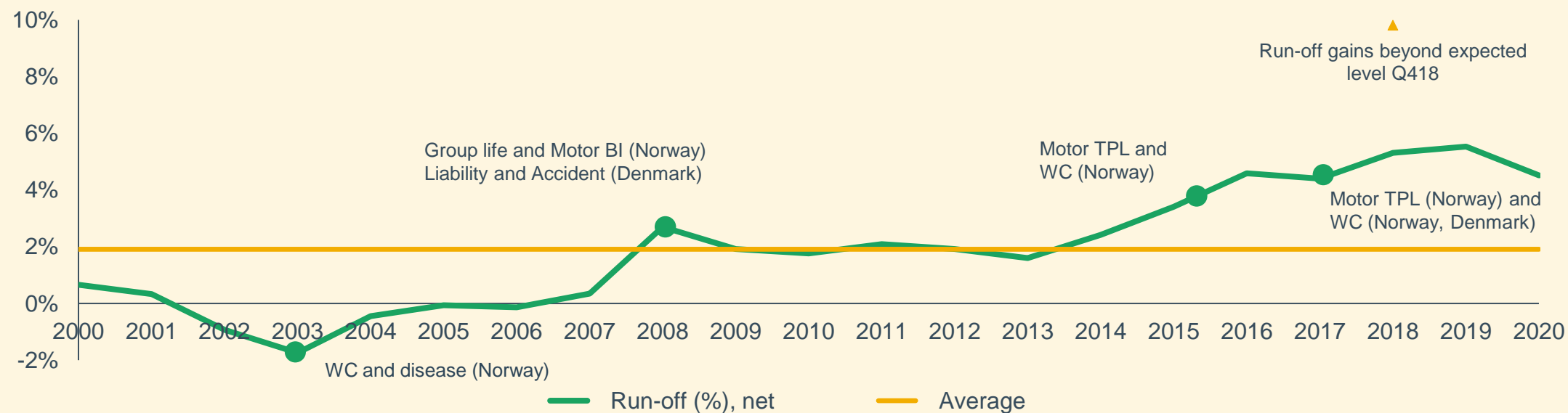
## Run-off net per segment



# Run-off development

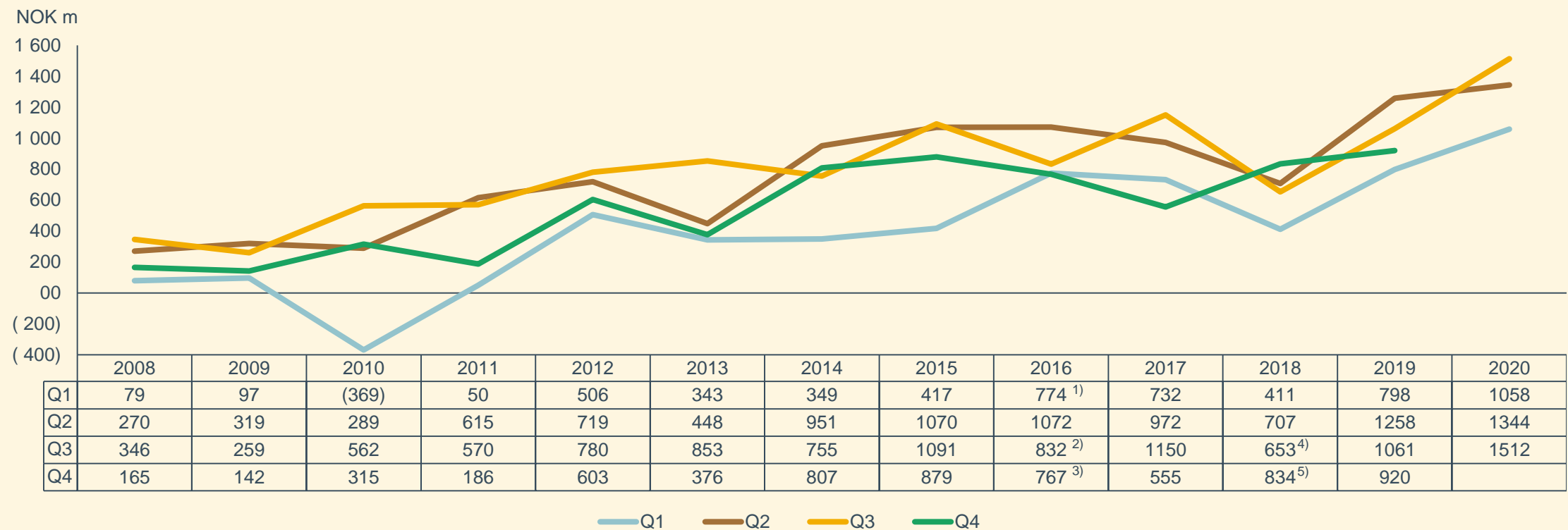
Expected average annual run-off gains of ~4 pp (~NOK 1bn) through 2022

Run-off % of  
earned premium



# 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

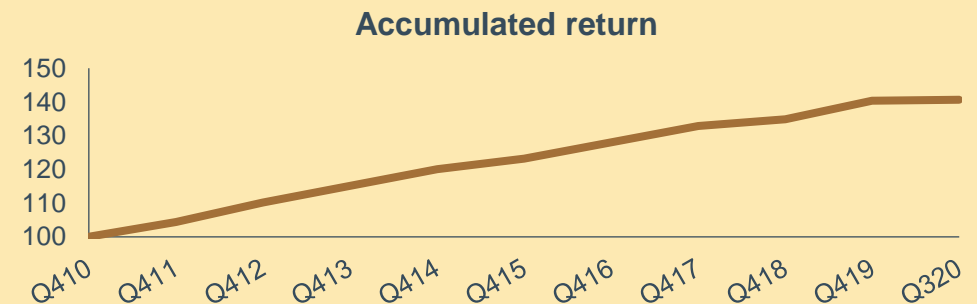
- Duration and currency matching versus technical provisions (undiscounted)
- Credit element for increased returns
- Some inflation hedging

## Match 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

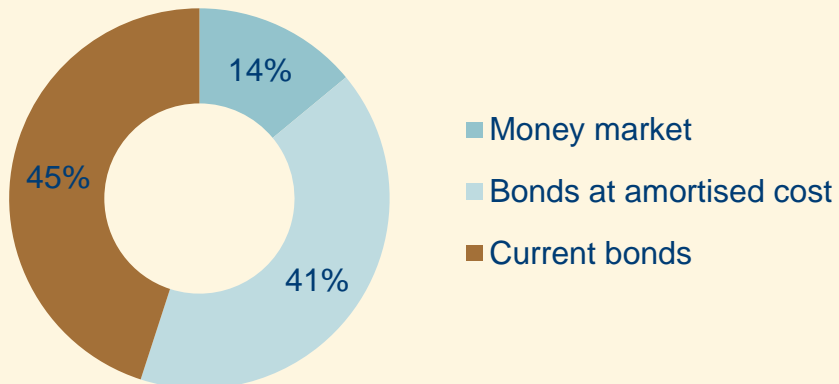
Asset class	Investments, key elements <sup>1)</sup>	Benchmark
<b>Match portfolio</b>		
Money market	Norwegian money market	ST1X index
Bonds at amortised cost	Government and corporate bonds	Yield provided in quarterly reports
Current bonds	Mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt	IBOX COR 1-3 years 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 30.9.2020

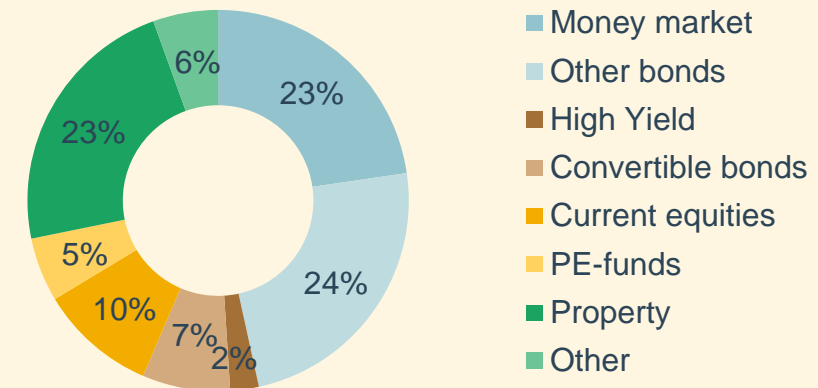
### Match portfolio

- Carrying amount: NOK 36.6bn
- Average duration: 3.4 years



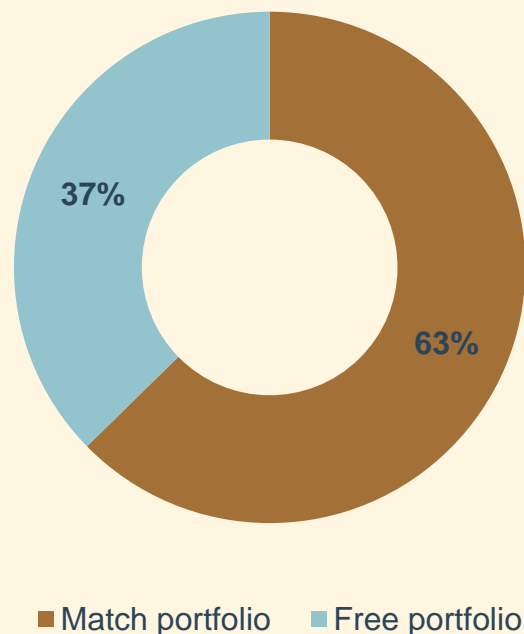
### Free portfolio

- Carrying amount: NOK 21.8bn
- Average duration fixed-income instruments: 5.5 years

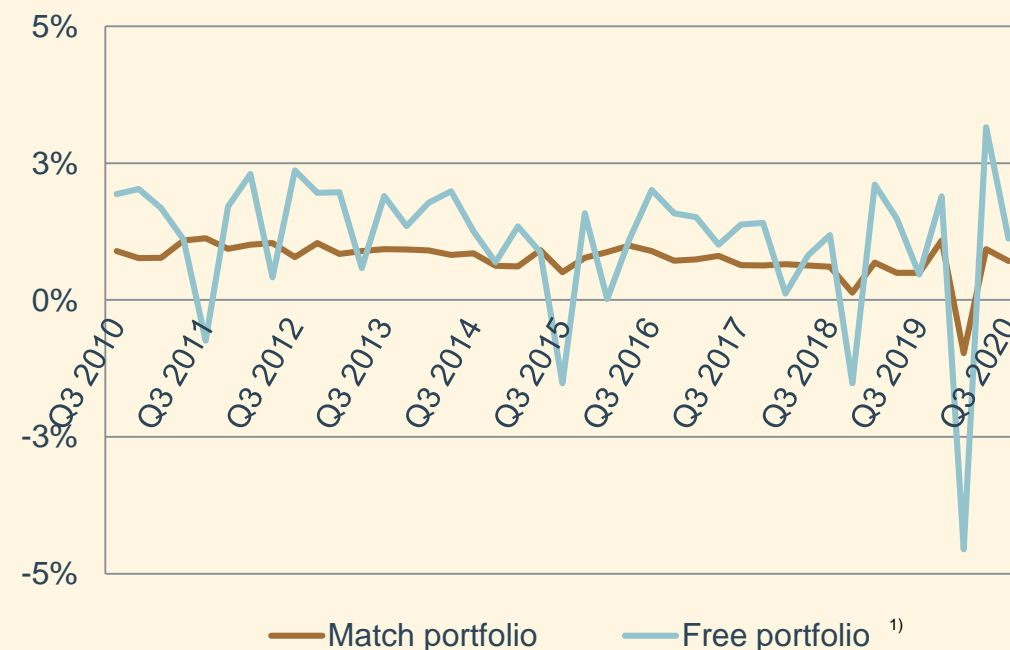


# Contribution from the portfolios

Asset allocation as at 30.9.2020



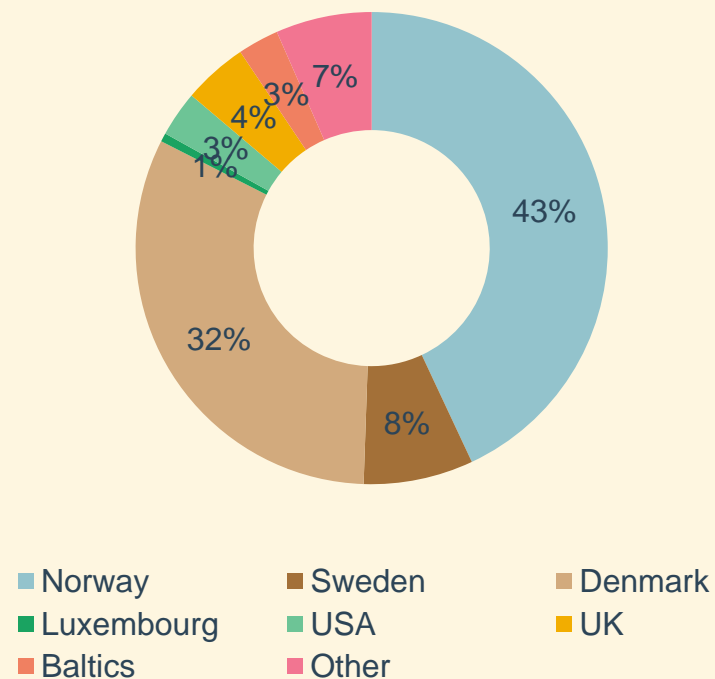
Quarterly investment returns



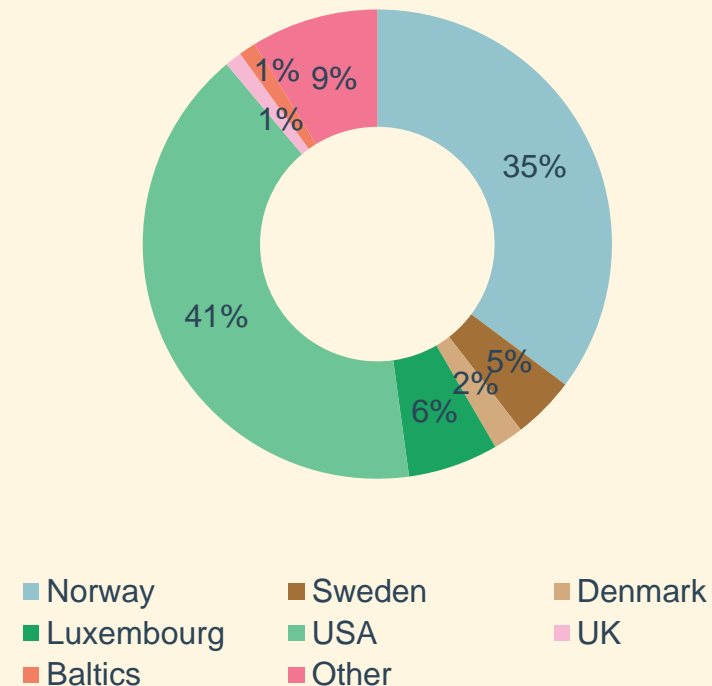
<sup>1)</sup> Prior to 2014 former associated companies were not included in the Free portfolio.

# 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	13.8	37.9	1.1	9.2
AA	3.3	9.1	3.5	28.4
A	6.0	16.3	2.7	22.0
BBB	4.2	11.4	1.7	14.2
BB	0.1	0.3	0.4	3.6
B	0.8	2.1	0.2	1.9
CCC or lower	0.1	0.2	0.1	0.5
Internal rating <sup>1)</sup>	5.5	15.0	1.0	8.2
Unrated	2.8	7.7	1.5	11.9
<b>Fixed income portfolio</b>	<b>36.6</b>	<b>100.0</b>	<b>12.3</b>	<b>100.0</b>

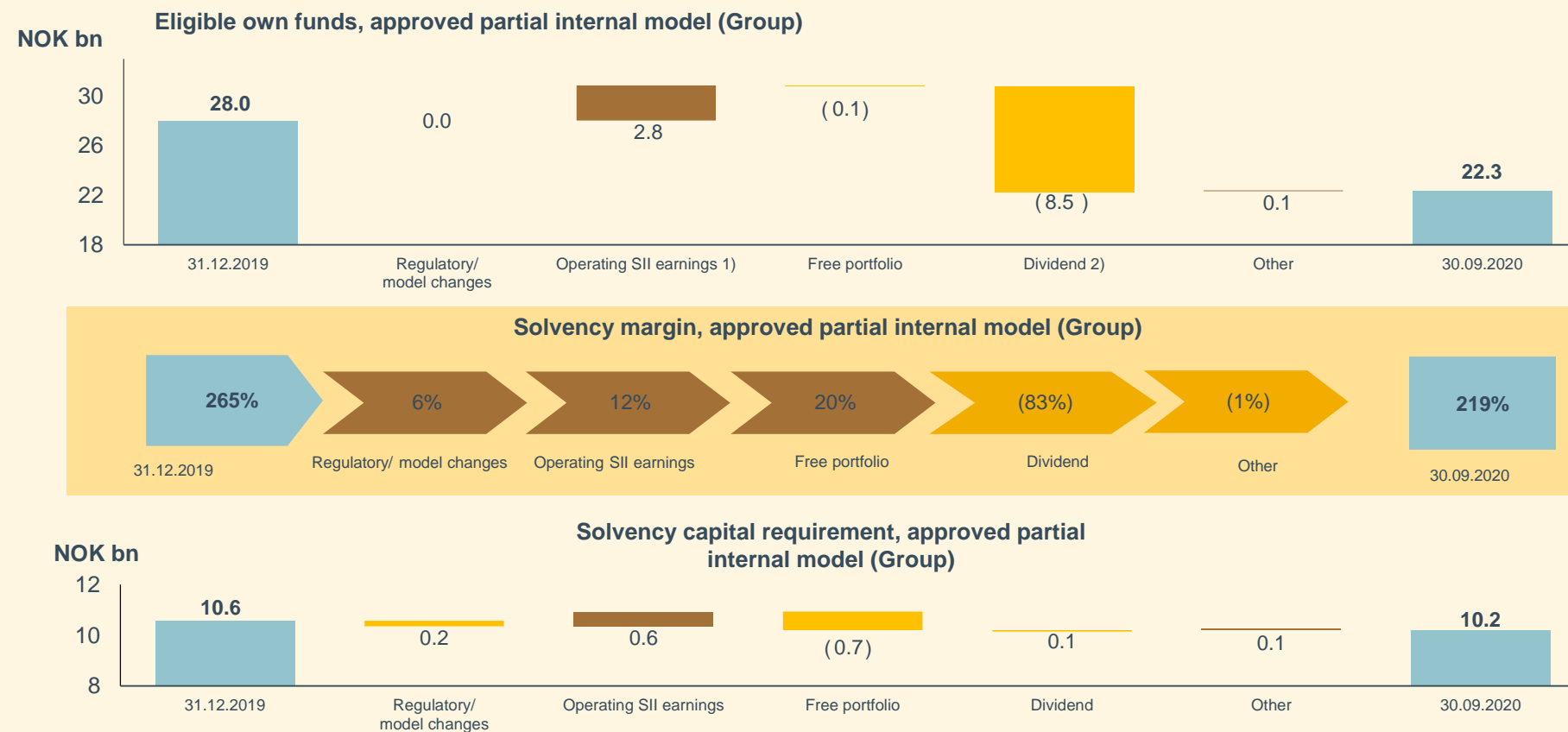
Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	4.9	13.3	3.5	28.7
Bank/financial institutions	19.5	53.4	5.2	42.2
Corporates	12.1	33.2	3.6	29.1
<b>Total</b>	<b>36.6</b>	<b>100.0</b>	<b>12.3</b>	<b>100.0</b>



# Capital position per operational areas

(NOK bn)	Approved partial internal model (Group)	Approved partial internal model (general insurance)	Own partial internal model (Group) <sup>1)</sup>	Own partial internal model (general insurance) <sup>1)</sup>	Gjensidige Pensjonsforsikring
Capital available	22.3	19.9	22.6	20.2	2.6
Capital requirement	10.2	9.0	8.2	7.0	1.7
<b>Solvency margin</b>	<b>219%</b>	<b>220%</b>	<b>274%</b>	<b>288%</b>	<b>154%</b>

# Capital Generation year to date

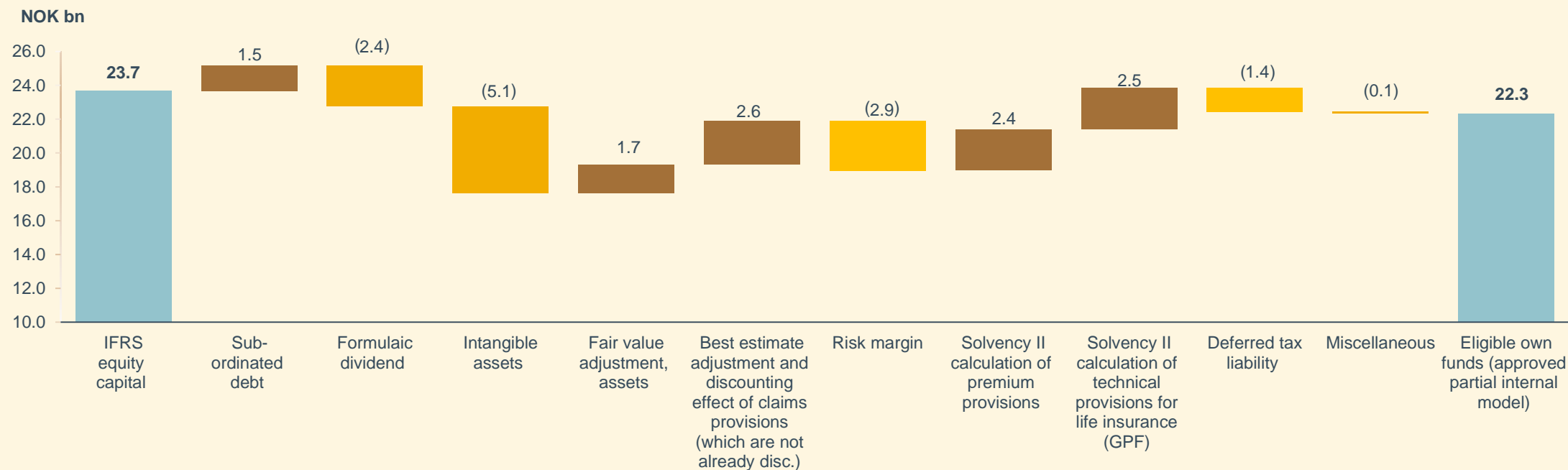


<sup>1)</sup> Operating SII earnings comprise SII underwriting result and SII financial result of the match portfolio after tax.

<sup>2)</sup> Dividend is the total effect of the dividend paid out for 2019 of NOK 12.25 per share for the accounting year 2019 and a 80 per cent pay-out ratio according to dividend policy for the accounting year 2020

# Solvency II eligible own funds

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

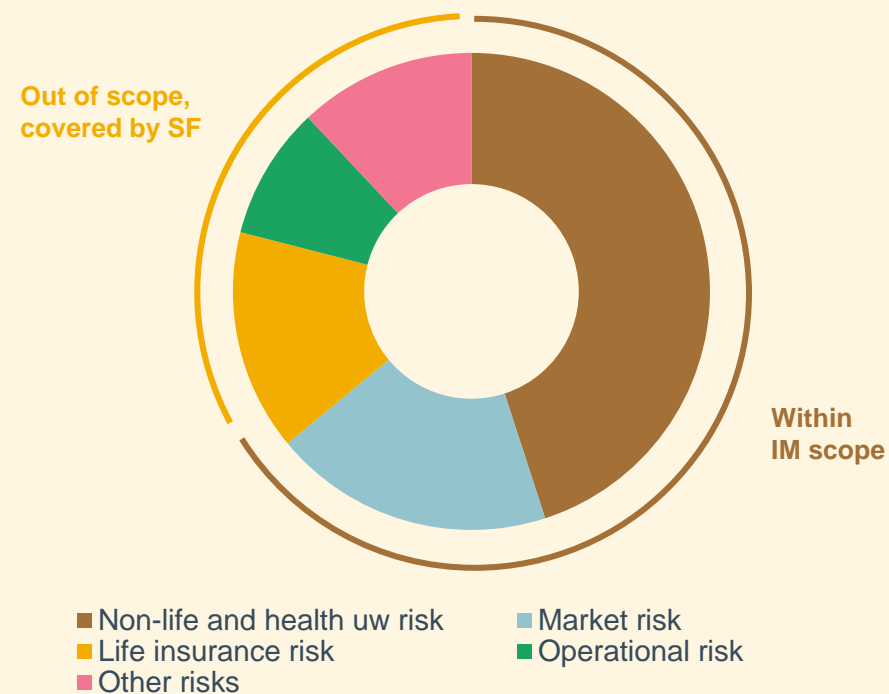


Figures as at 30.9.2020. GPF = Gjensidige Pensjonsforsikring. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. Tax is assumed on the security provision. Miscellaneous: Main effects are related to the guarantee scheme provision and different valuation of Oslo Areal.

# Solvency II capital requirements

NOK bn	Approved partial internal model (Group)	Own partial internal model (Group) <sup>1)</sup>
<b>Eligible own funds</b>	<b>22.3</b>	<b>22.6</b>
Capital charge for non-life and health uw risk	8.2	6.4
Capital charge for life uw risk	2.0	2.0
Capital charge for market risk	6.5	6.0
Capital charge for counterparty risk	0.3	0.3
Diversification	(4.7)	(5.0)
<b>Basic SCR</b>	<b>12.3</b>	<b>9.7</b>
Operational risk	0.9	0.9
Adjustments (loss-absorbing capacity of deferred tax)	(2.9)	(2.4)
<b>Total solvency capital requirement</b>	<b>10.2</b>	<b>8.2</b>
Surplus	12.1	14.3
<b>Solvency ratio</b>	<b>219%</b>	<b>274%</b>

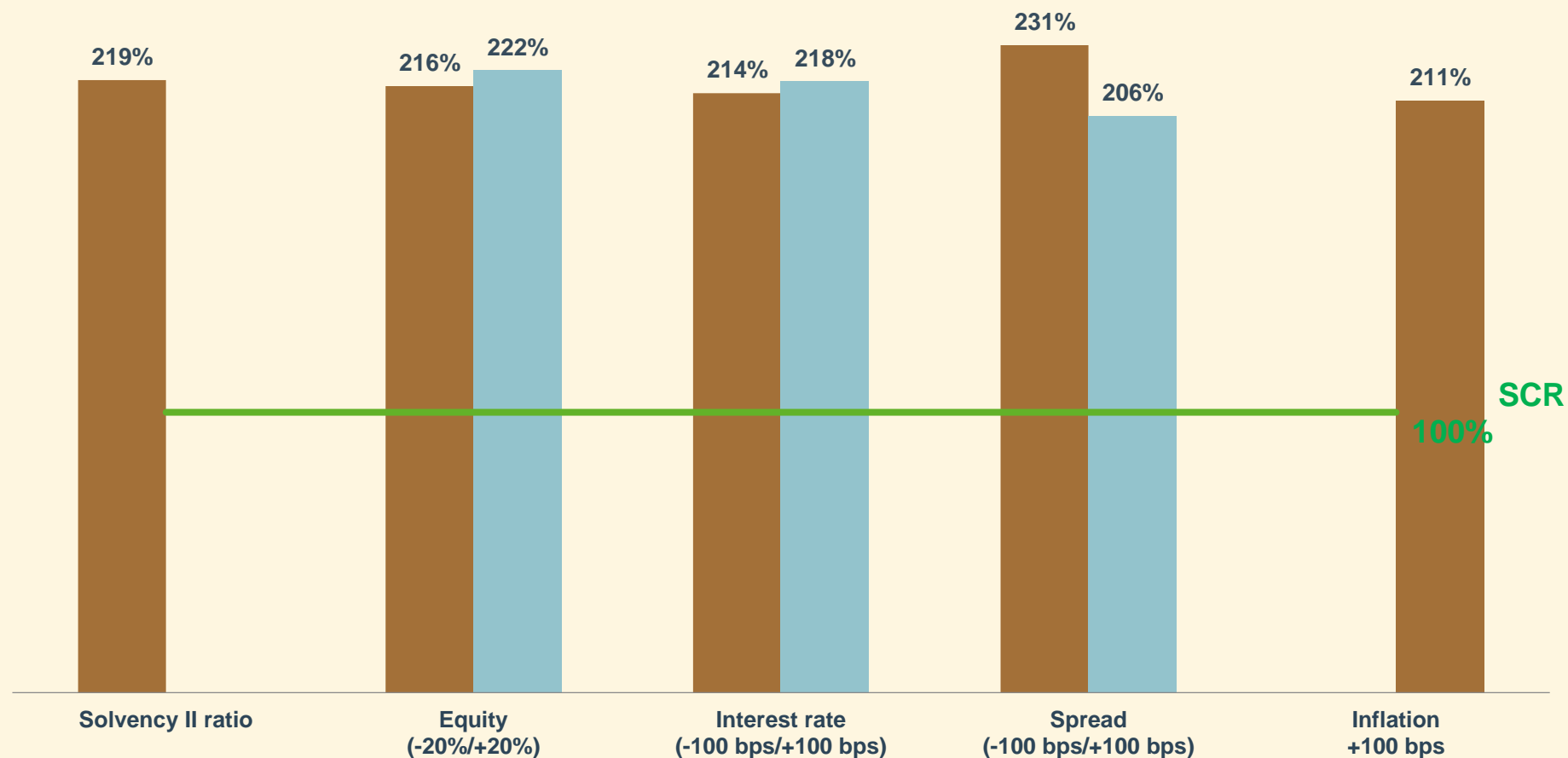
## Scope regulatory approved PIM



Figures as at 30.9.2020.

<sup>1)</sup> Own partial internal model is not validated

# Solvency II sensitivities for the approved partial internal model



# 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

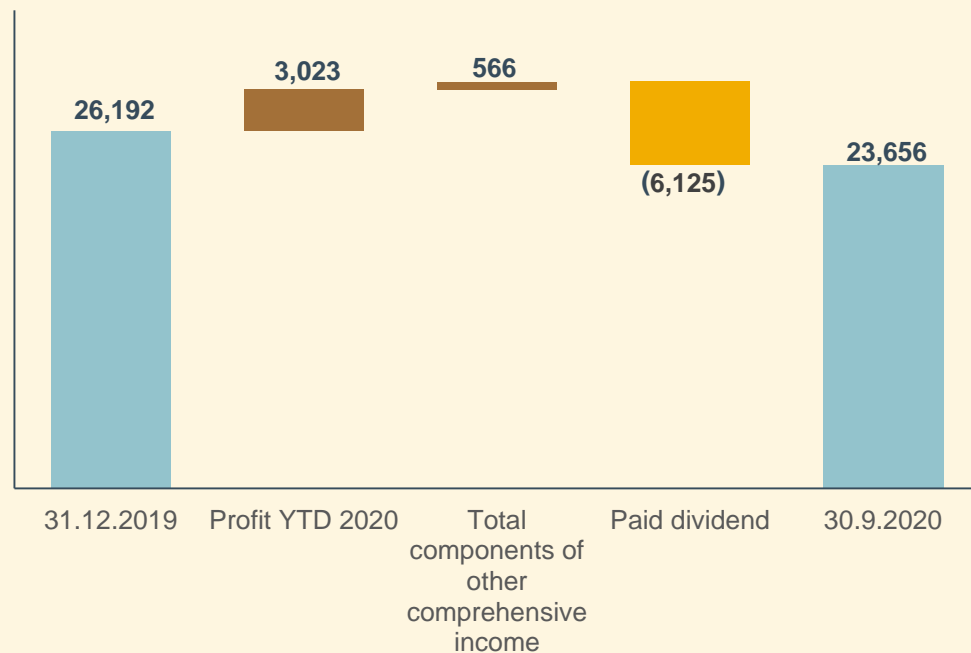
- Tier 1 remaining capacity is NOK 2.6-3.2bn
  - Utilised Tier 1 debt capacity: NOK 1.0bn
- Tier 2 capacity is fully utilised for the insurance group
  - Utilised sub debt: NOK 1.5bn<sup>1)</sup>
  - Utilised natural perils fund and guarantee scheme: NOK 3.5bn

## Reduced Solvency II regulatory uncertainty

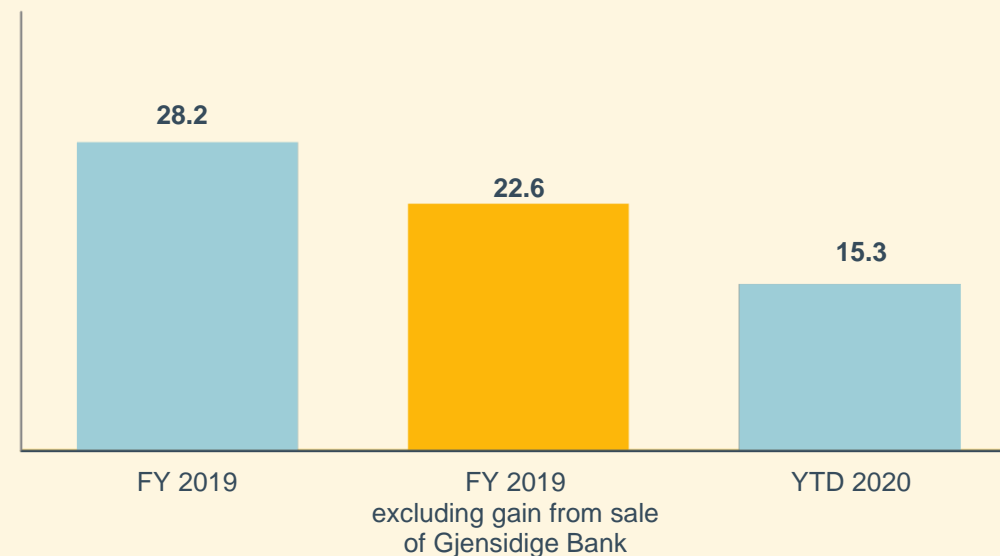
Element	Solvency surplus effect (NOK bn)	Comment
Guarantee scheme provision	~ (0.1) – 0.5	Increase in provision suggested, no news regarding treatment in Solvency II

# Annualised return on equity 15.3 per cent

Equity (NOK m)



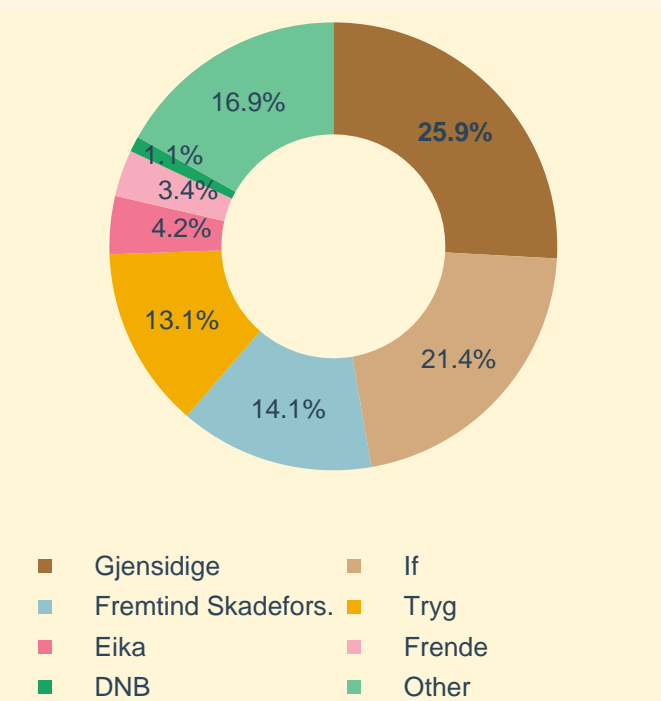
Annualised return on equity (%)



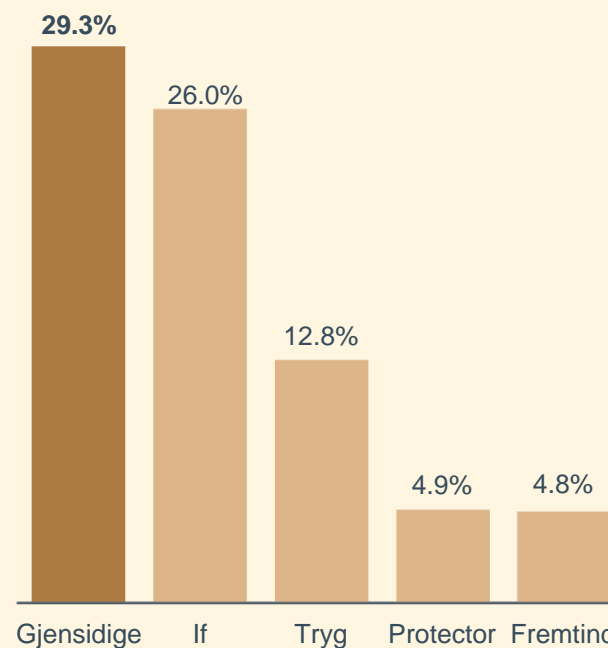


# Market leader in Norway

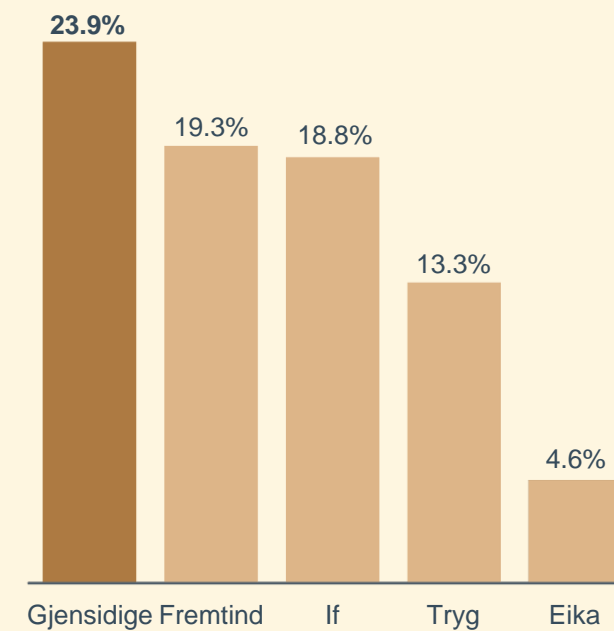
Market share –Total market



Market share – Commercial

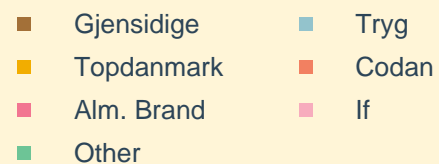
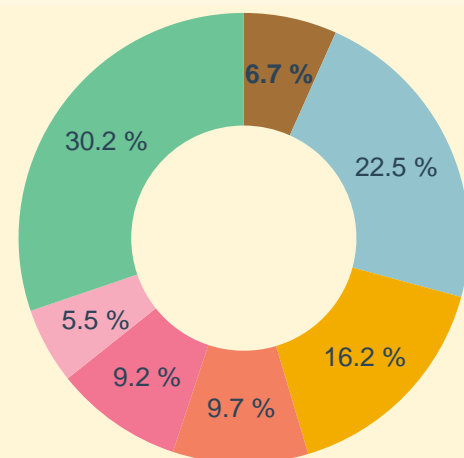


Market share – Private

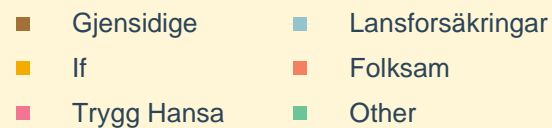
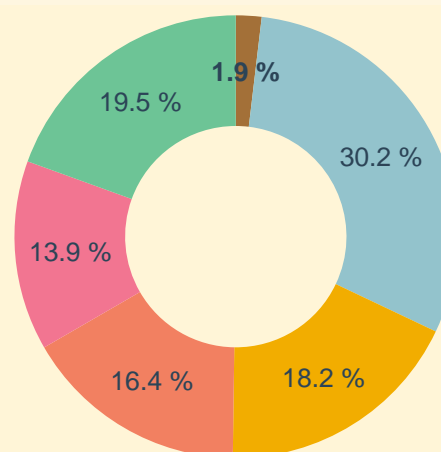


# Growth opportunities outside Norway

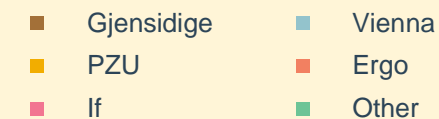
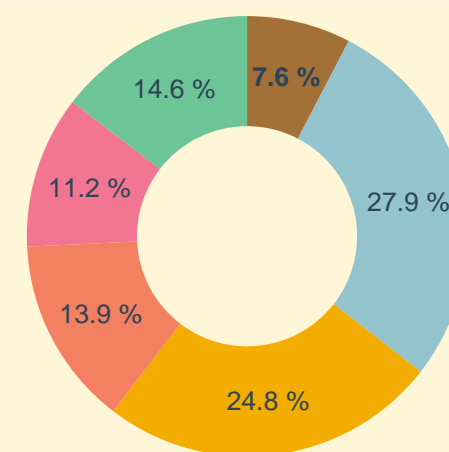
## Market shares Denmark



## Market shares Sweden



## Market shares Baltics

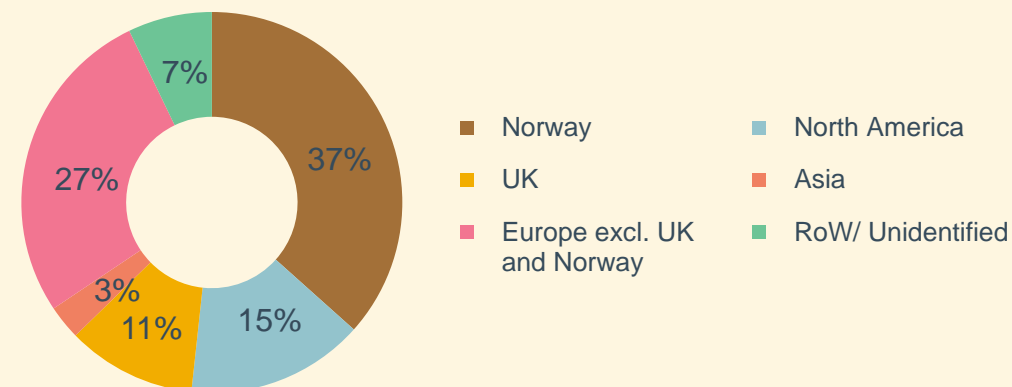


# Ownership

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

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.24
2	Folketrygdfondet	4.29
3	Deutsche Bank	3.60
4	BlackRock Inc	3.22
5	Nordea	1.30
6	The Vanguard Group, Inc	1.04
7	ORIX Corporation	1.04
8	State Street Corporation	0.98
9	Danske Bank	0.91
10	Barclays Bank	0.81
<b>Total 10 largest</b>		<b>79.42</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 30 September 2020. 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).



# Gjensidige

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# Notes

# Notes

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