

# Gjensidige Forsikring Group

1st quarter 2020 results

22 April 2020

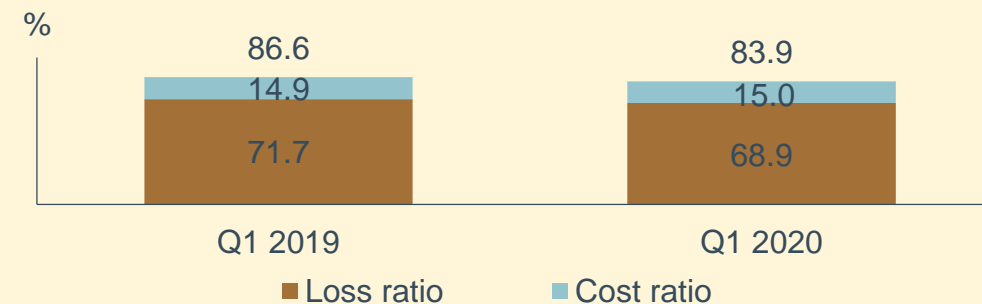


Gjensidige

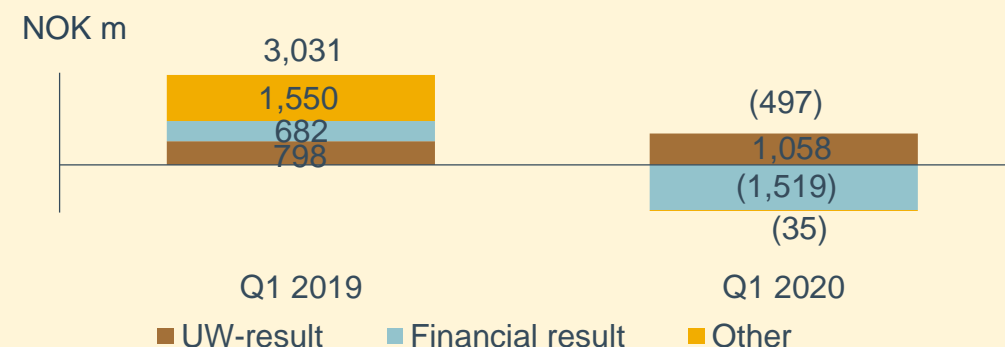
# Solid underwriting result offset by effects from financial market turmoil

- Pre-tax loss NOK 497m
- Underwriting result NOK 1,058m
  - Limited Covid-19 impact
  - 10.7% premium growth
  - Good underlying frequency loss ratio
  - Lower large losses and somewhat higher run-off gains than expected
  - Good cost control
- Financial result minus NOK1,519m, return minus 2.5%
  - Significant impact from financial turmoil

## Combined ratio



## Pre-tax profit



# Dividend proposal withdrawn in response to regulatory stance

- Dividend proposal withdrawn despite strong capital position
  - Compliance with regulatory stance
  - Board intends to distribute dividends to shareholders as soon as the situation will allow for it
- AGM to be held on 25 May
  - Attendance via webcast only

## Dividend policy unchanged

Gjensidige targets high and stable nominal dividends to its shareholders, and a pay-out 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.

Over time, Gjensidige will also pay out excess capital.

Regular

Special

# Supporting our society during these difficult times

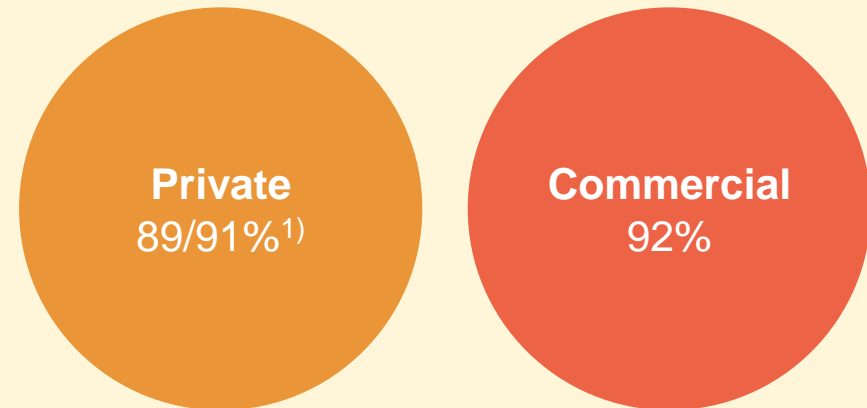
- Active and tailored advice, rapid claims settlement
- Product offerings to simplify everyday lives
  - Online doctor and vet services
- Caring for the vulnerable
  - Psychosocial helpline in cooperation with SOS International
  - Project to support mental health challenges



# Solid operations

- Effective contingency plans put in action in response to C-19 situation
  - Maintaining good customer services
  - All critical business functions operating well
- Continued superior position in Norway
  - Effective pricing measures and strong renewals
- Progress outside Norway
  - Strong renewals
  - Continued focus on enhanced efficiency

## 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.

Financial performance

# Financial performance



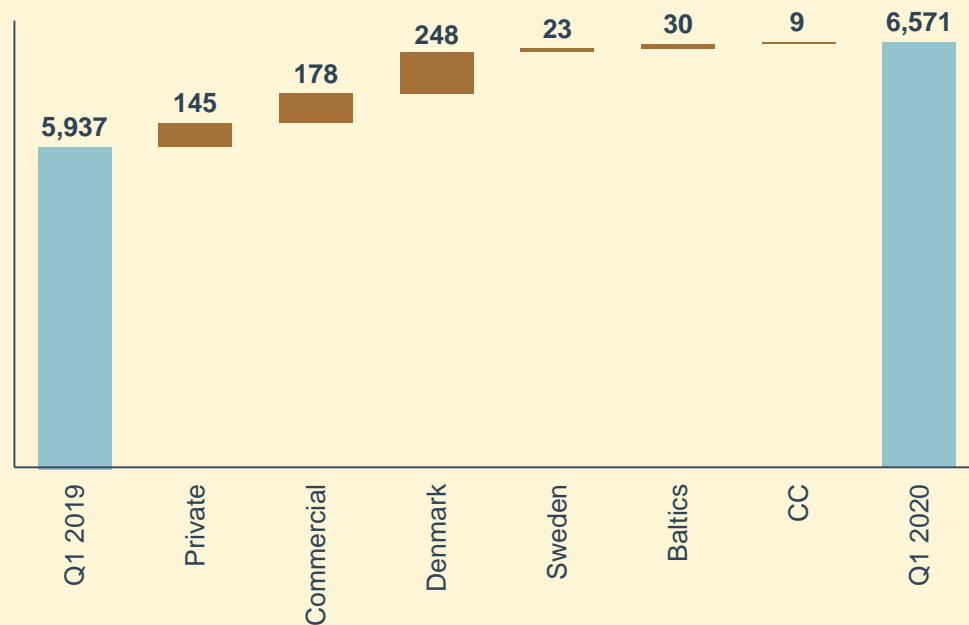
# Solid underwriting result driven by strong growth and good claims development

NOK m	Q1 2020	Q1 2019	2019	2018
Private	520	395	2 025	1 935
Commercial	494	333	1 730	1 548
Denmark	176	103	599	434
Sweden	21	22	76	78
Baltics	5	6	61	68
Corporate Centre - costs related to owner	(105)	(79)	(318)	(379)
Corporate Centre - reinsurance	(53)	19	(137)	(79)
<b>Underwriting result</b>	<b>1 058</b>	<b>798</b>	<b>4 036</b>	<b>3 606</b>
Pension	36	53	197	167
Financial result from the investment portfolio	(1 519)	682	2 306	8 21
Amortisation and impairment losses of excess value	(52)	(62)	(256)	(265)
Other items	(19)	1 559	1 471	(64)
<b>Profit/(loss) before tax expenses</b>	<b>(497)</b>	<b>3 031</b>	<b>7 754</b>	<b>4 265</b>

# 10.7 per cent premium growth

## Premium development

NOK m



CC = corporate centre

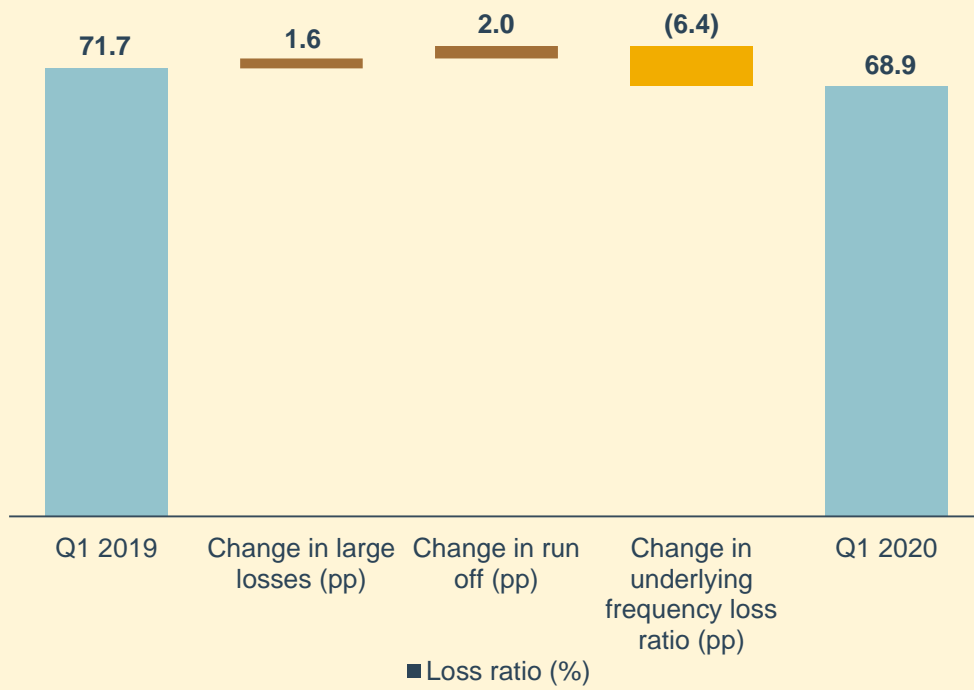
## Key drivers – premium development

- Private +6.9%
  - Price driven
- Commercial +8.9%
  - Price and volume driven
- Denmark +20.7%
  - Positive 12.5% in local currency, price and volume driven
- Sweden +6.7%
  - Positive 1.7% in local currency, price driven
- Baltics +11.2%
  - Positive 3.5% in local currency, volume driven



# Solid loss ratio at 68.9 per cent

## Loss ratio development



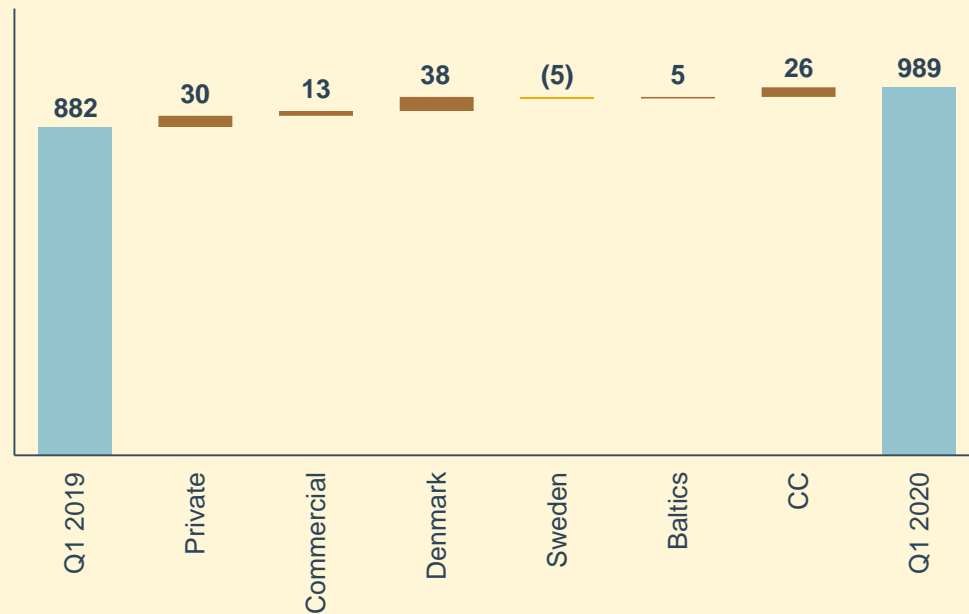
## Key drivers

- Increased premiums
- Improved underlying frequency loss ratio
- Lower run-off gains and higher large losses

# Continued good cost control – cost ratio 15.0 per cent

## Cost development

NOK m

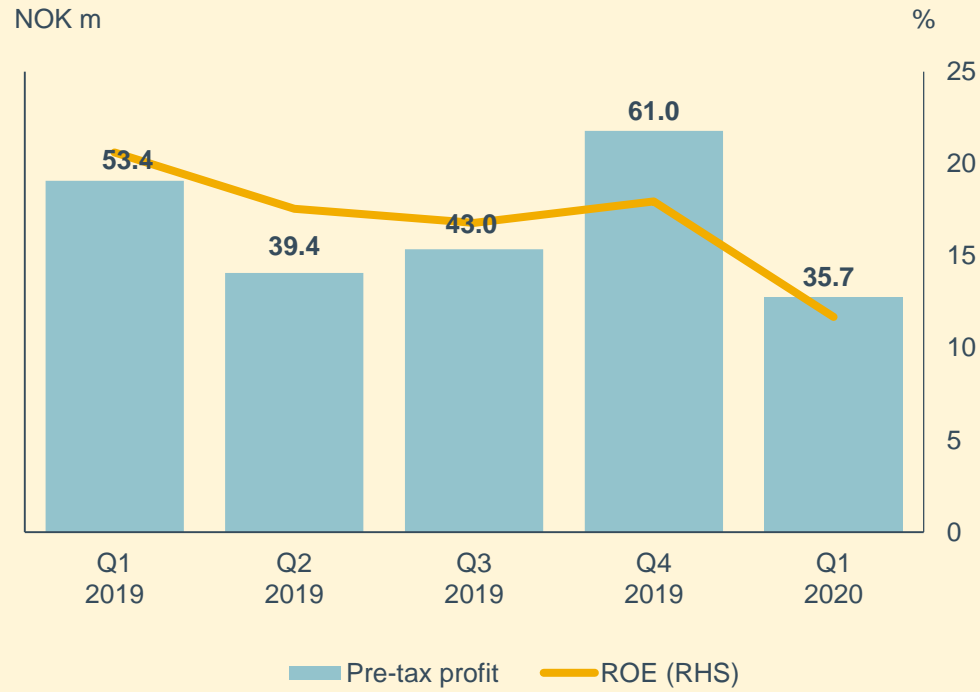


## Key drivers – cost development

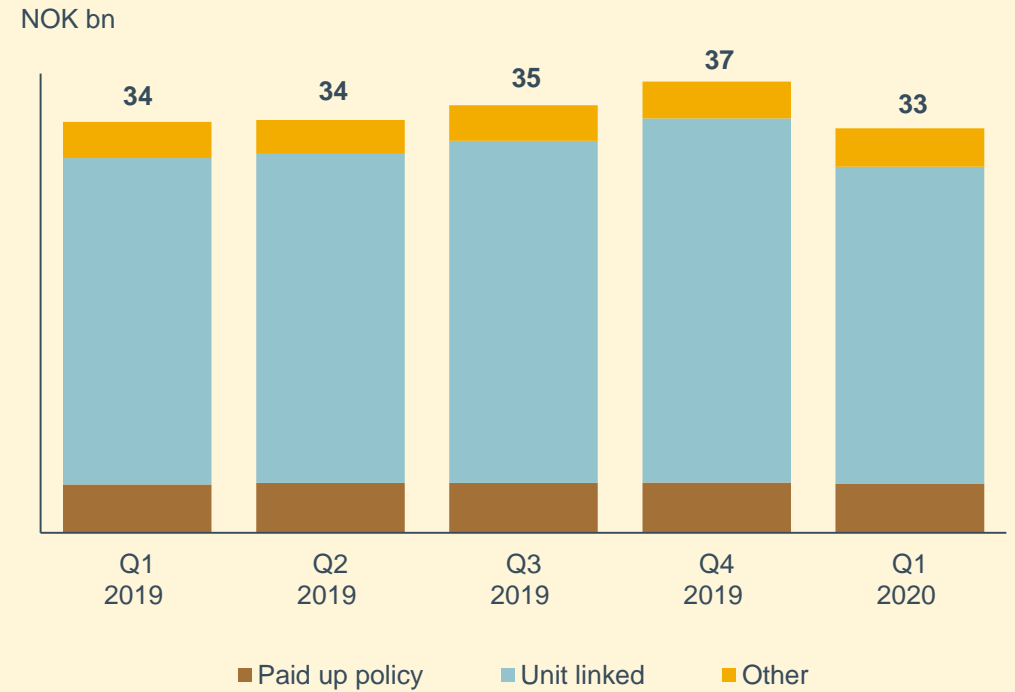
- Strong cost discipline across the Group
- Cost ratio 14.3 per cent excluding Baltics

# Lower profit for Pension operation

## Profit and return

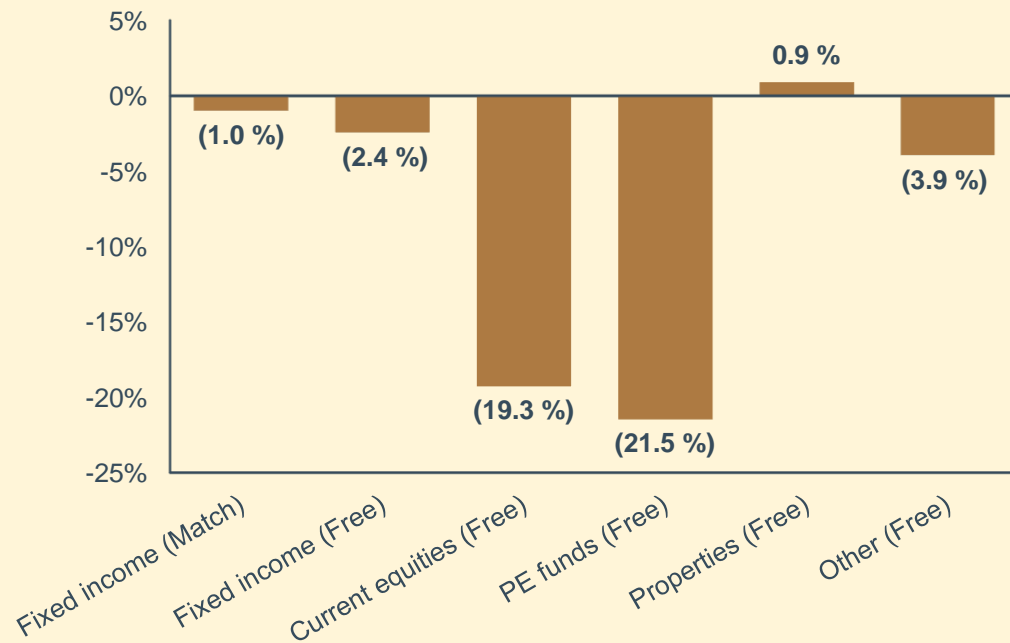


## Assets under management

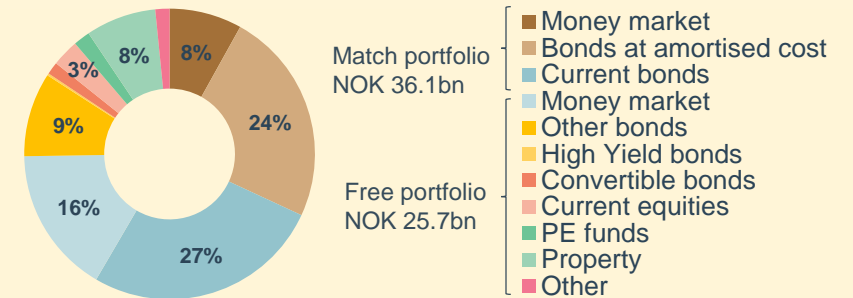


# Investment return of minus 2.5 per cent, reflecting market turmoil

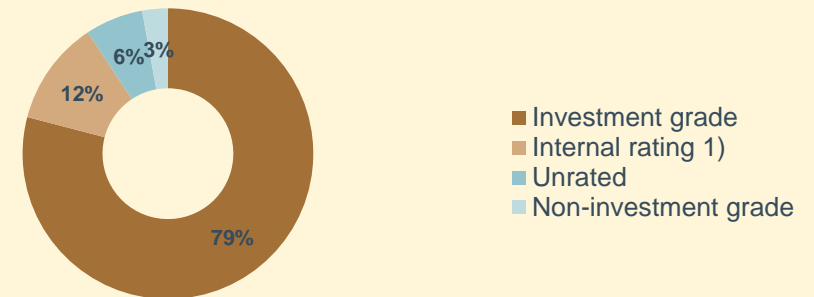
## Investment return per asset class



## Portfolio mix as at 31.3.2020



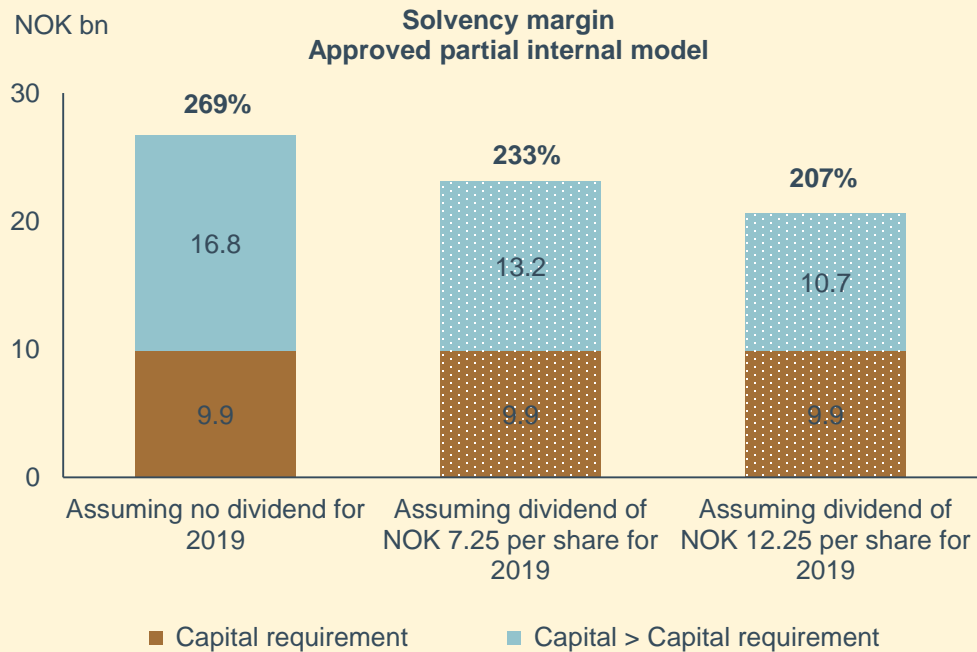
## High credit quality



Figures as at 31.3.2020 <sup>1)</sup>Internal rating – rating by Gjensidige. 94% of this portfolio rated as Investment Grade.

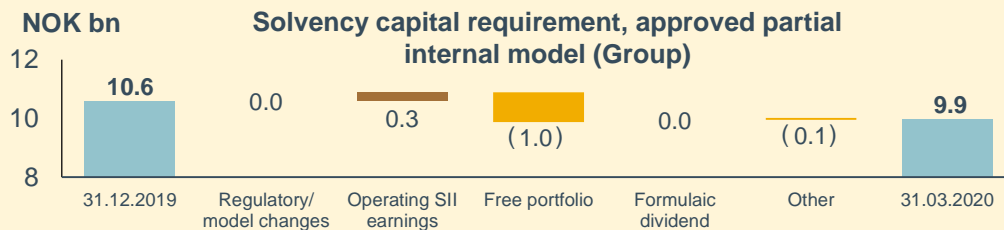
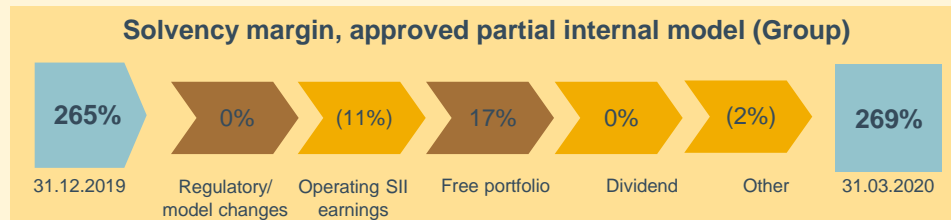
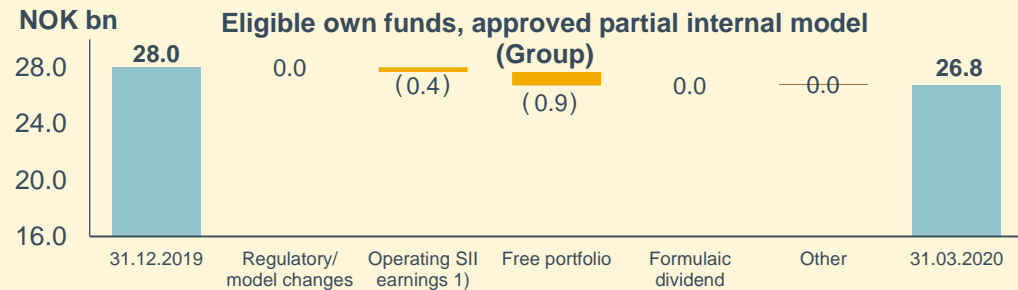
# Very solid solvency position

## Solvency margin misc. assumptions



- Dividend withdrawal in response to regulatory stance
- Solvency margin well above target range
- Board intends to distribute dividends to shareholders as soon as the situation will allow for it

# Strong capital position – continued capital discipline



- Solid capitalisation adjusted for proposed dividend
  - FSA approved partial internal model 269%
  - Own partial internal model 331% <sup>2)</sup>
- Capital buffers well within risk appetite
- Gjensidige Pensjonsforsikring's solvency margin 152%

1) Operating SII earnings comprise SII underwriting result and SII financial result of the match portfolio after tax 2) Own partial internal model is not validated

# Moving ahead on operational targets

Metric	Status Q1 2020	Target 2022
Customer satisfaction (CSI)	78	> 78, Group
Customer retention	91%	> 90%, Norway
	80%	> 85%, outside Norway
Sales effectiveness	+8.3%	+ 10%, Group
Automated tariffs	45%	100%, Group
Digital claims reporting	78%	80%, Norway
Claims straight-through processing	18%	64%, Norway
Claims cost	NOK 244 million	Reduce by NOK 500 million, Group
Claims related CO <sub>2</sub> -intensity	1.7 <sup>1)</sup>	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
- Top ranking in financial sector by Sustainable Brand Index



1) 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 operational response to C-19 situation
- Limited C-19 impact on underwriting result
- Solid financial and operational platform
- Strong competitiveness
- Maintaining financial targets and dividend policy
  - 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)

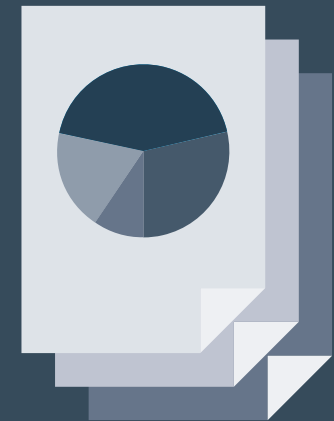
<sup>1)</sup> Assuming annual run-off gains –NOK 1 billion through 2022. Corresponds to 90-93 per cent given zero run-off gains post 2022.

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

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



# Appendix

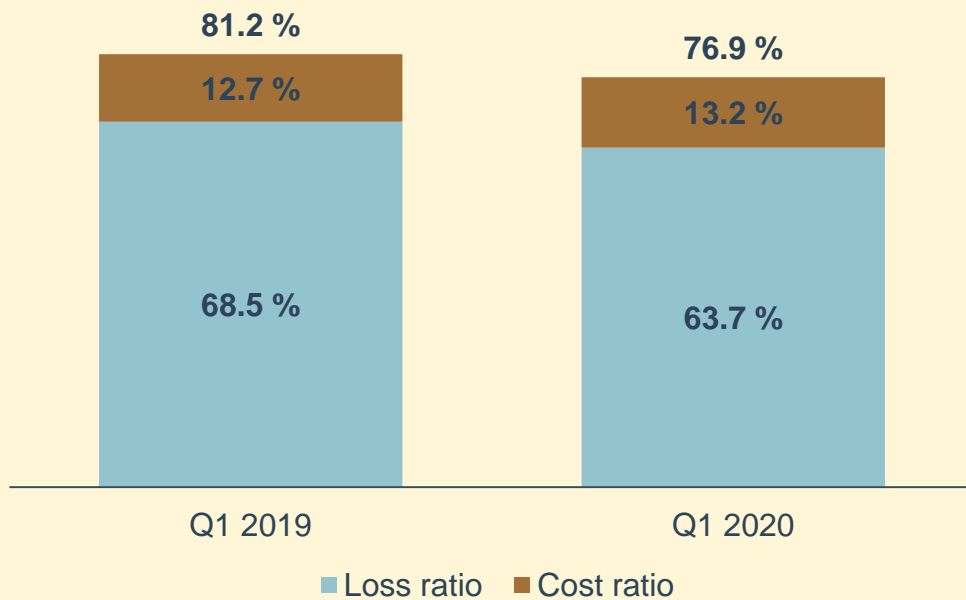


# Roadshows and conferences post Q1 2020 results

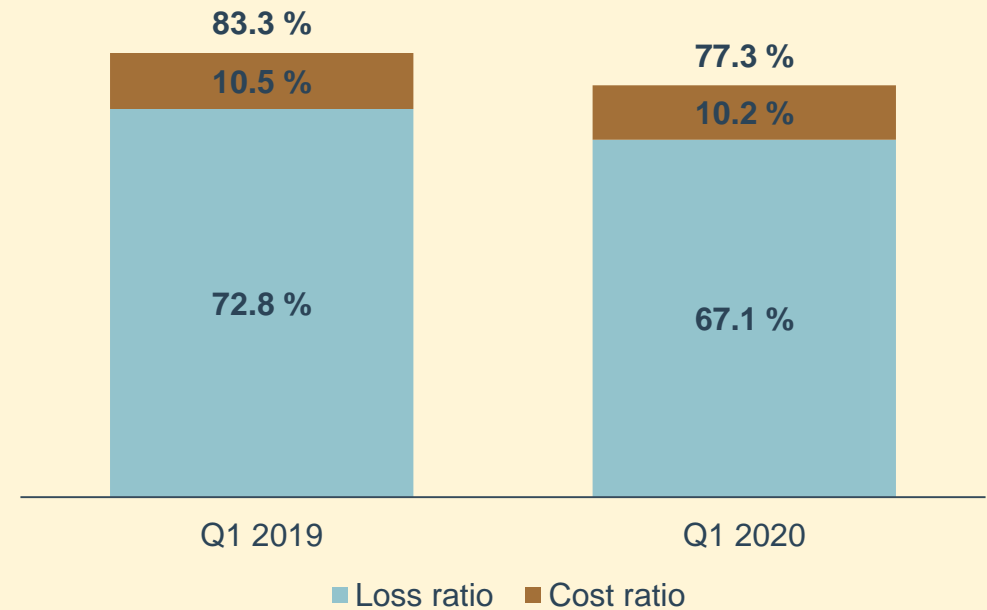
Date	Location	Participants	Event	Arranged by
22 April	Oslo	CEO Helge Leiro Baastad CFO Jostein Amdal IR	Roadshow (tel. meetings)	ABGSC
23 April	London	CEO Helge Leiro Baastad CFO Jostein Amdal IR	Roadshow (tel. meetings)	DNB
4 May	Zürich/Geneva	CEO Helge Leiro Baastad IR	Roadshow (tel. meetings)	Danske
6 May	Frankfurt	CFO Jostein Amdal IR	Roadshow (tel. meetings)	Nordea
11 May	Stockholm	CFO Jostein Amdal IR	Roadshow (tel. meetings)	Carnegie
13 May	London	CEO Helge Leiro Baastad IR	Conference (tel. meetings)	KBW
16 June	Milano/Lugano	EVP Communication and Shared Services Janne Flessum IR	Roadshow (tel. meetings)	Barclays
9 June	Paris	CEO Helge Leiro Baastad IR	Conference (tel. meetings)	Exane BNP
10 June	Rome	CEO Helge Leiro Baastad IR	Conference (tel. meetings)	Goldman Sachs

# General insurance – cost ratio and loss ratio per segment

## Private

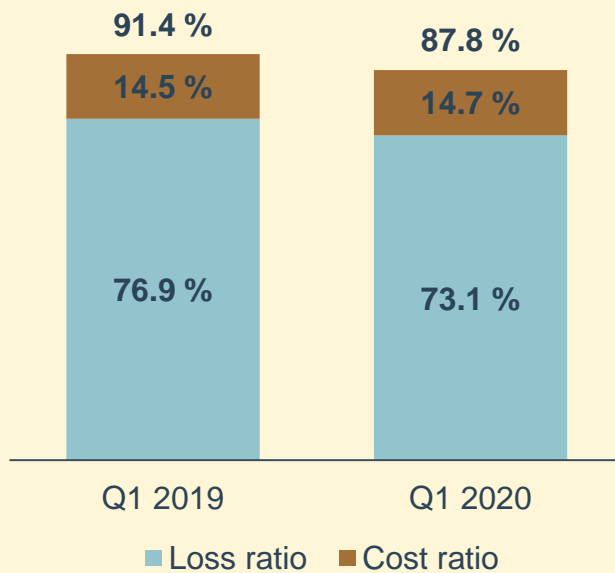


## Commercial

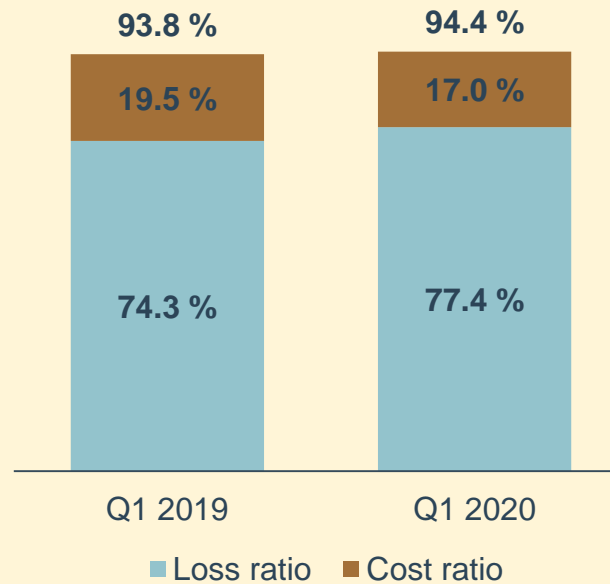


# General insurance – cost ratio and loss ratio per segment

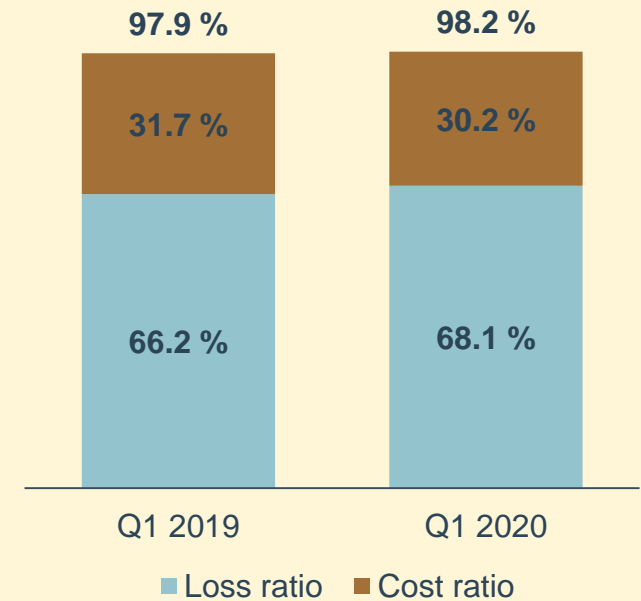
## Denmark



## Sweden

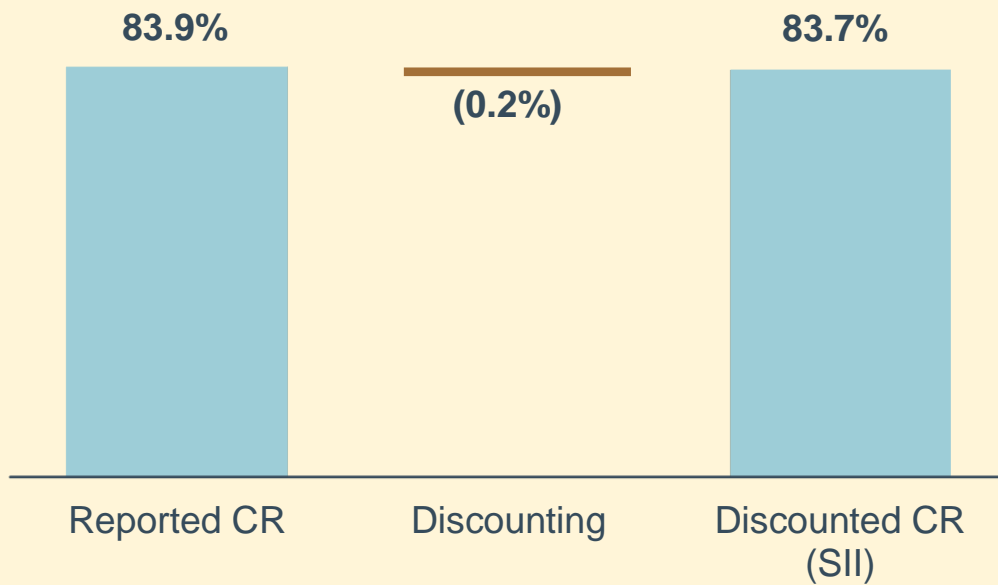


## Baltics



# Effect of discounting of claims provisions

## Effect of discounting on CR – Q1 2020



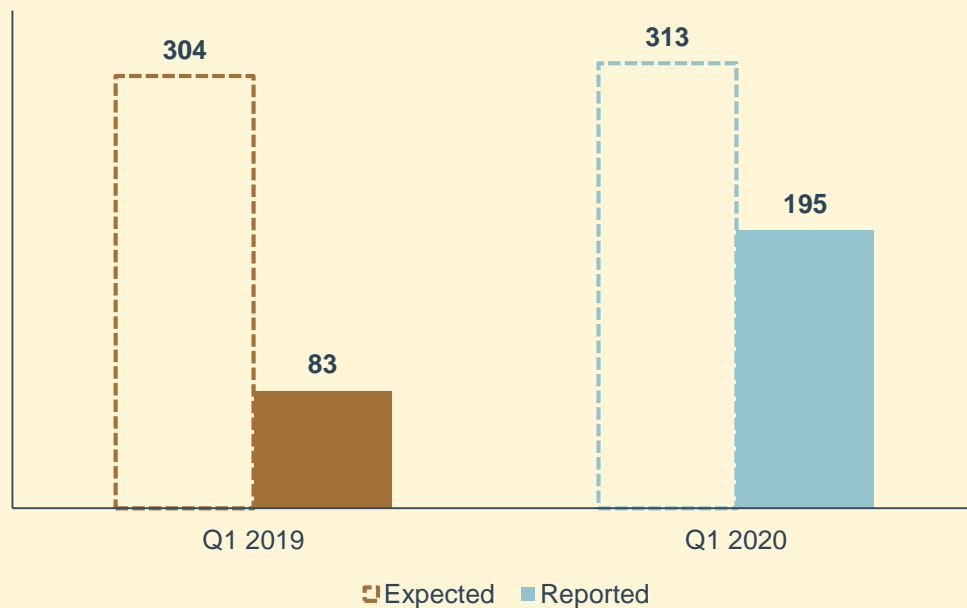
## Assumptions

- 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 3.0 percentage points – lower than expected

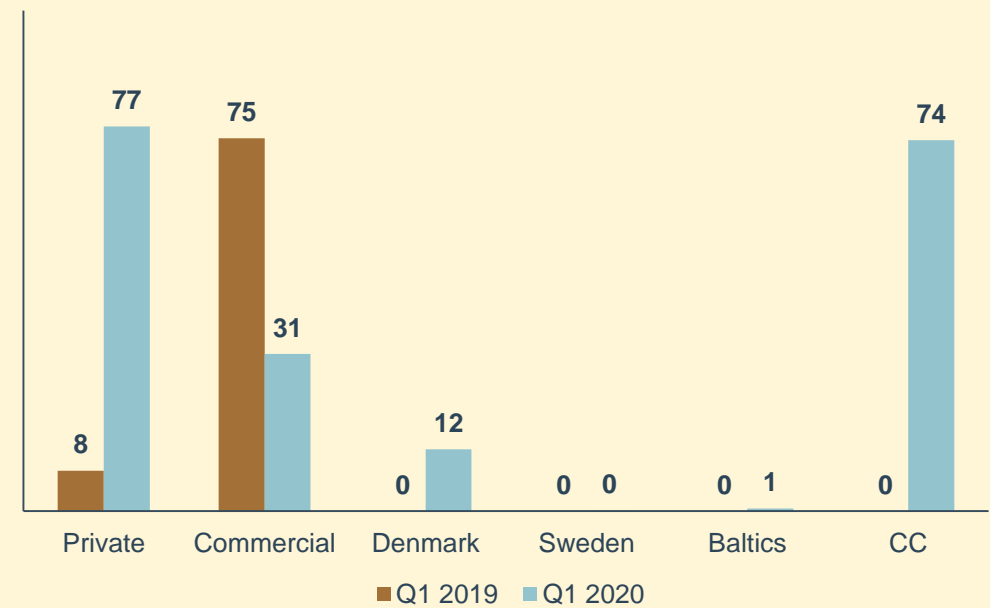
## Large losses – reported vs. expected

NOK m



## Large losses per segment

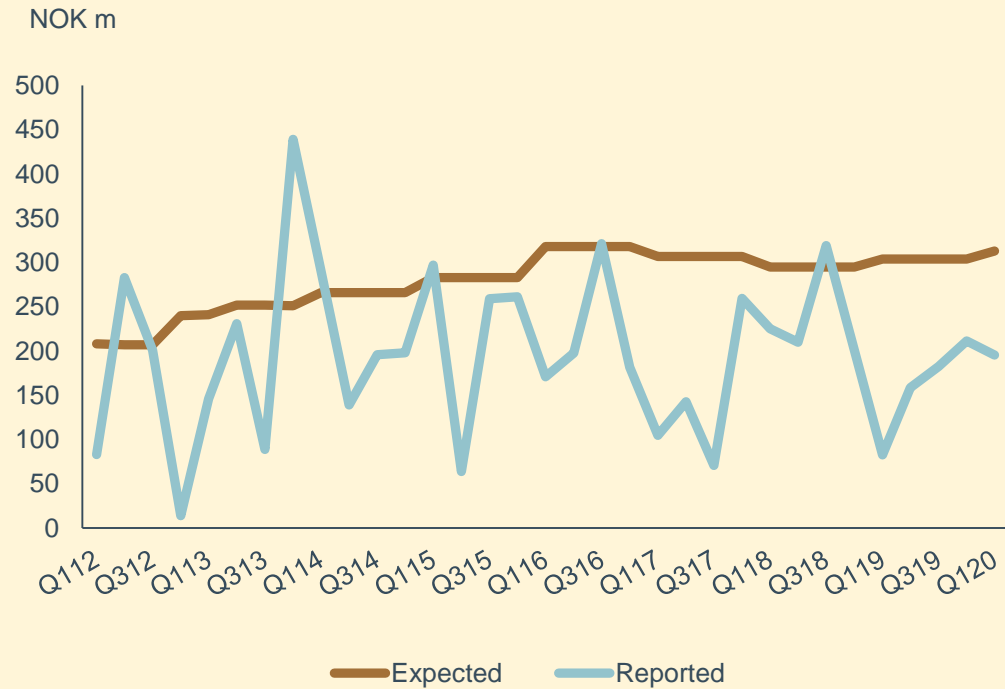
NOK m



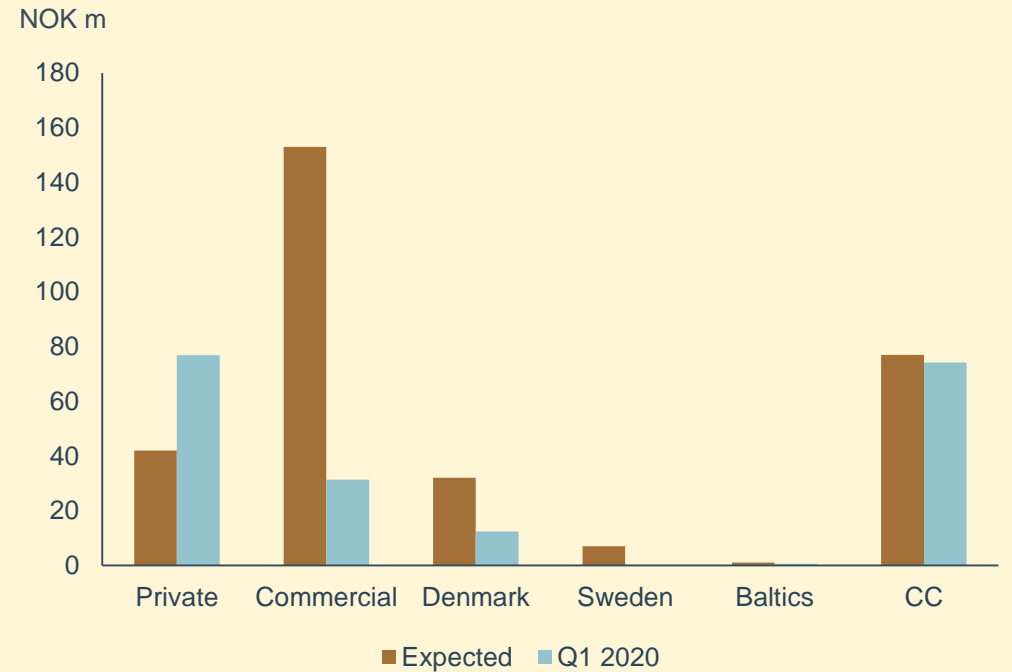
CC = corporate centre. Large losses: Losses > NOK 10m. Weather related large losses are included. Large losses in excess of NOK 30m are charged to the Corporate Centre while up to NOK 30m per claim is charged to the segment in which the large loss occurred. The Baltics segment has, as a main rule, a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

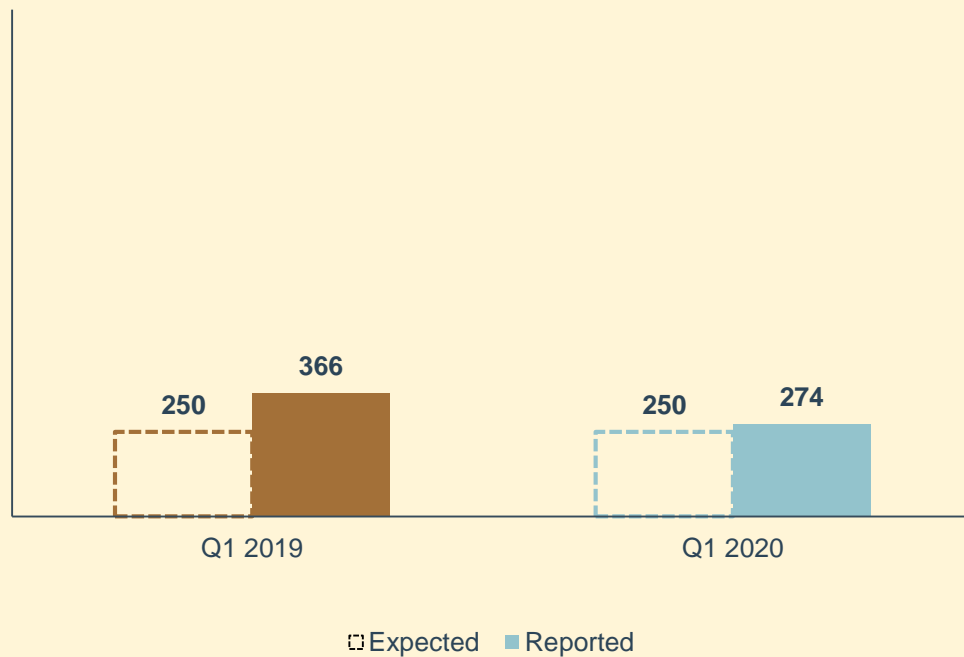


Large losses per segment – actual vs. expected

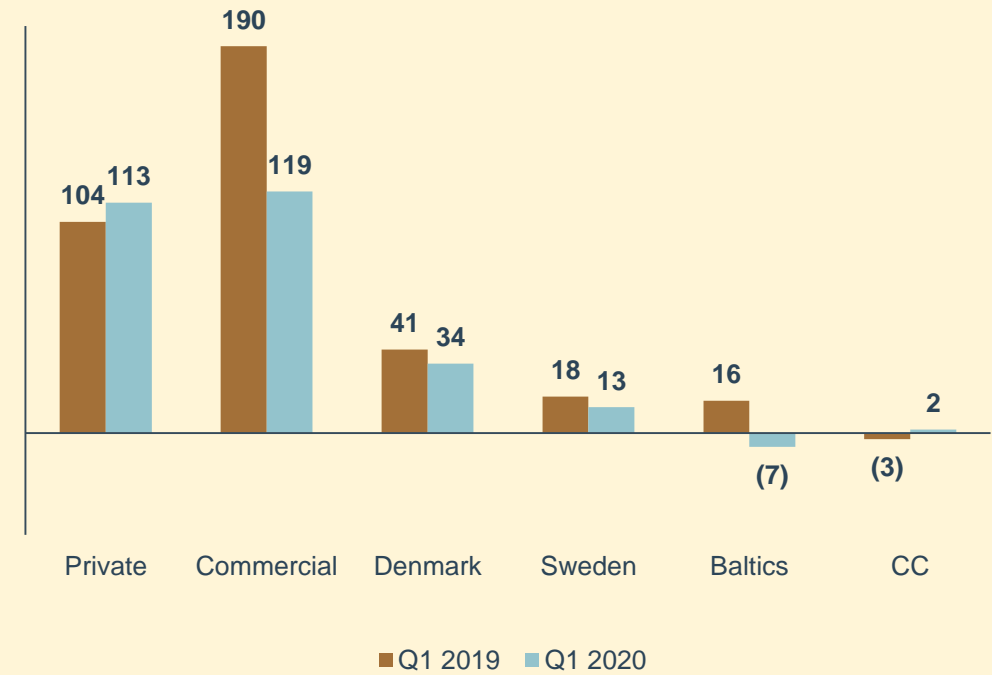


# Run-off gains 4.2 percentage points – higher than expected

Run-off net



Run-off net per segment

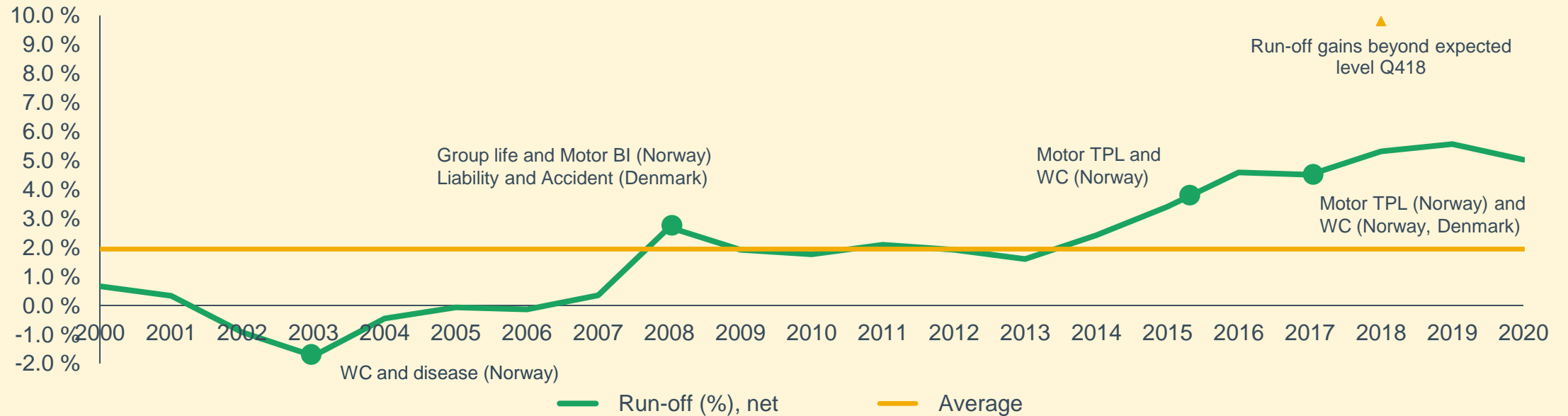




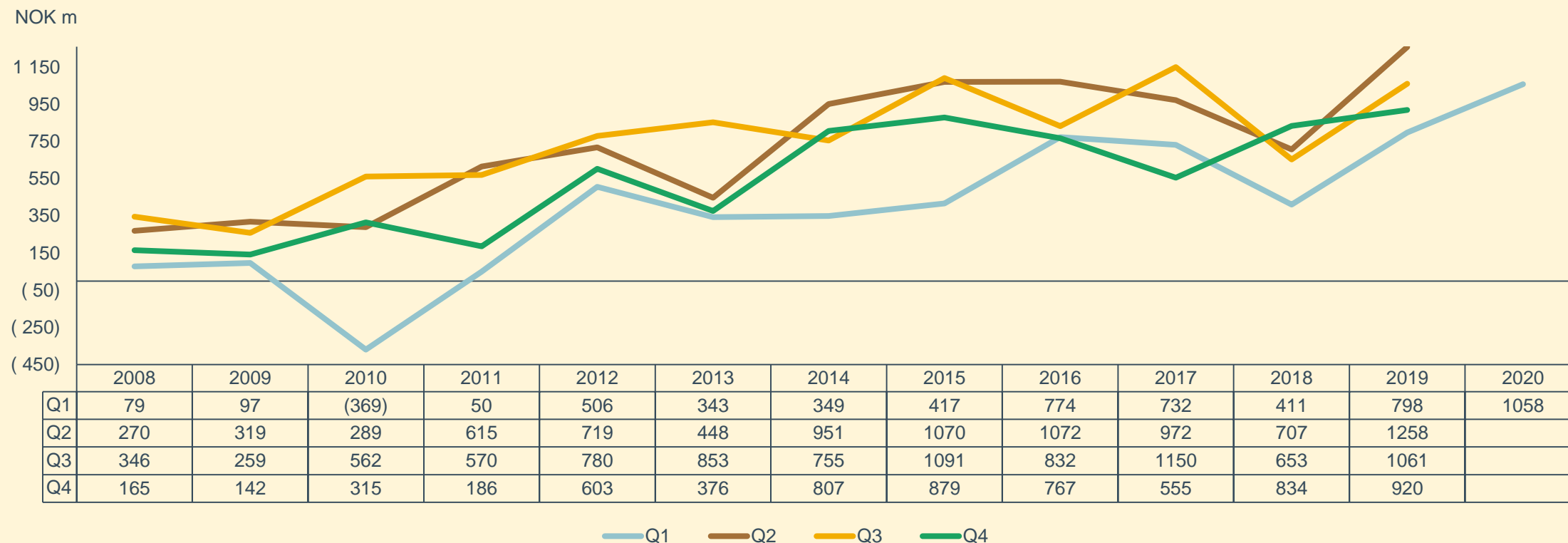
# Run-off development

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



1) 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.

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

3) 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.

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

5) 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

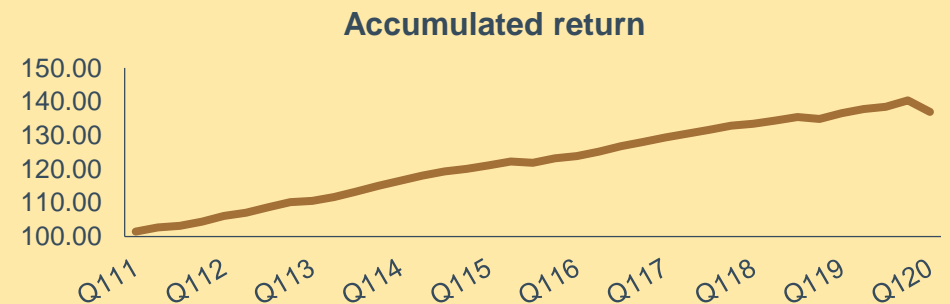
- Duration and currency matching versus technical provisions (undiscounted)
- Credit element for increased returns
- Some inflation hedging

## 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

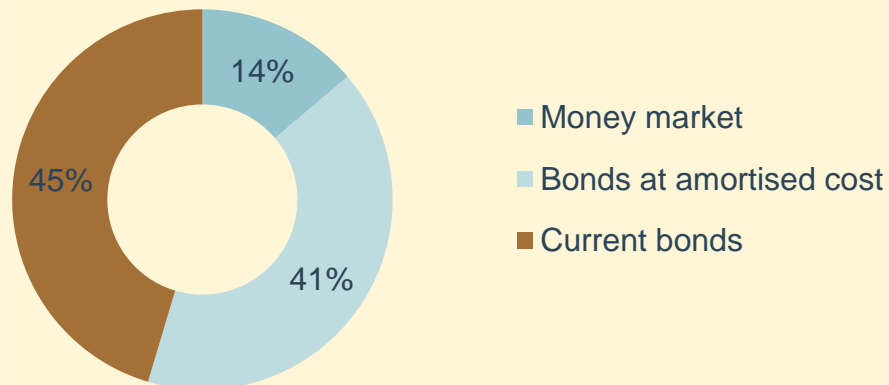
Asset class	Investments, key elements <sup>1)</sup>	Benchmark
<b>Match portfolio</b>		
Money market	Norwegian money market	ST1X index
Bonds at amortised cost	Government and corporate bonds	Yield provided in quarterly reports
Current bonds	Mortgage, sovereign and corporate bonds, investment grade bond 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	

1) See quarterly report for a more detailed description

# Asset allocation – as at 31.3.2020

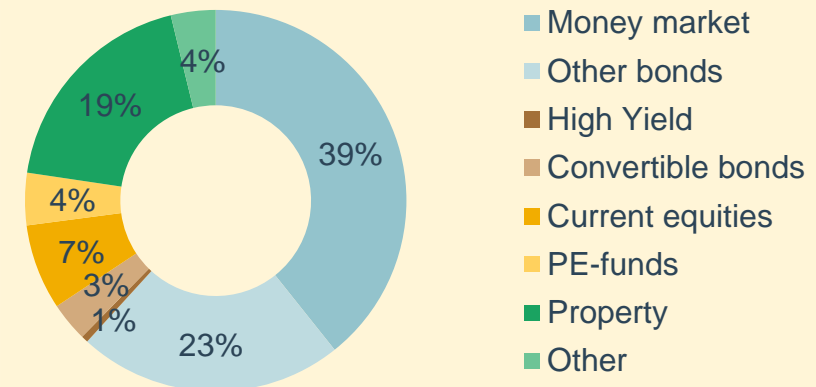
## Match portfolio

- Carrying amount: NOK 36.1bn
- Average duration: 3.5 years



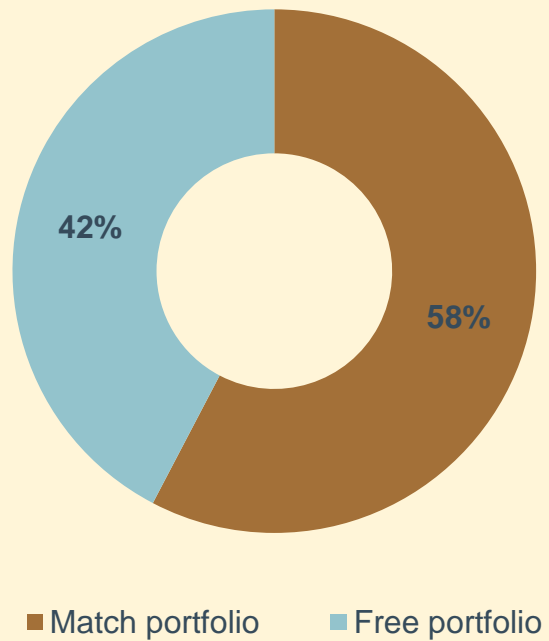
## Free portfolio

- Carrying amount: NOK 25.7bn
- Average duration fixed-income instruments: 4.3 years

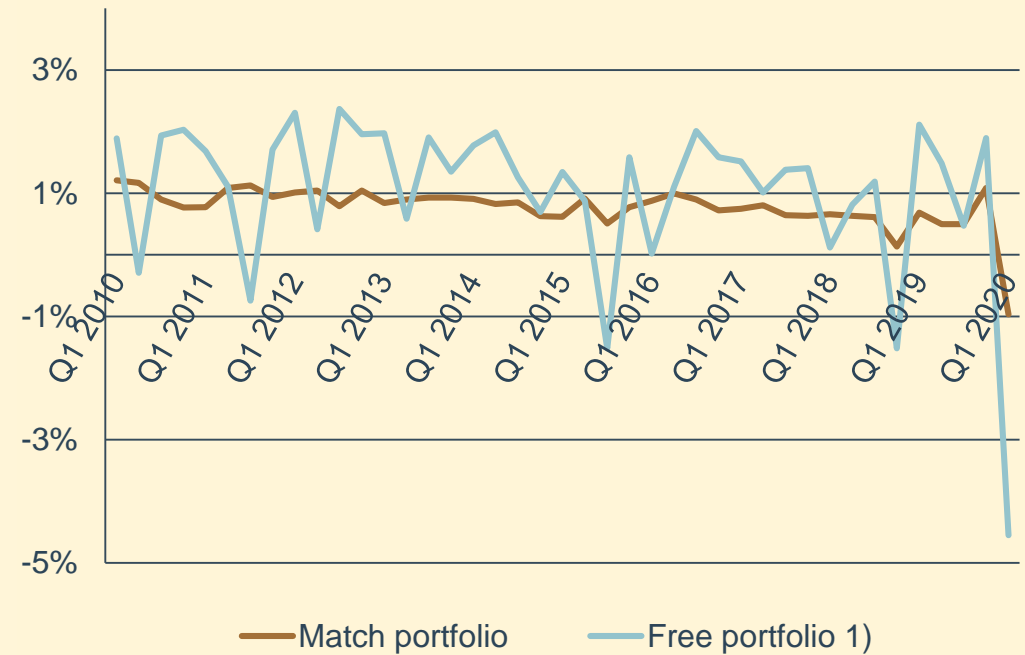


# Contribution from the portfolios

Asset allocation as at 31.3.2020



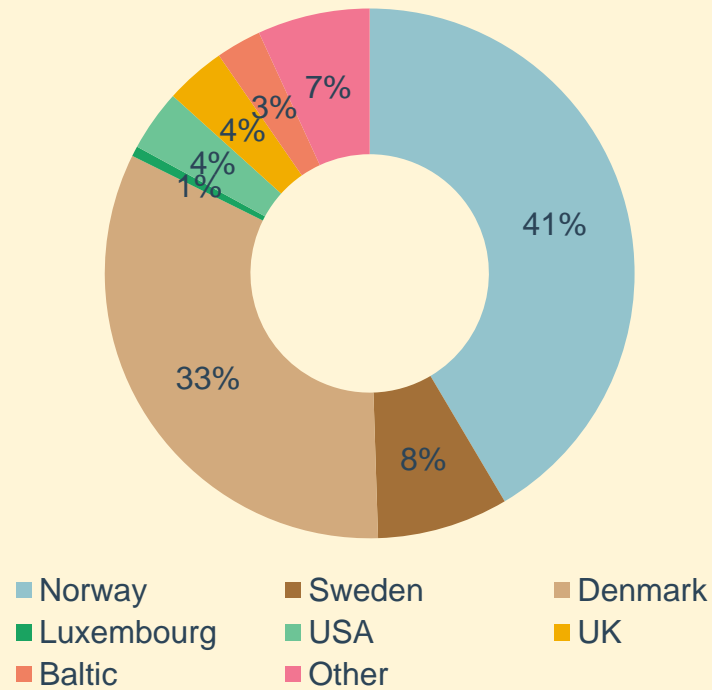
Quarterly investment returns



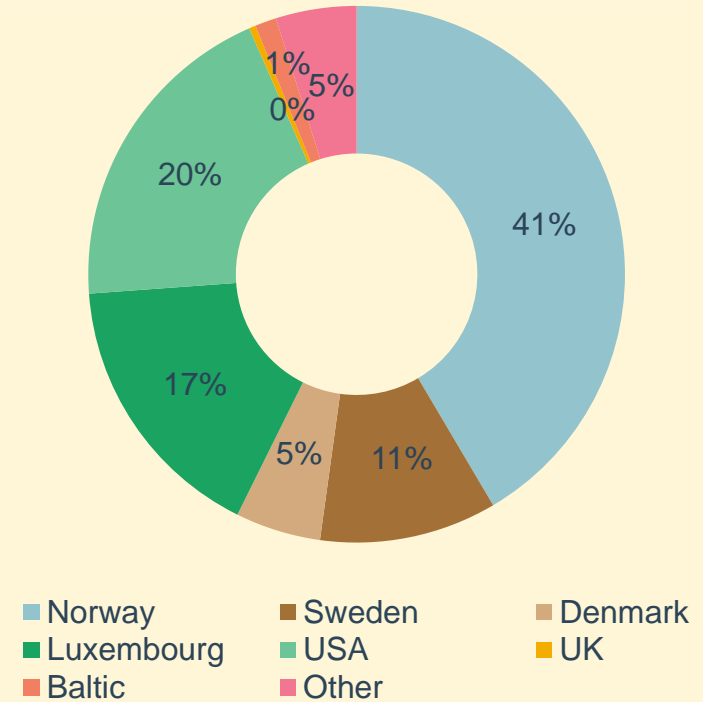
1) Prior to 2014 former associated companies were not included in the Free portfolio.

# Balanced geographical exposure

Match portfolio



Free portfolio, fixed-income instruments



Figures as at 31.03.2020. 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	13.9	38.3	2.9	17.1
AA	4.4	12.0	6.2	36.4
A	5.0	13.8	4.8	28.5
BBB	4.1	11.2	0.9	5.1
BB	0.3	0.7	0.2	1.1
B	0.9	2.6	0.1	0.6
CCC or lower	0.0	0.0	0.0	0.2
Internal rating <sup>1)</sup>	5.0	13.7	1.2	7.2
Unrated	2.8	7.7	0.6	3.8
<b>Fixed income portfolio</b>	<b>36.4</b>	<b>100.0</b>	<b>16.9</b>	<b>100.0</b>
Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	5.0	13.6	5.7	33.8
Bank/financial institutions	19.5	53.6	9.7	57.2
Corporates	11.9	32.8	1.5	9.0
<b>Total</b>	<b>36.4</b>	<b>100.0</b>	<b>16.9</b>	<b>100.0</b>



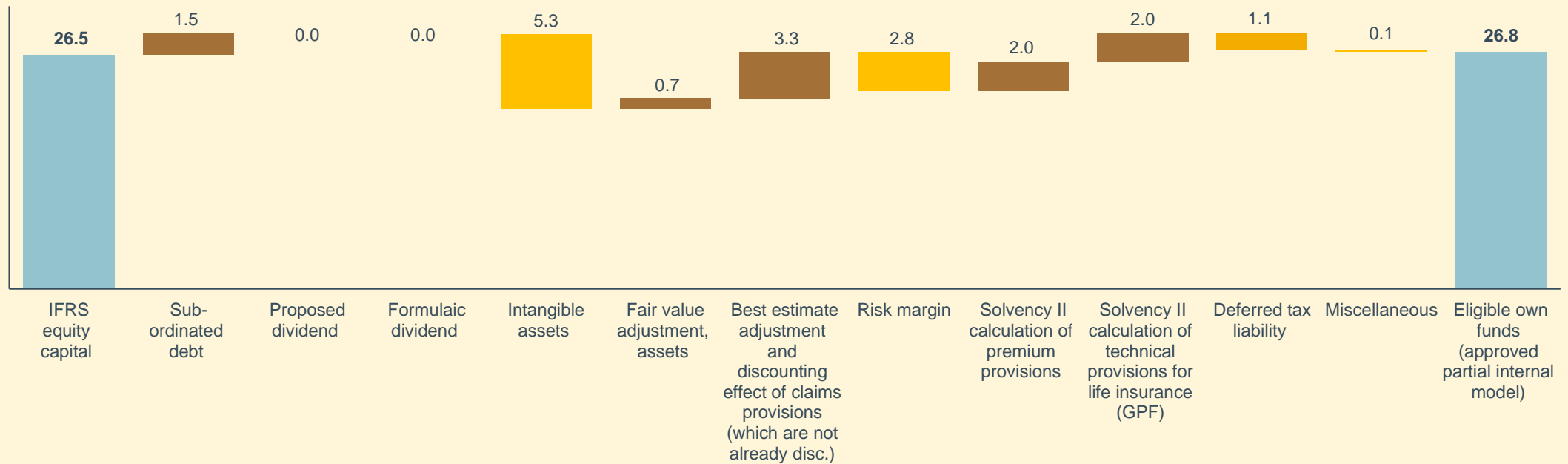
# Capital position per operational areas

(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	26.8	24.8	26.9	25.0	2.3
Capital requirement	9.9	9.0	8.1	7.1	1.5
<b>Solvency margin</b>	<b>269%</b>	<b>277%</b>	<b>331%</b>	<b>351%</b>	<b>152%</b>

# Solvency II eligible own funds

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

NOK bn

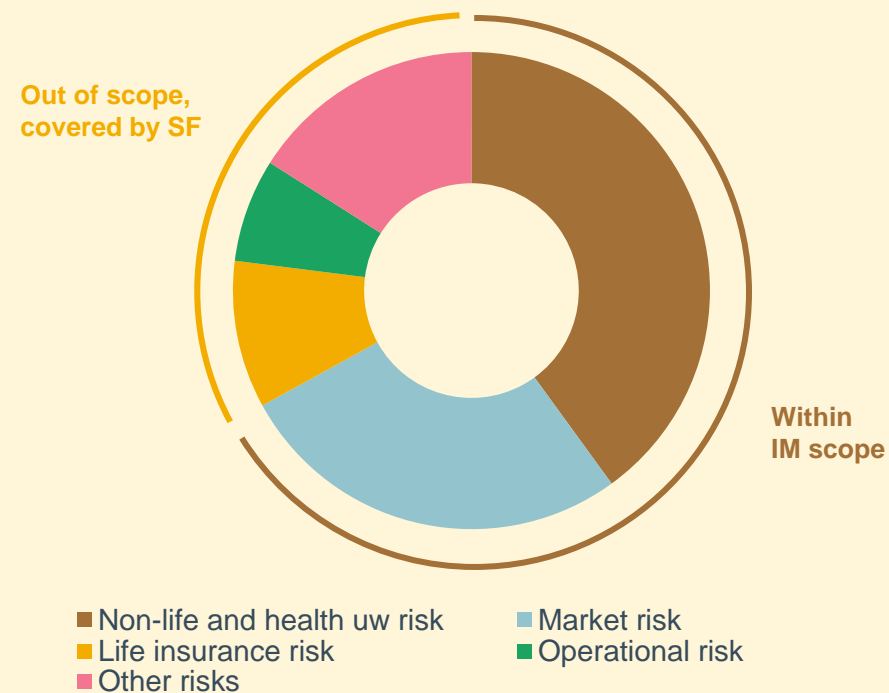


Figures as at 31.3.2020. GPF = Gjensidige Pensjonsforsikring. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. Tax is assumed on the security provision. Miscellaneous: Main effects are related to the guarantee scheme provision and different valuation of Oslo 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>26.8</b>	<b>26.9</b>
Capital charge for non-life and health uw risk	8.2	6.8
Capital charge for life uw risk	1.7	1.7
Capital charge for market risk	6.2	5.3
Capital charge for counterparty risk	0.7	0.7
Diversification	(4.7)	(4.8)
<b>Basic SCR</b>	<b>12.1</b>	<b>9.7</b>
Operational risk	0.9	0.9
Adjustments (loss-absorbing capacity of deferred tax)	(3.1)	(2.5)
<b>Total solvency capital requirement</b>	<b>9.9</b>	<b>8.1</b>
Surplus	16.8	18.8
<b>Solvency ratio</b>	<b>269%</b>	<b>331%</b>

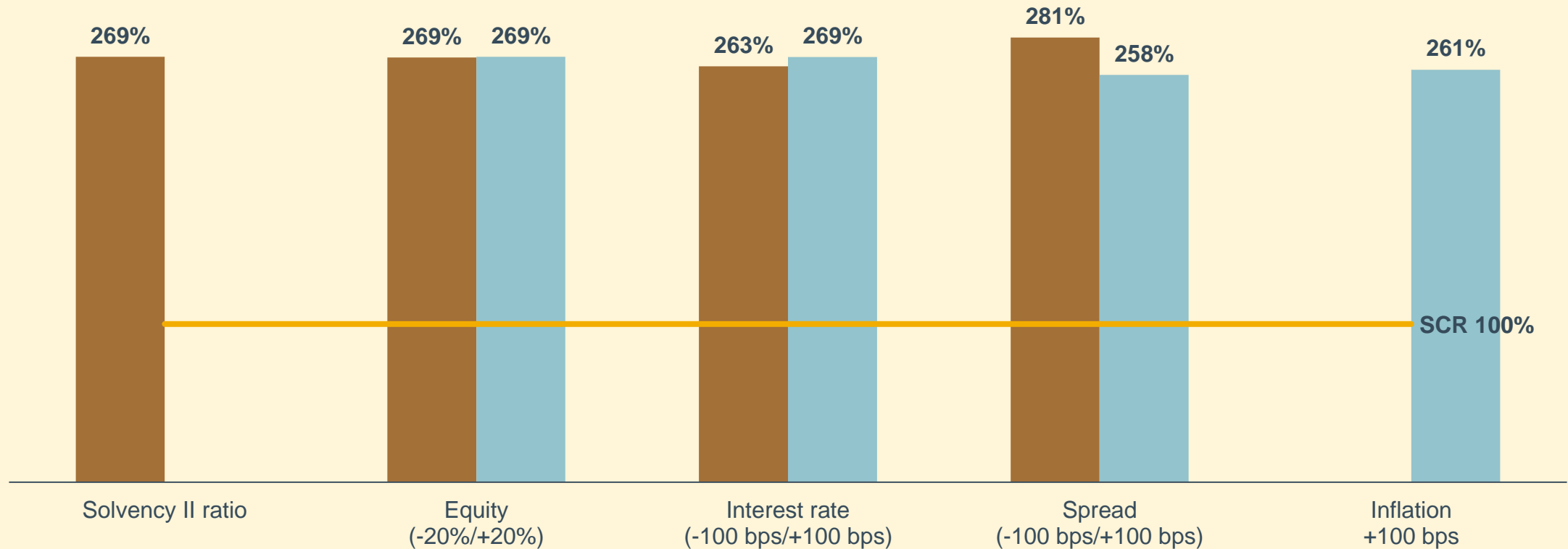
## Scope regulatory approved PIM



Figures as at 31.3.2020.

1) 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
<b>S&amp;P</b>	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.
	<b>T1</b>	<b>T2</b>	<b>Constraint</b>
<b>SII</b>	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 3.5-4.4bn
  - 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 3.4bn

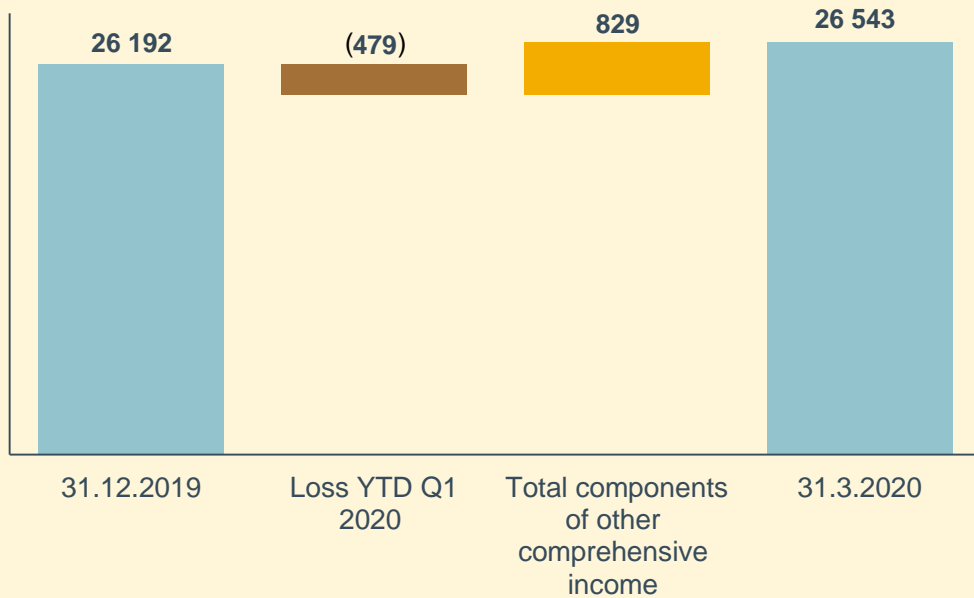
Figures as at 31.3.2020. Legal perspective is the regulatory approved version of the partial internal model. The FSA's view on the Guarantee provision as a liability for solvency purposes has not been reflected in the debt capacity figures, as Gjensidige still assumes that the Guarantee provision will count as solvency capital. <sup>1)</sup> Sub debt Gjensidige Forsikring ASA NOK 1.2bn, Gjensidige Pensjonsforsikring NOK 0.3bn

# Reduced Solvency II regulatory uncertainty

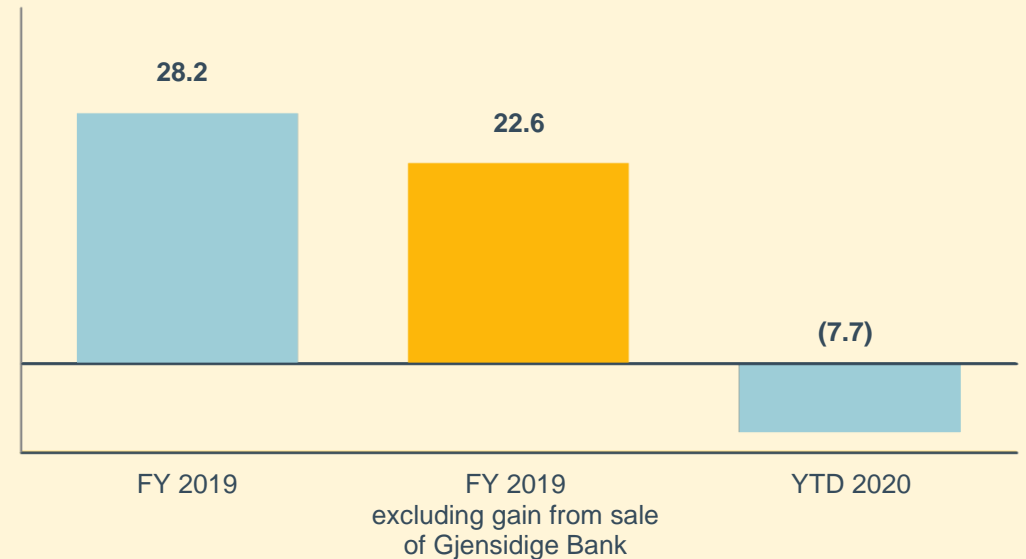
Element	Solvency surplus effect (NOK bn)	Comment
Guarantee scheme provision	~ (0.1) – 0.5	Increase in provision suggested, no news regarding treatment in Solvency II

# Annualised return on equity minus 7.7 per cent

Equity (NOK m)

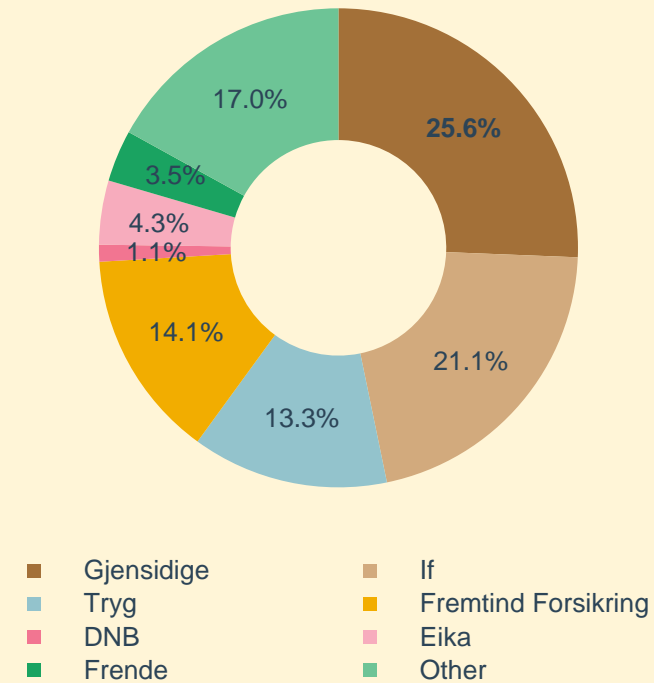


Annualised return on equity (%)

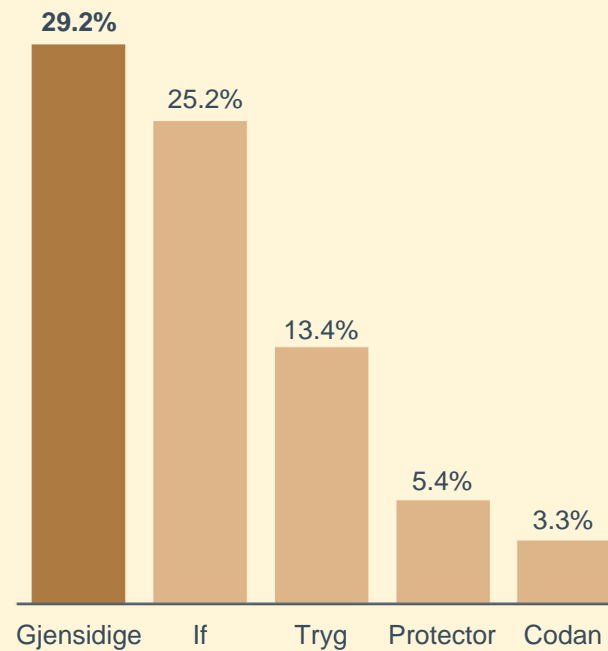


# Market leader in Norway

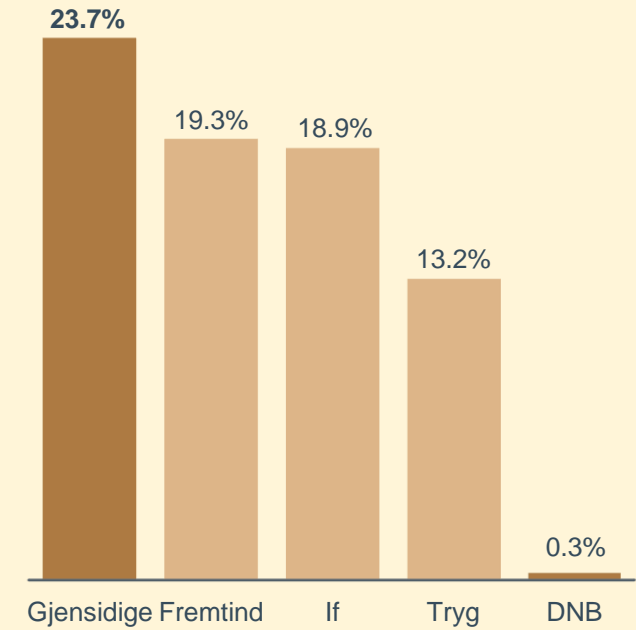
Market share – Total market



Market share – Commercial



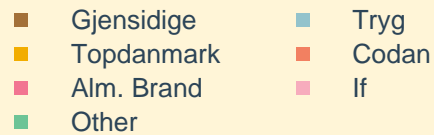
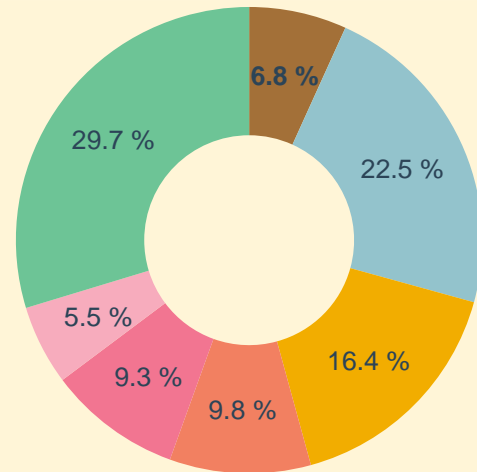
Market share – Private



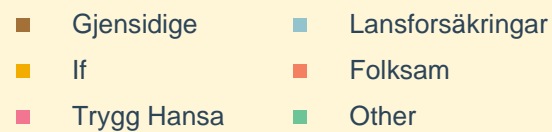
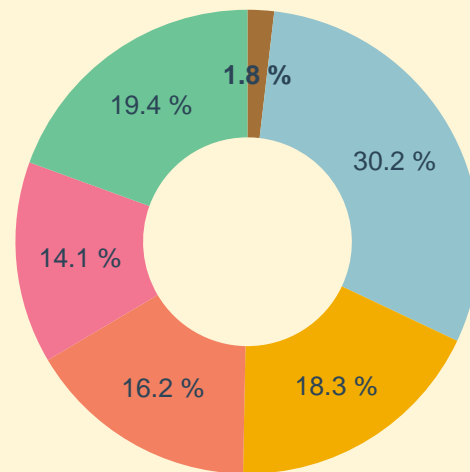


# Growth opportunities outside Norway

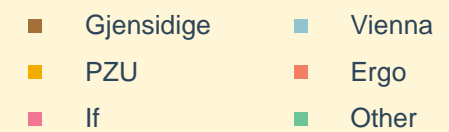
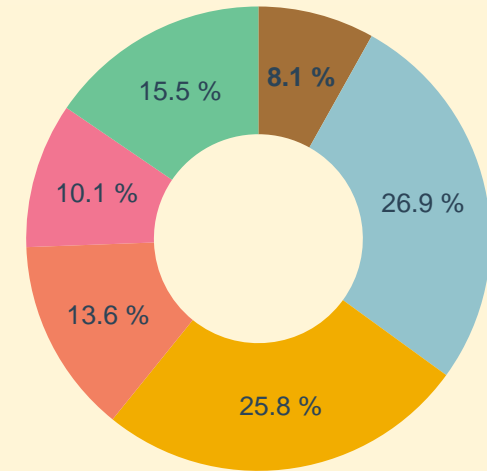
## Market shares Denmark



## Market shares Sweden



## Market shares Baltics



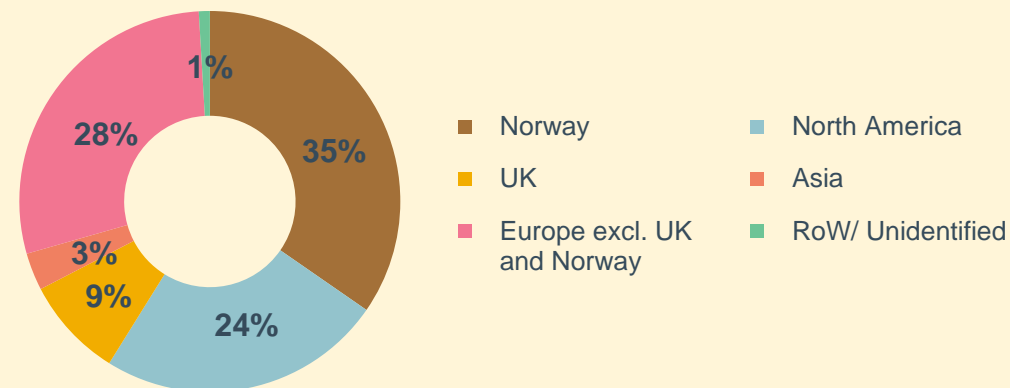
Sources: Insurance Sweden, 4<sup>th</sup> quarter 2019 (Gjensidige including Vardia), The Danish Insurance Association 1<sup>st</sup> quarter 2019. Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 4<sup>th</sup> quarter 2019

# Ownership

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

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	4.1
3	Deutsche Bank	3.7
4	Caisse de Depot et Placement du Quebec	3.0
5	BlackRock Inc	2.8
6	Nordea	1.3
7	ORIX Corporation	1.1
8	The Vanguard Group, Inc	1.1
9	State Street Corporation	1.0
10	Danske Bank	1.0
<b>Total 10 largest</b>		<b>81.4</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 31 March 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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