

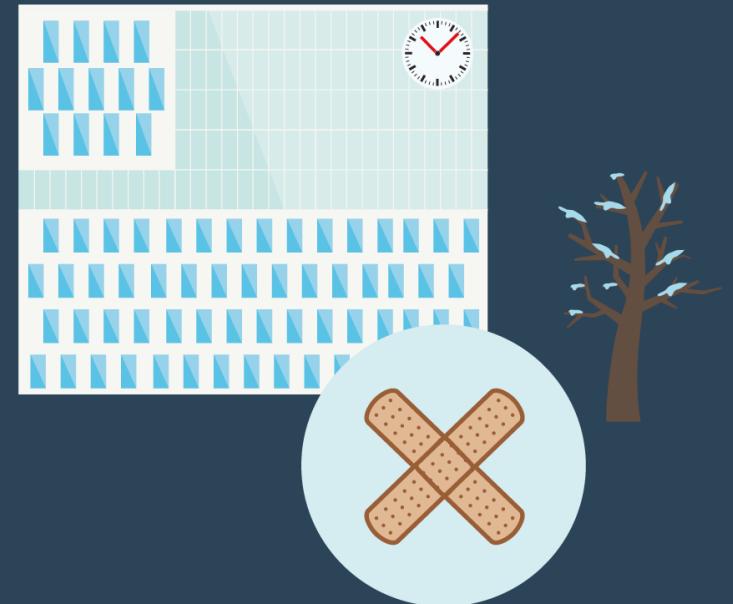


Gjensidige

# Gjensidige Insurance Group

## Results 4<sup>th</sup> quarter and preliminary results 2014

4 February 2015





# Strong end to the year

## Combined ratio



- Pre-tax profit NOK 1,159m
- Record-strong Q4 underwriting result: NOK 807m
  - 9.4 % premium growth, underlying 5.1 %
  - Good underlying frequency claims development
  - Lower than expected impact of large losses
  - Good cost control
- Financial result NOK 367m, return 0.7 %
- 23.3 % pre-tax return on equity\*

## Earnings per share





# Solid premium growth and good profit performance in 2014

- Pre-tax profit NOK 5,400m
- Underwriting result NOK 2,862m
  - 8.8 % premium growth, underlying 4.0 %
  - Good underlying frequency claims development
  - Lower than expected impact of large losses
  - Cost ratio 15.0 %
- Financial result NOK 2,426m, return 4.3 %
- Earnings per share NOK 8.38
- Proposed dividend NOK 2,950m, NOK 5.90 per share

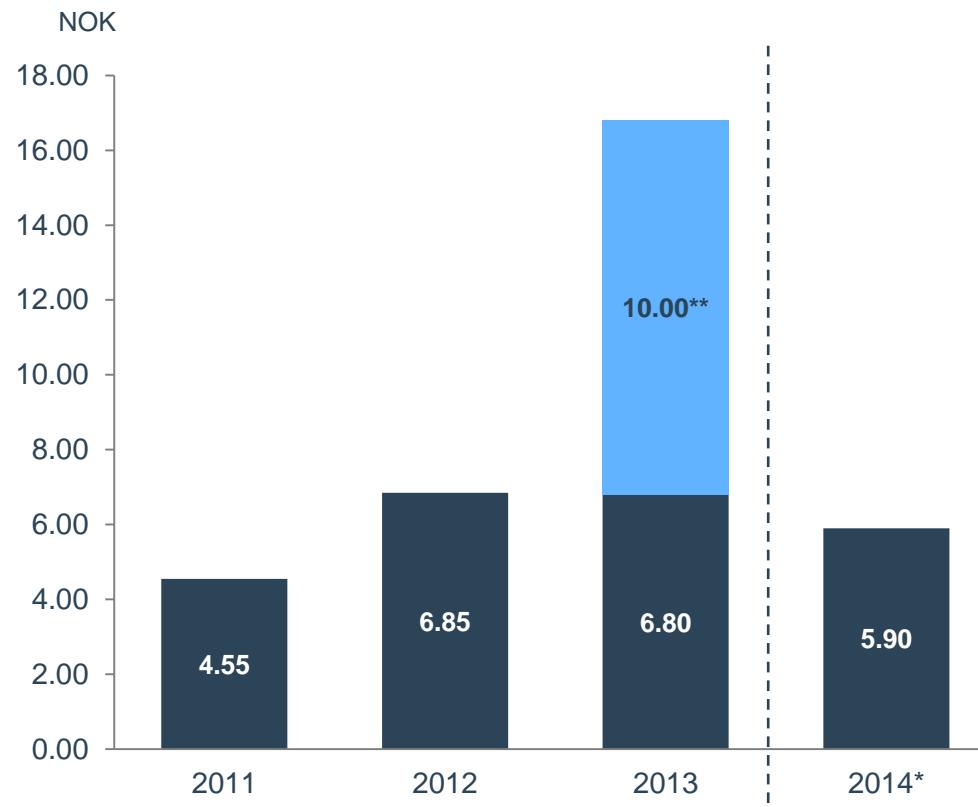
## Delivering on financial targets

	Delivered	Target
Return on equity	23.3 % (pre-tax)	15 % (pre-tax, to and including 2014)
Combined ratio	86.0 % (~83.4 % disc.)	90-93 % (~87-90 % disc.)
Cost ratio	15.0 %	15 %
Dividends	70.4 %	>70 % (high and stable)



# Proposed dividend NOK 5.90 per share

## Dividend per share



## Dividend policy

- High and stable dividends
- Pay-out ratio over time of at least 70 % of profit after tax
- Expected future capital need taken into account when determining the size of the dividend
- Excess capital above the targeted capitalisation will be paid out over time

\* Proposed dividend for the 2014 accounting year

\*\* Dividend related to distribution of excess capital



# Strengthened basis for profitable growth

- Increased customer satisfaction and high customer loyalty
- Targeted initiatives toward new customer groups
- New partner agreements
- Policy renewals for commercial customers in an increasingly competitive environment
- Acquisitions in Denmark and Sweden
- Reinforced initiative in the Baltics
  - Implementing group processes
  - Sharing best practice
  - Further improvement of infrastructure
  - Acquisition of PZU Lietuva in Lithuania
    - Approx. EUR 50m premiums
    - Increasing pan-Baltic market share to 13 % (7 %)
    - Reaching critical mass for the Baltic business
    - Significant potential for synergies
    - Closing expected primo third quarter 2015



# Key priorities towards 2018

## Critical success factors

**Customer orientation**

**Analytically-driven  
business processes**

**Efficient operations**

## Strategic priorities

Enhance and expand multi-channel distribution

Develop value-adding services for loyalty and preference

Further digitalise business and customer processes

Strengthen business intelligence and analytics

Build dynamic organisational capabilities



# Financial performance





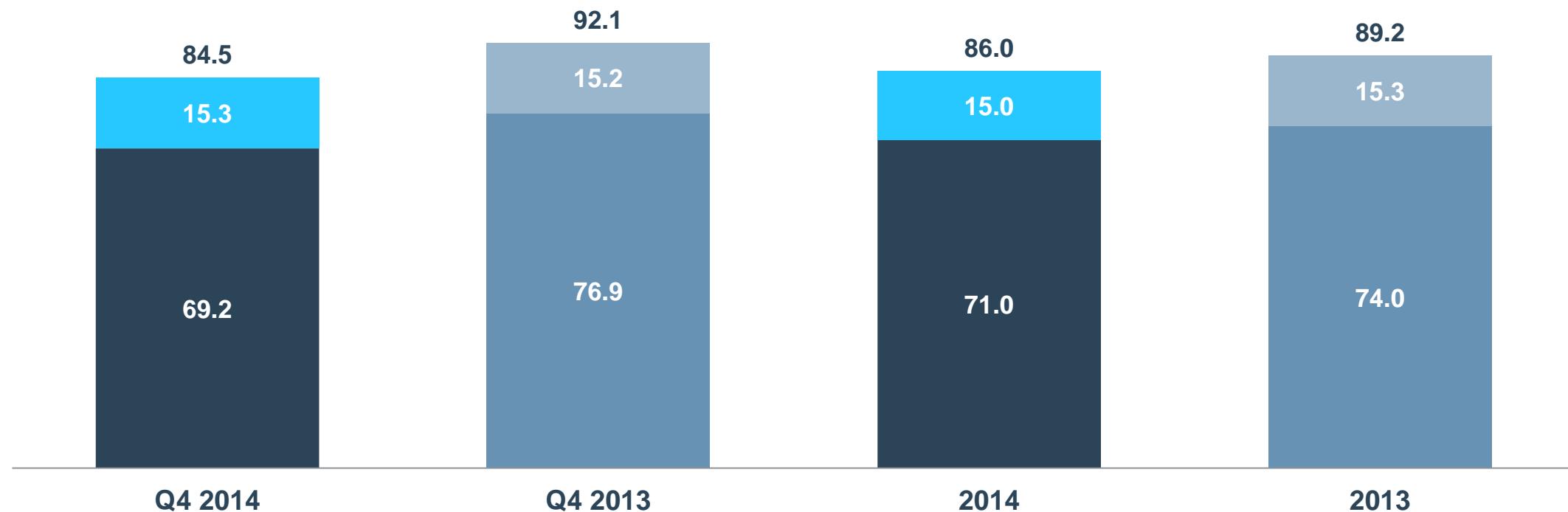
# Best ever Q4 underwriting result

NOK m	Q4 2014	Q4 2013	2014	2013
Private	449	393	1 624	1 305
Commercial	265	298	1 140	993
Nordic	166	47	529	342
Baltics	(3)	16	1	36
Corporate Centre/costs related to owner	(79)	(75)	(311)	(299)
Corporate Centre/reinsurance	10	(302)	(120)	(357)
<b>Underwriting result</b>	<b>807</b>	<b>376</b>	<b>2 862</b>	<b>2 020</b>
Pension and savings	(16)	14	44	50
Retail Bank	49	50	254	191
Financial result from the investment portfolio	367	878	2 426	2 481
Amortisation and impairment losses of excess value	(39)	(32)	(170)	(162)
Other items	(9)	(2)	(16)	(6)
<b>Profit/(loss) before tax expenses</b>	<b>1 159</b>	<b>1 283</b>	<b>5 400</b>	<b>4 574</b>



# Low combined ratio driven by good risk selection, run-off gains and low impact of large losses

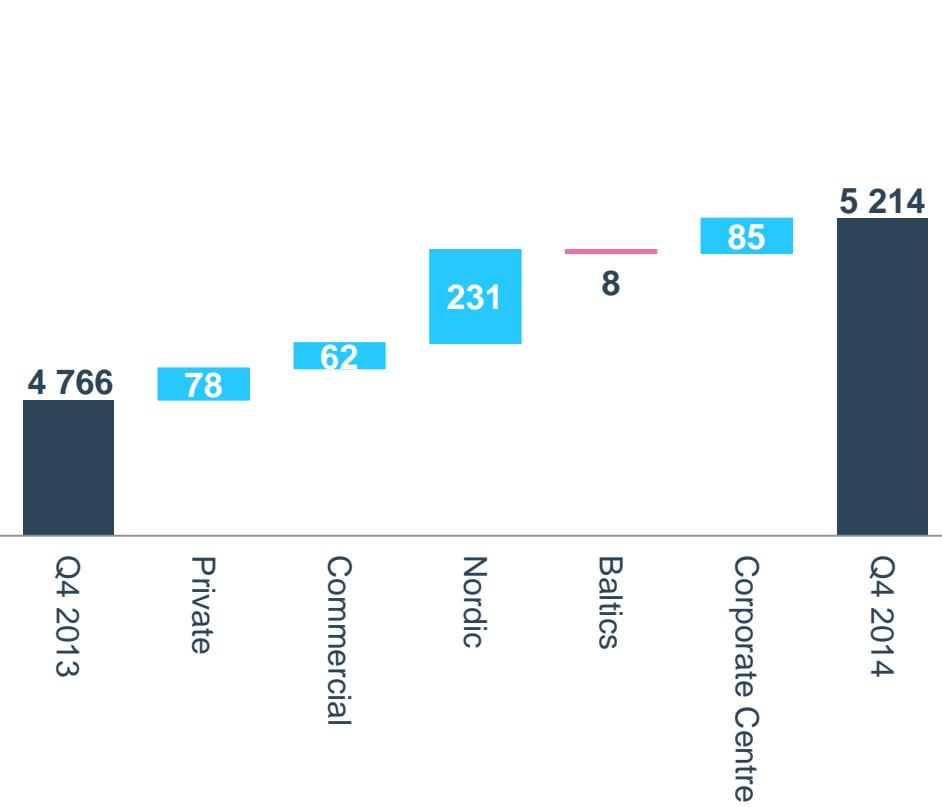
Combined ratio (%) – split loss ratio and cost ratio





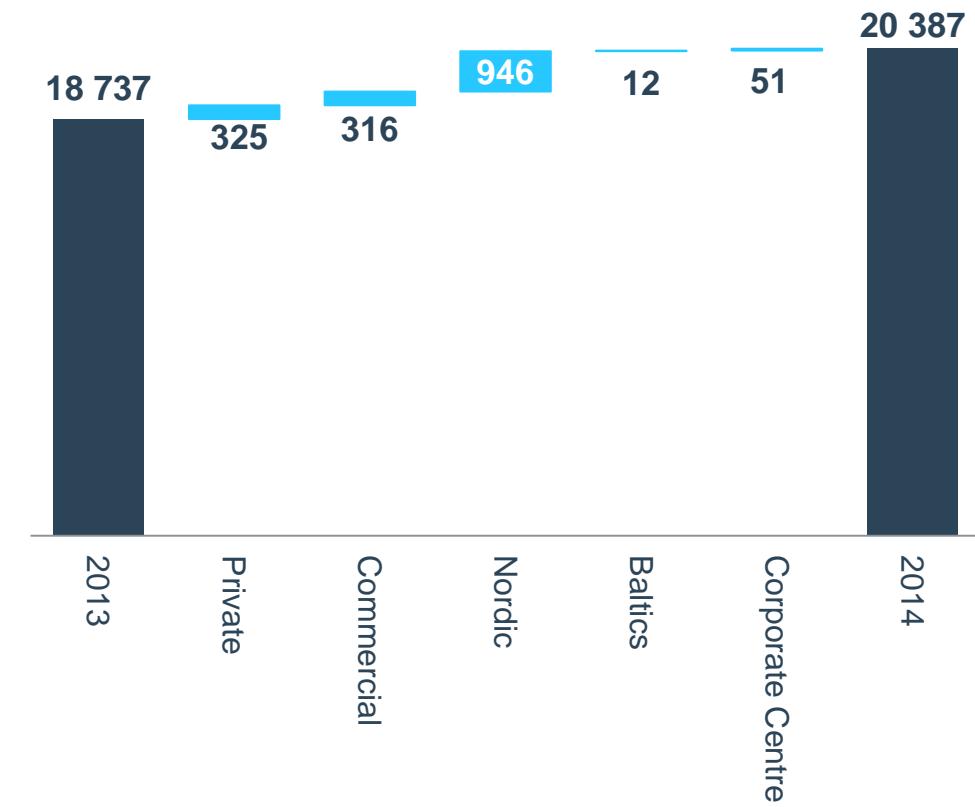
# Underlying premium growth of 5.1 % driven by premium increases and volume growth

Q4 2013 – Q4 2014



NOK m

FY 2013 – FY 2014





# Low impact from large losses

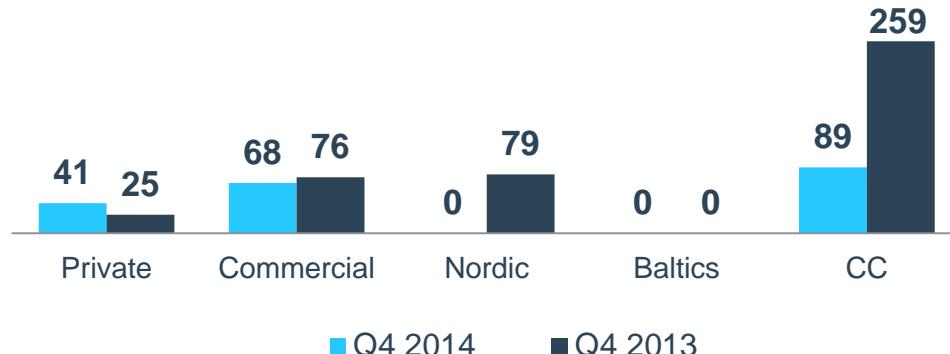
## Q4 2014 (Q4 2013)

NOK m	Reported claims figures	Expected large losses	Reported large losses
Claims	3 608 (3 664)	266	198 (439)
Loss ratio	69.2 % (76.9 %)	5.1 %	3.8 % (9.2 %)

## FY 2014 (FY 2013)

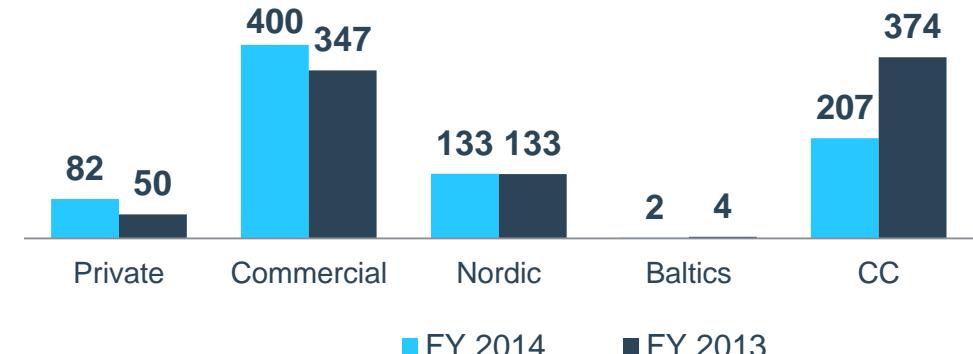
NOK m	Reported claims figures	Expected large losses	Reported large losses
Claims	14 470 (13 860)	1 064	823 (907)
Loss ratio	71.0 % (74.0 %)	5.2 %	4.0 % (4.8 %)

## Large losses per segment



\* Loss event in excess of NOK 10m

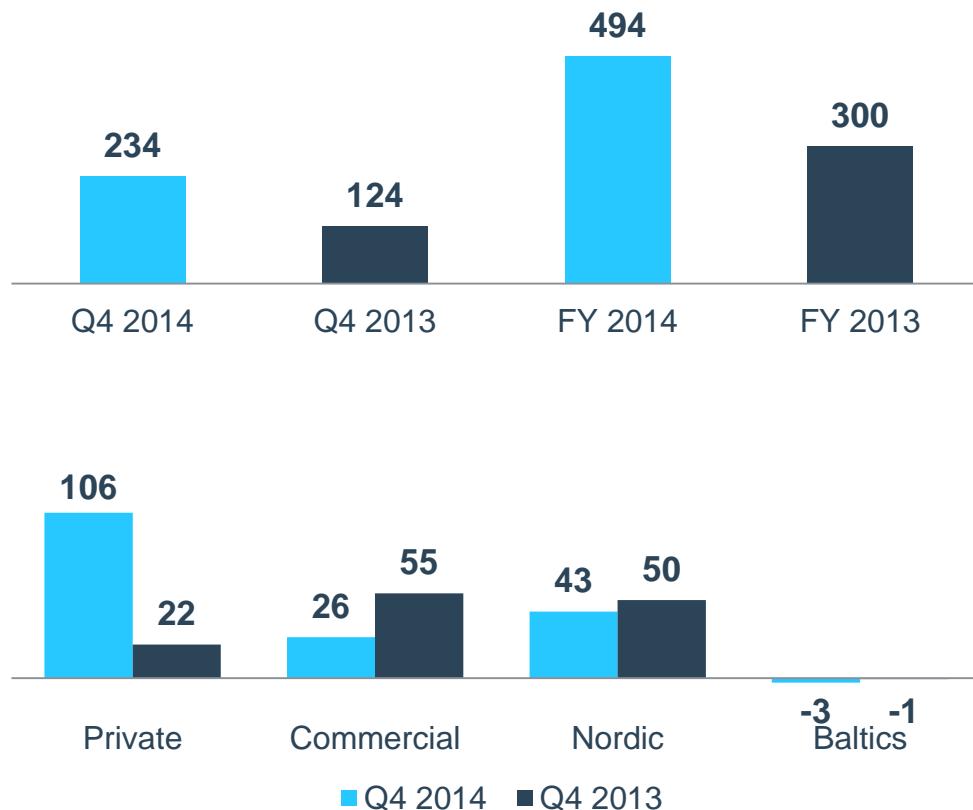
## Large losses per segment



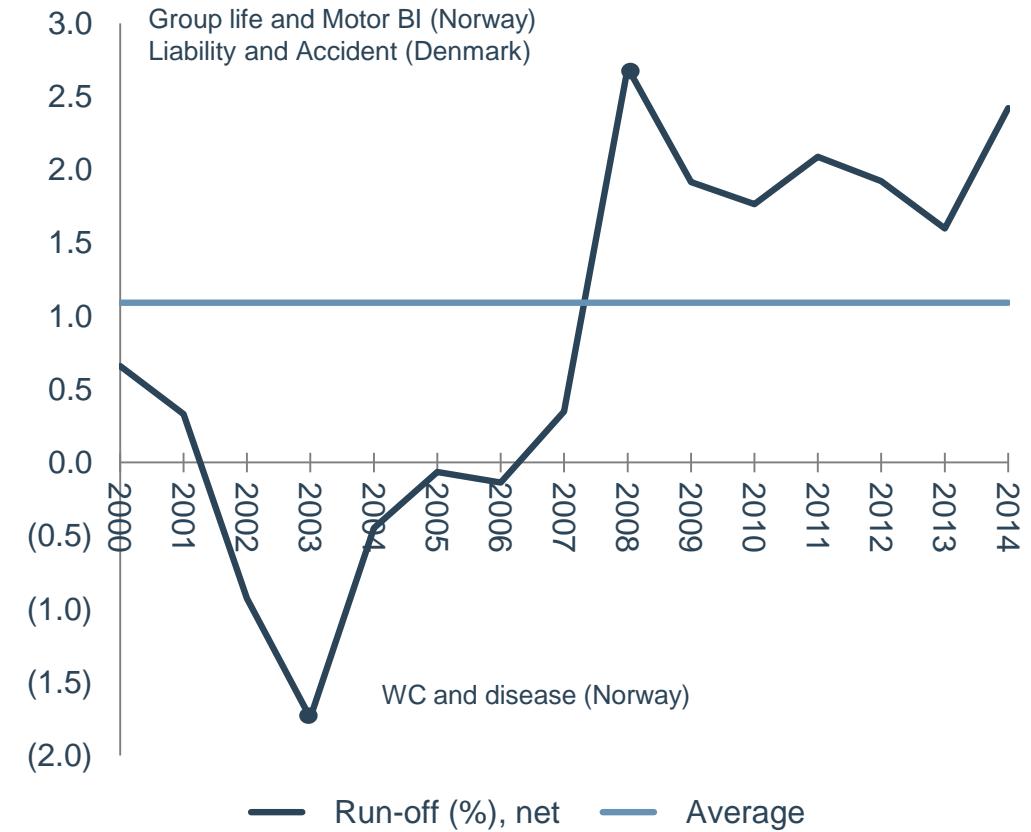


# Run-off gain affected by capitalisation interest rate and reduced estimates from the natural perils pool

## Run-off net – general insurance\*



## Run-off % of earned premium



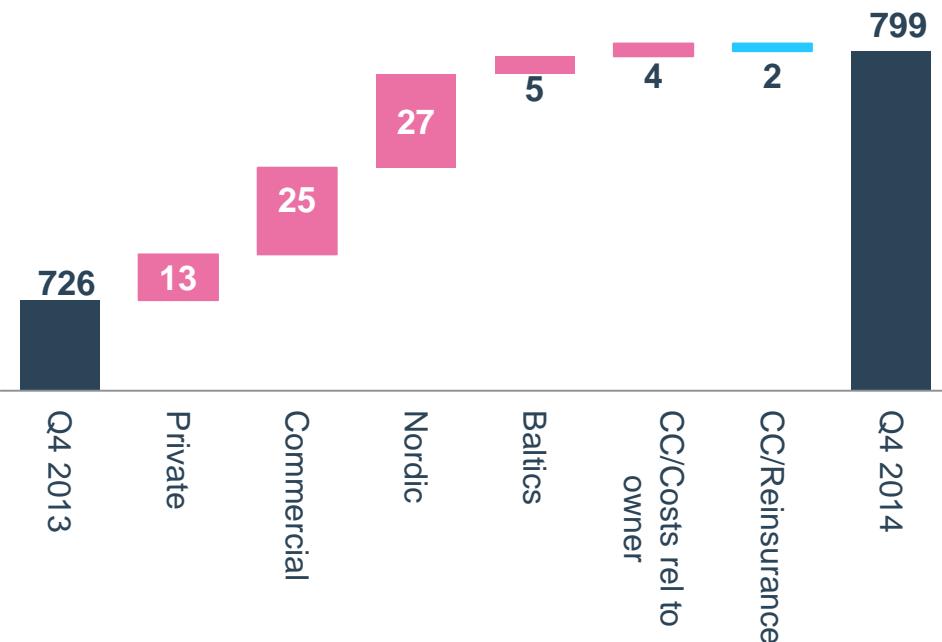
NOK m

\* Includes run-off from general insurance segments and run-off on corporate centre/ reinsurance



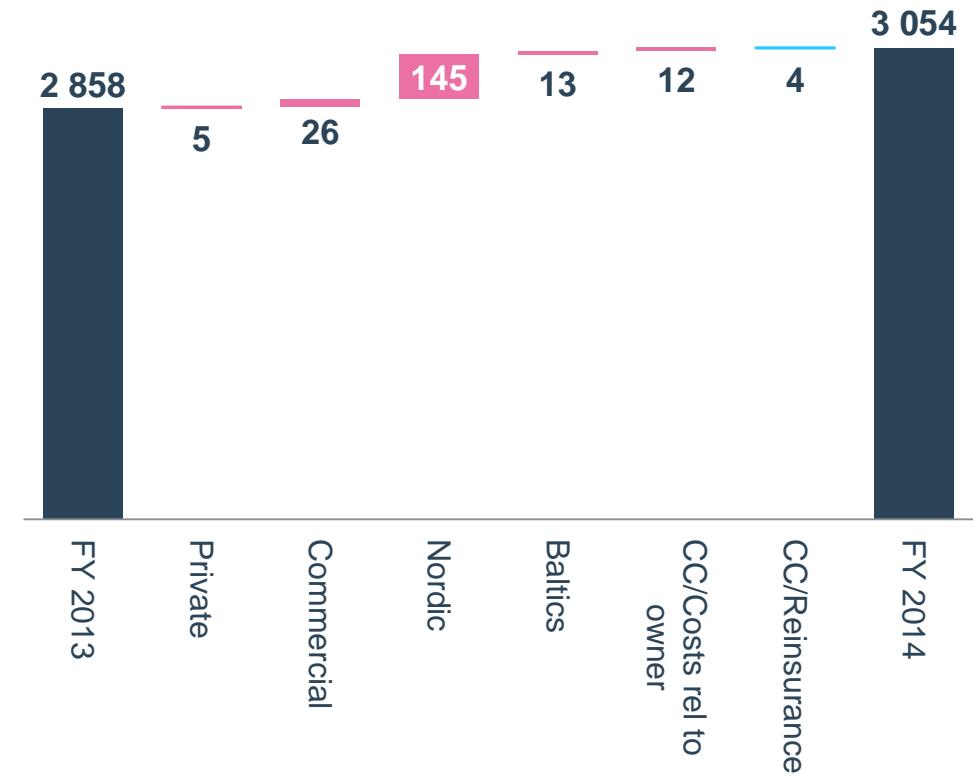
# Good underlying cost control - delivered on 15 within 15

Q4 2013 – Q4 2014



NOK m

FY 2013 – FY 2014

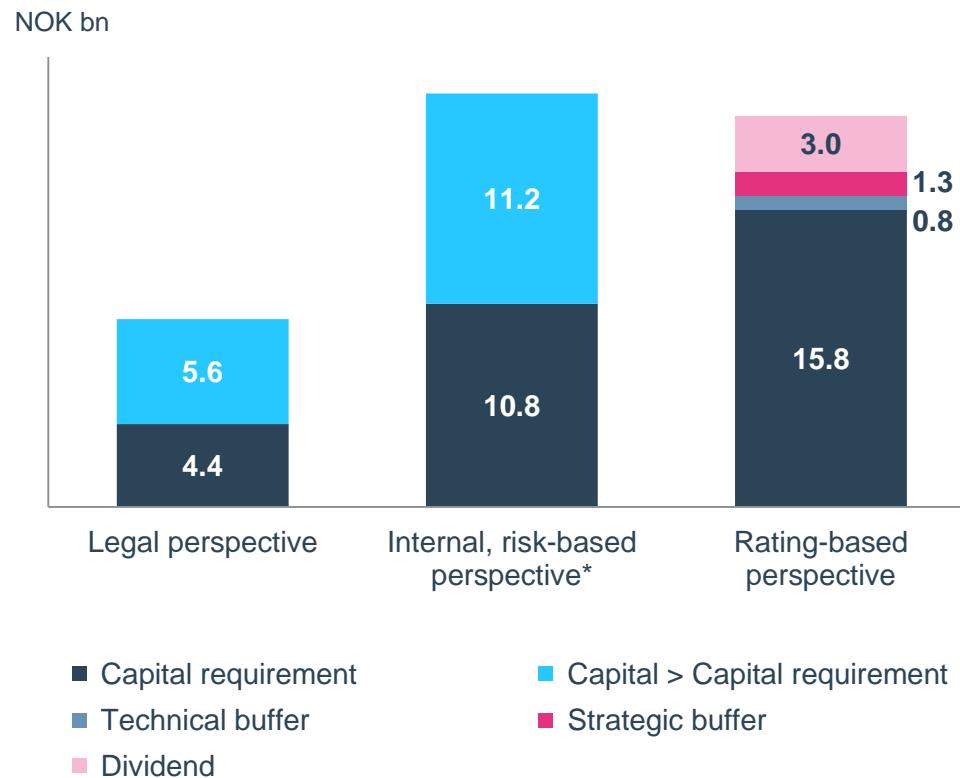


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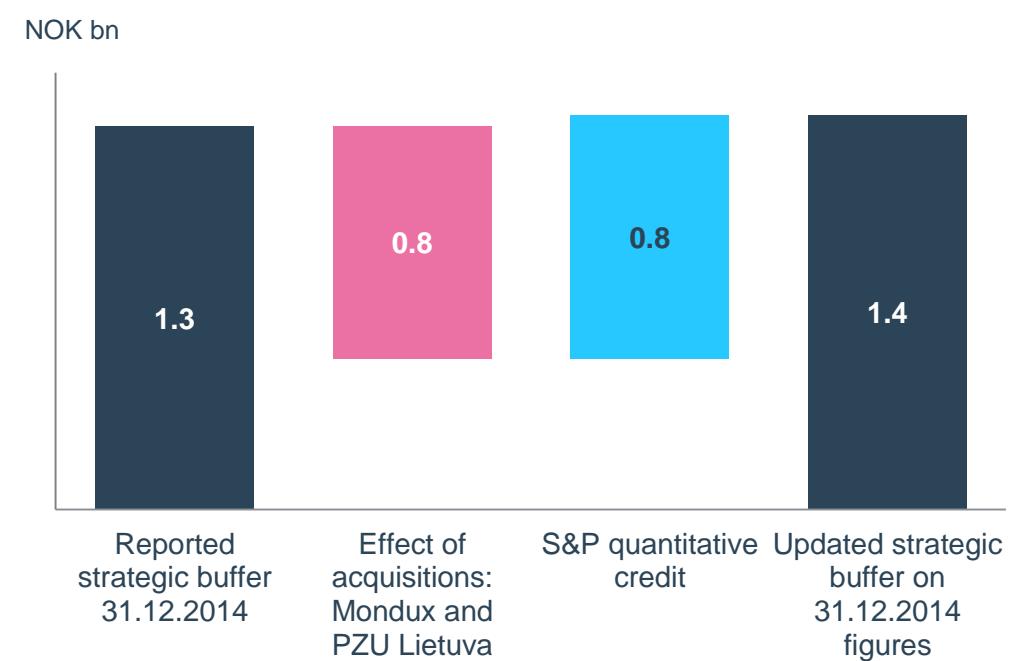


# Satisfactory capital buffers

## Three perspectives on capital position



## Changes to strategic buffer post 31.12.2014

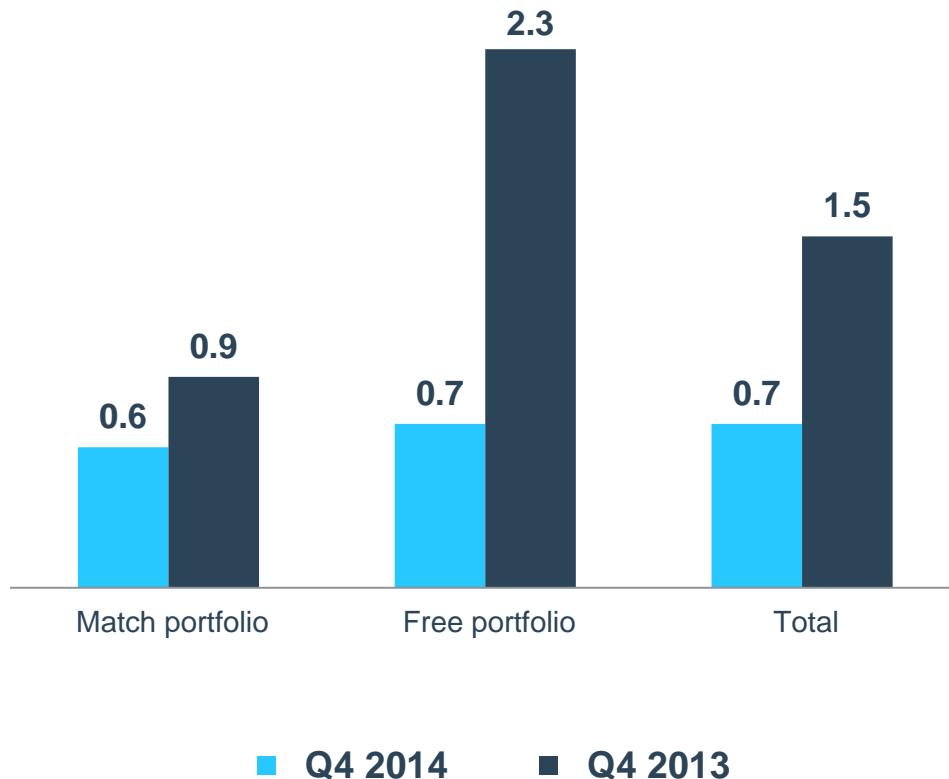


\* Based on Gjensidige's understanding of Solvency II which is that the Natural Perils Fund and Guarantee scheme should be included in Tier 2 capital

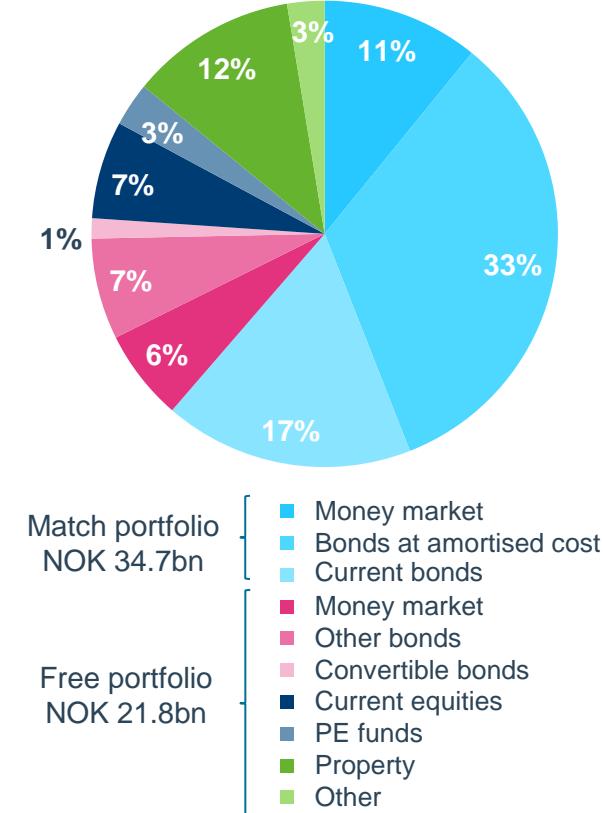
# Falling interest rates a challenge - unchanged risk appetite



Investment return (%)



Portfolio mix





# Key priorities towards 2018

Strategic priorities	Financial targets
Enhance and expand multi-channel distribution	<b>Return on equity</b> 15 % (post tax)
Develop value-adding services for loyalty and preference	<b>Combined ratio</b> 90-93 % (~87-90 % disc.)
Further digitalise business and customer processes	<b>Cost ratio</b> ~15 %
Strengthen business intelligence and analytics	<b>Dividends</b> >70 % (high and stable)
Build dynamic organisational capabilities	



# Appendix



# Key figures

## Group



NOK m	Q4 2014	Q4 2013	2014	2013	2012
Earned premiums, total	5 670	5 049	21 649	19 641	18 478
Loss ratio, General Insurance	69.2	76.9	71.0	74.0	69.9
Cost ratio, General Insurance	15.3	15.2	15.0	15.3	15.5
Underwriting result, General Insurance	807	376	2 862	2 020	2 608
Net income from investments	353	892	2 476	2 538	3 056
Profit/ (loss) before tax	1 159	1 283	5 400	4 574	5 634
Profit/ (loss) for the period	964	1 134	4 190	3 671	4 280



# Combined ratio (%)

General Insurance – cost ratio and loss ratio per segment

## Private



## Commercial



## Nordic



## Baltics

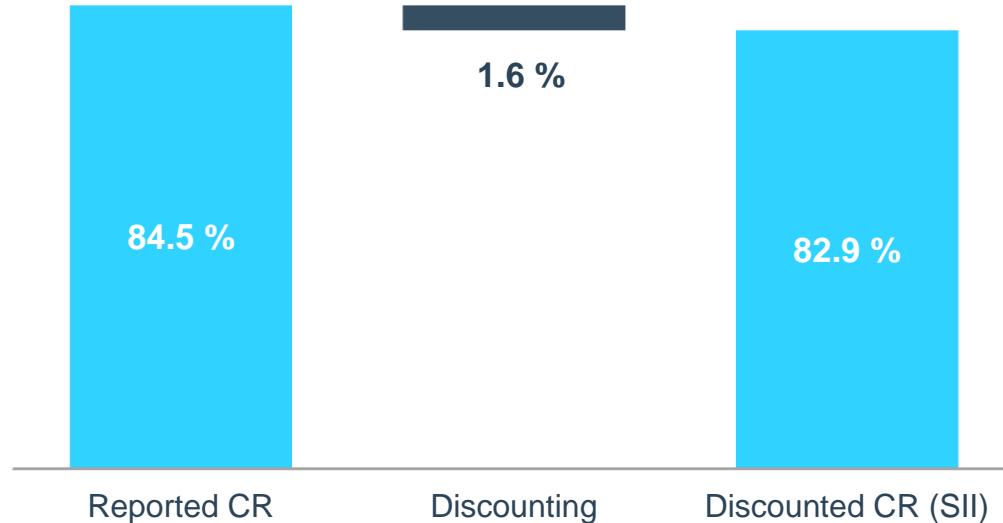




# Effect of discounting of loss provisions

Assuming Solvency II regime

## Effect of discounting on CR Q4 2014



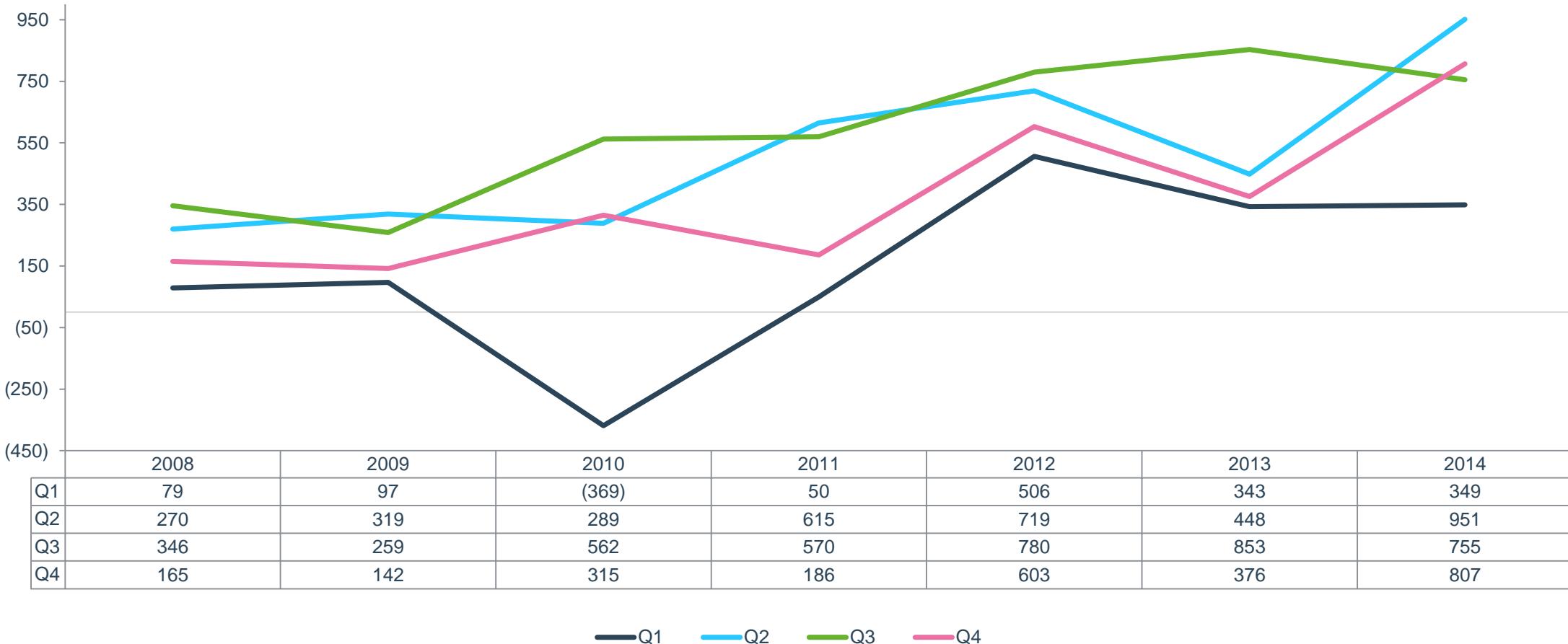
## Assumptions

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



# Quarterly underwriting results

## General Insurance



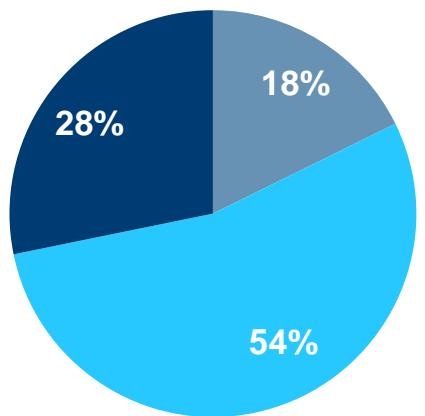


# Asset allocation

As at 31.12.2014

## Match portfolio

- Carrying amount: NOK 34.7bn
- Average duration: 3.4 years

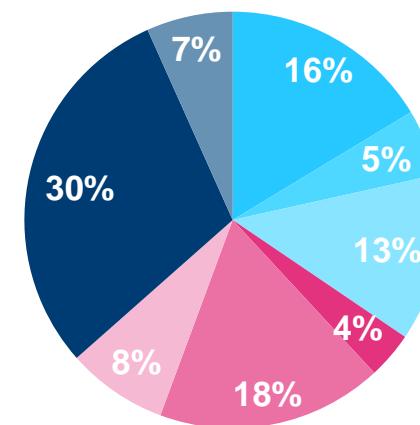


- Money market
- Bonds at amortised cost
- Current bonds

As at 31.12.2014

## Free portfolio

- Carrying amount: NOK 21.8bn
- Average duration fixed income instruments: 0.6 years

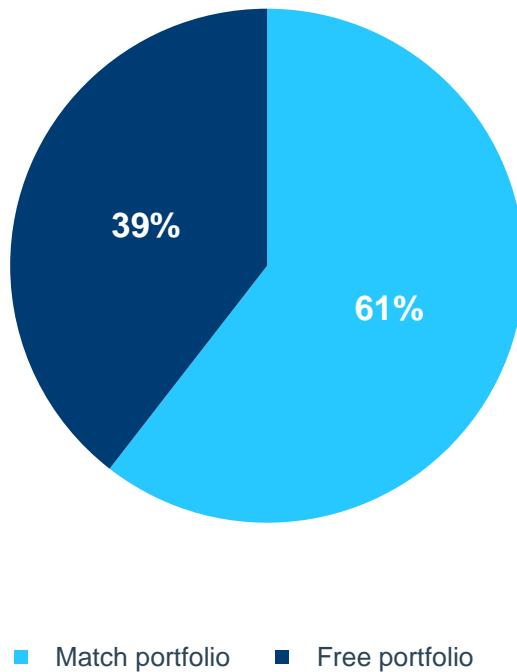


- Moneymarket
- High yield
- Other bonds
- Convertible bonds
- PE-funds
- Property
- Other

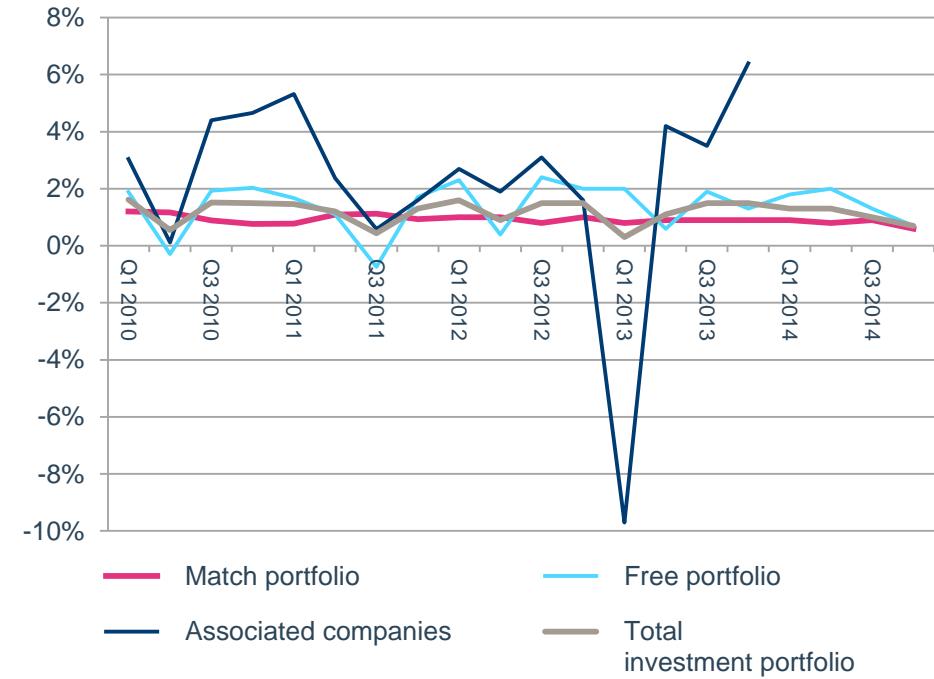


# Stable contribution from the match portfolio

Asset allocation 31.12.2014



Quarterly investment returns\*



\* From and including 2014 former associated companies are included in the Free portfolio. The investment in STB was sold in Q1 2014. From and including Q2 2014 the investment in SRBANK is classified as ordinary share



# Balanced geographical exposure

## Match portfolio

Country	Share (%)
Norway	52.6
Denmark	28.4
UK	5.8
Sweden	3.9
USA	1.6
Baltics	1.6
Other	6.2

## Free portfolio, fixed-income instruments

Country	Share (%)
Norway	31.6
USA	29.4
UK	12.7
Sweden	2.8
Denmark	2.9
Other	20.7



# 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, municipals, credit institutions and power producers and distributors
- Main part of the highest rated financial instruments are allocated to the match portfolio
- Relevant benchmark for high yield and investment grade are international, wide HY and IG indices

## Total fixed income portfolio

### Split of total fixed income portfolio - Rating

	NOK bn	
AAA	10.7	25.0 %
AA	1.8	4.1 %
A	13.8	32.0 %
BBB	2.5	5.9 %
BB	0.8	1.8 %
B	0.6	1.4 %
CCC eller lavere	0.1	0.3 %
Internal rating*	9.6	22.3 %
Unrated	3.1	7.3 %
<b>Fixed income portfolio</b>	<b>43.0</b>	<b>100.0 %</b>

### Split of total fixed income portfolio - Counterparty

Public sector	4.5	10.6 %
Banks/ financial institutions	25.8	59.9 %
Corporates	12.7	29.5 %
<b>Total</b>	<b>43.0</b>	<b>100.0 %</b>



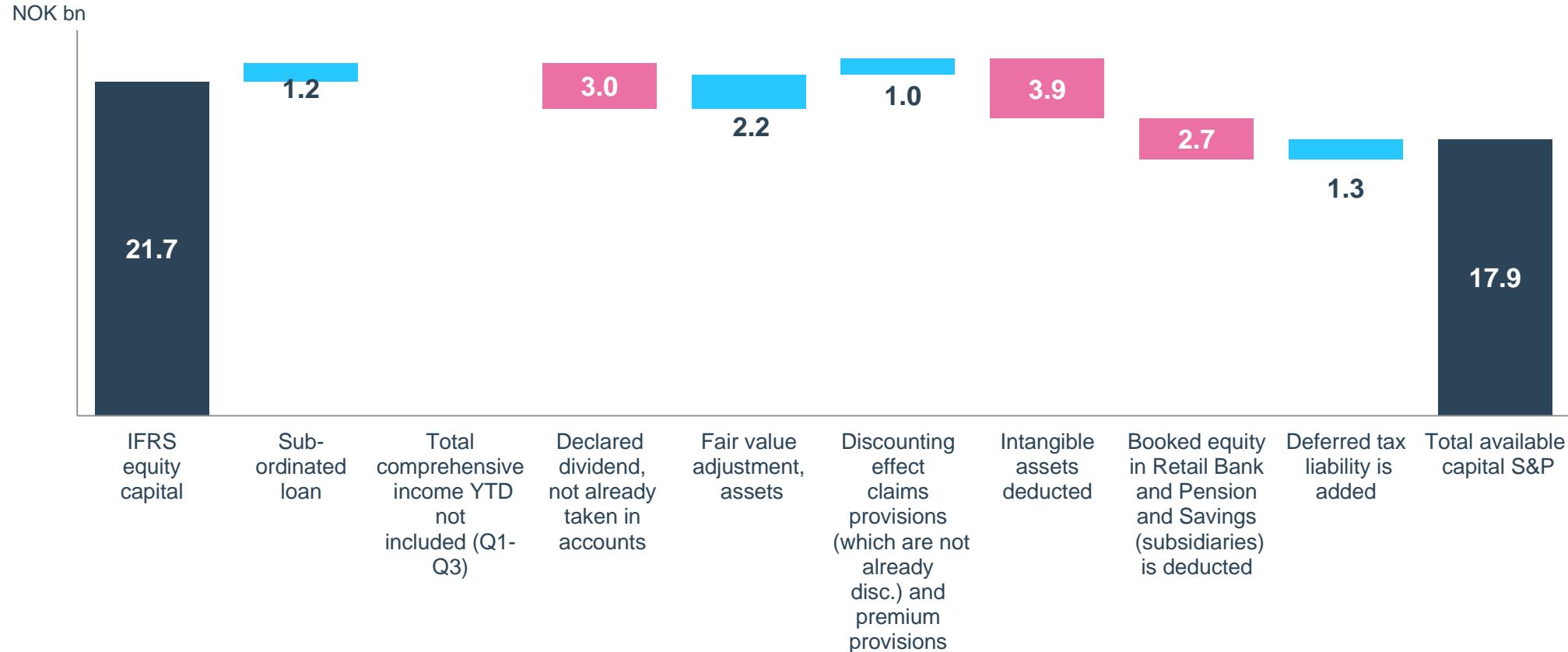
# Available capital

Available capital in different perspectives	NOK bn
• Legal	10.0
• Rating based	17.9
• Internal risk-based*	22.1
<b>IFRS equity</b>	<b>21.7</b>

\* Based on Gjensidige's understanding of Solvency II which is that the Natural Perils Fund and Guarantee scheme should be included in Tier 2 capital



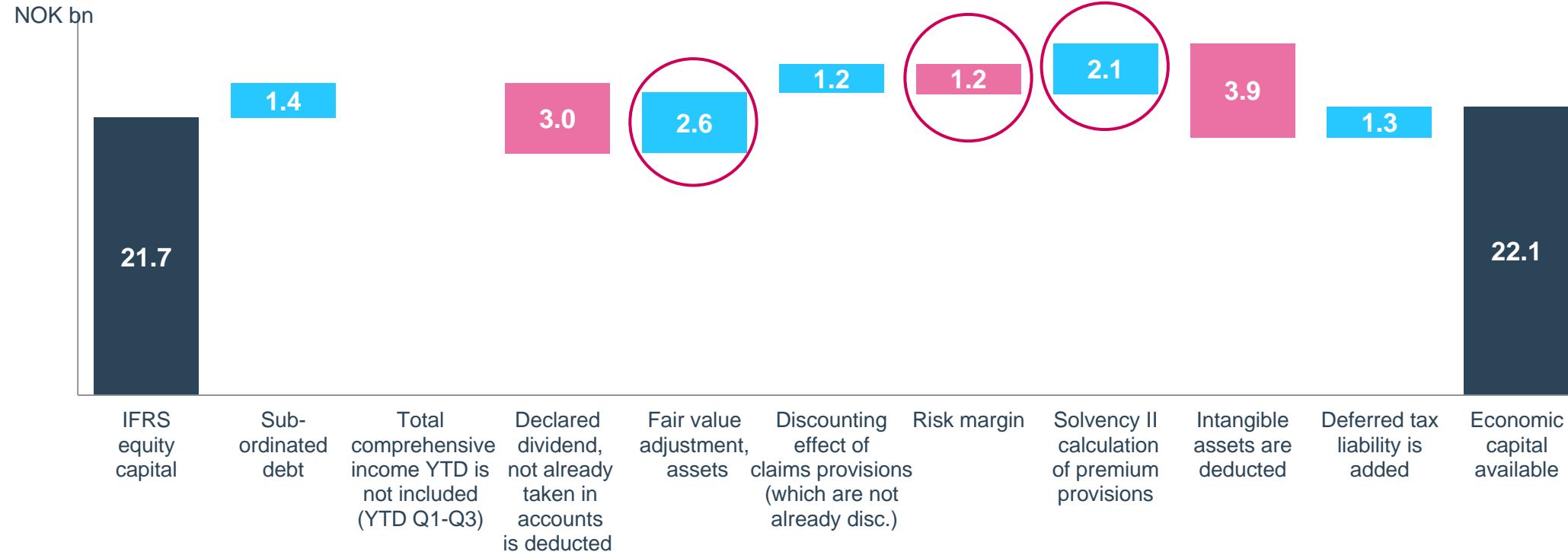
# Bridging IFRS capital to available capital in the S&P model



Capital requirement is calculated based on the balance sheet of the Group's general insurance operations



# Bridging IFRS capital to Economic capital available in the internal model



○ Elements which are new or changed due to changed principles, and which affect capital surplus. Further explanation on the following page.

# Principle changes in Gjensidige's internal model – according to Solvency II principles



Changes according to Solvency II principles (Q4 2014 "old principles" vs reported Q4 2014)		Available capital (NOK bn)	Capital req. (NOK bn)	Capital surplus (NOK bn)
<b>Subordinated debt</b>	<b>Gjensidige Bank</b>	0.3	0.3	-
<b>Fair value adjustment, assets</b>	<b>Gjensidige Pensjonsforsikring</b>	0.4	-	0.4
<b>Risk margin</b>	Risk margin non-life	-0.7	-0.7	
	Risk margin Gjensidige Pensjonsforsikring	-0.5	-	
	<b>Total risk margin</b>	<b>-1.2</b>	<b>-0.7</b>	<b>-0.5</b>
<b>Solvency II calculation of premium provisions</b>	Solvency II premium provisions non-life, discounted future profit, after tax	1.6		
	Solvency II premium provisions Gjensidige Pensjonsforsikring, discounted future profit, after tax	0,5		
	<b>Total Solvency II calculation of premium provisions</b>	<b>2.1</b>		<b>2.1</b>
<b>Other changes in capital requirement</b>	Capital requirement of Gjensidige Pensjonsforsikring is using the standard formula instead of the current legal requirement (capital adequacy)	-	0.7	-0.7
	Market risk for employee pension benefit arrangements included. This increases the capital requirement and reduces the capital surplus.	-	0.2	-0.2
	Minor model changes and update parameters based on review of all model components	-	0.1	-0.1
<b>Total change</b>		<b>1.5</b>	<b>0.5</b>	<b>0.9</b>

# Risk-based capital position based on Gjensidige's internal model



NOK m	Q3 2014	Q4 2014 «old» principles	Q4 2014
Economic capital available (incl. Bank/ Gjensidige Investeringsrådgivning)	20 219	20 630	<b>22 077</b>
Economic capital requirement (incl. Bank/ Gjensidige Investeringsrådgivning)	10 201	10 367	<b>10 847</b>
Capital surplus	10 017	10 263	11 230



# Economic capital allocation

Internal risk-based requirement as at 31.12.2014

■ Asset risk (NOK bn)

■ Allocated diversification between segments (NOK bn)

■ Diversified (NOK bn)



NOK m

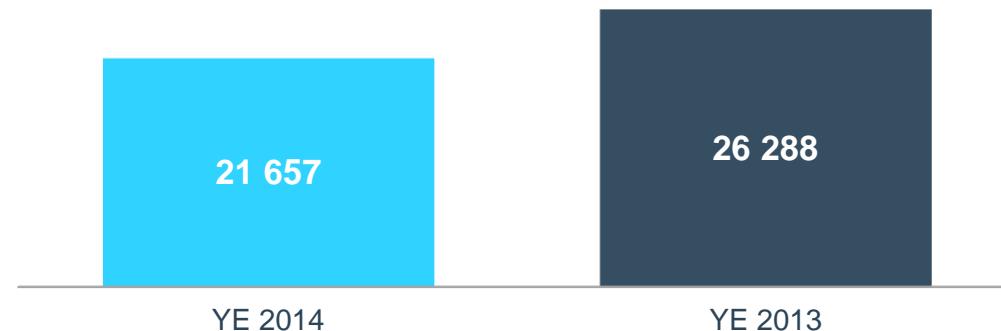
	Private	Commercial	Nordic	Baltics	Pension and Savings	Retail Bank	Total ECR operational segments	Asset risk	Total diversified incl. asset risk
ECR *,**	2 041	2 743	1 462	213	1 123	2 040	9 621	2 301	10 847
Underwriting result Q4 2014	449	265	166	(3)					
Pre-tax profit Q4 2014, other					(16)	49			
Claims provisions, gross, as at 31.12.2014	10 449	13 562	7 999	228	689				

\* Allocation of economic capital to general insurance segments is calculated using Gjensidige's internal model. The allocation reflects capital requirements based on internal assessments of insurance risk and market risk. Market risk is intended to be minimized due to the assumption of a replicating portfolio of financial instruments, appropriate to the term, nature and currency of the liability cashflows. The internal model is being developed to be Solvency II compliant. The allocation also reflects operational risk and reinsurer counterparty risk, in line with the current proposal for the Solvency II standard formula. \*\* Allocation of capital to Gjensidige Pensjonsforsikring is based on the standard formula. \*\*\* Allocation of capital to Retail Bank and Gjensidige Investeringsrådgivning is based on 14.5 per cent capital adequacy.



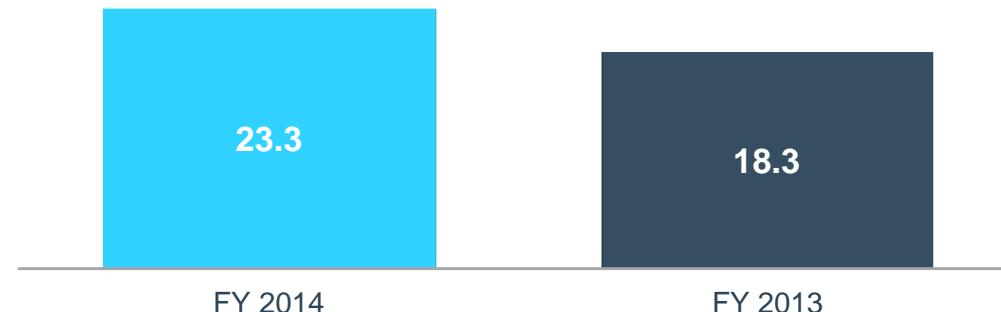
# Return on equity

Equity (NOK m)



- Capital adequacy of 18.1 % at 31.12.2014 (13.4 %)
- Solvency margin of 366.5 % per 31.12.2014 (423.8 %)

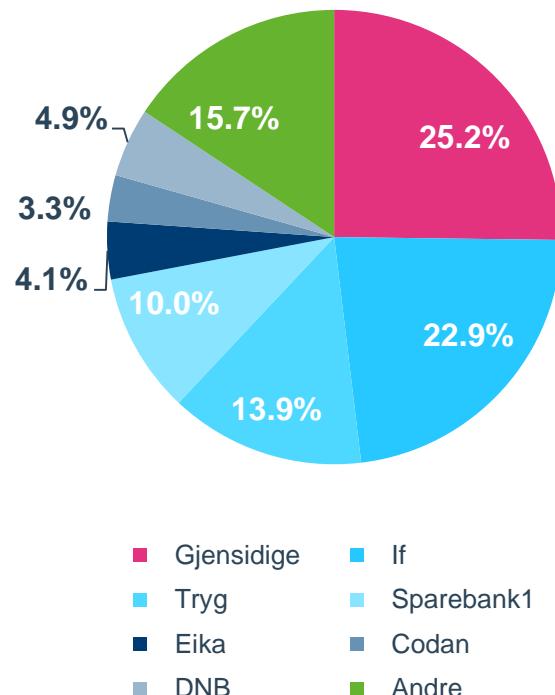
Pre-tax return on equity (%)



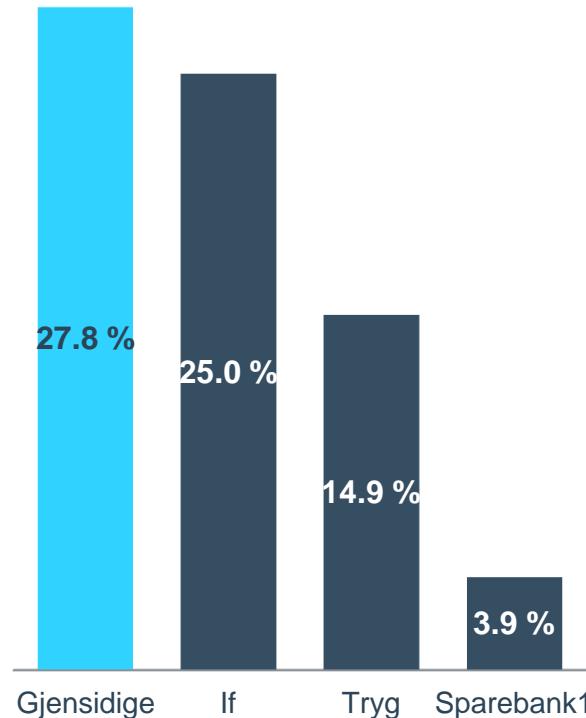


# Market leader in Norway

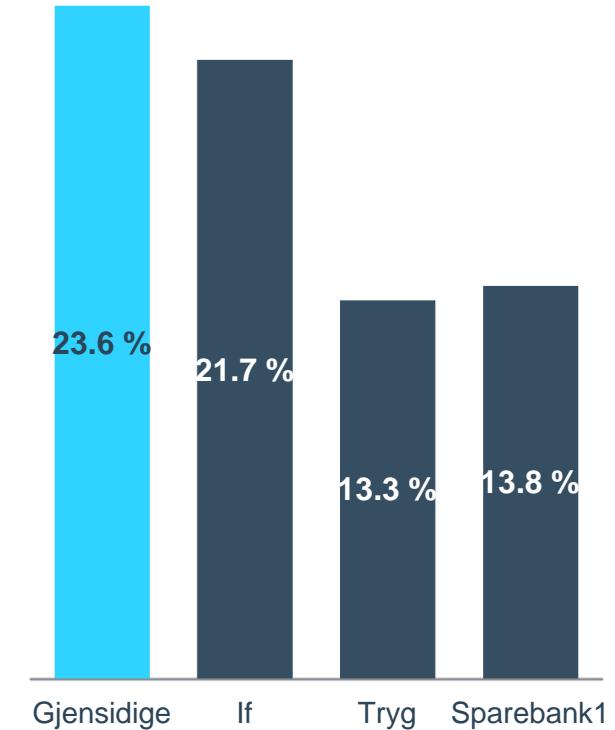
Market share – Total market



Market share – Commercial



Market share – Private

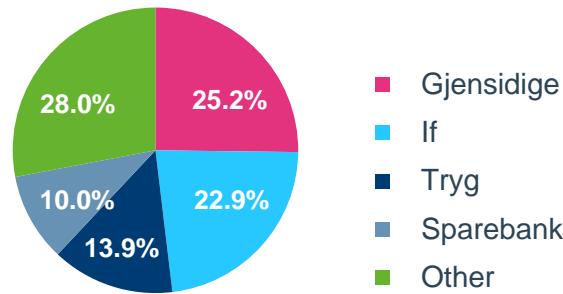


Source: Finance Norway, non-life insurance, 3rd quarter 2014. The Definition of Private and Commercial is adjusted to reflect Gjensidige's business model. Agriculture is defined as part of Commercial. From and including 1<sup>st</sup> quarter 2014 the products child-, disease- and treatment insurance is included in the statistics, something that affects total premium volume and market shares. From and including 2<sup>nd</sup> quarter 2014, Vardia is presented in the statistics, something that affects the total premium volume and market shares.

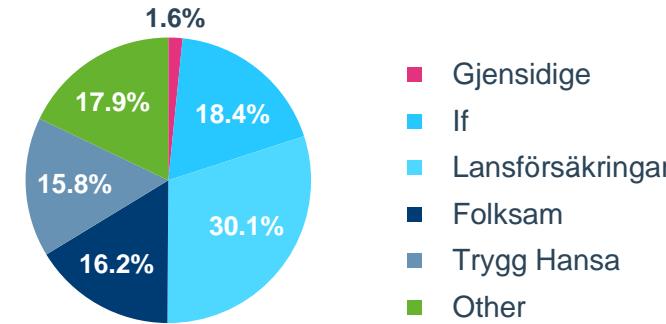


# Nordic and Baltic growth opportunities

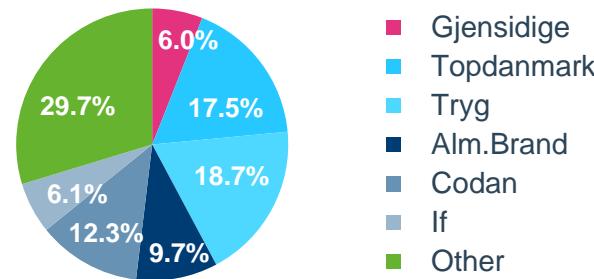
## Market shares Norway



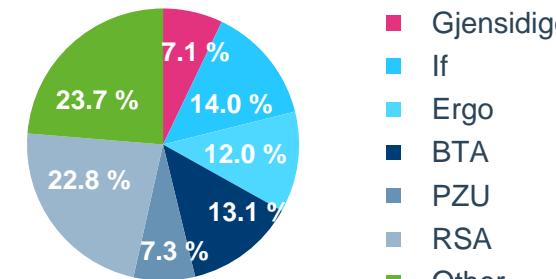
## Market shares Sweden



## Market shares Denmark



## Market shares Baltics



Sources: Finance Norway, 3<sup>rd</sup> quarter 2014. Insurance Sweden, 3<sup>rd</sup> quarter 2014, The Danish Insurance Association 4<sup>th</sup> quarter 2013. Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 3<sup>rd</sup> quarter 2014.



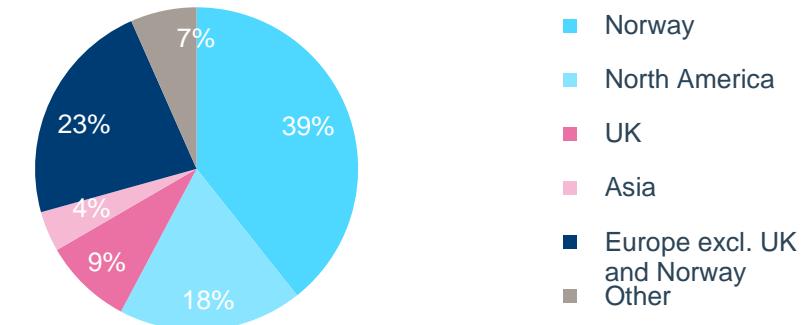
# Ownership

## 10 largest shareholders\*

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	5.0
3	Deutche Bank	3.9
4	BlackRock	1.3
5	Danske Bank	1.2
6	Safe Investment Company	1.0
7	State Street Corporation	1.0
8	Thornburg Inv. Mgmt	0.9
9	DNB Asset Management	0.8
10	UBS	0.7
<b>Total 10 largest</b>		<b>78.1</b>

\* 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 Dec 2014. This analysis provides a survey of the shareholders who are behind the nominee accounts. There is no guarantee that the list is complete. \*\*) "Free shares" means total shares excluding shares owned by Gjensidigestiftelsen.

## Geographical distribution of free 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



# Norwegian Natural Perils Pool

## Details regarding the pool

- Premiums set as 0.07 per thousand of the fire insurance amount
- Natural perils damages in Norway:
  - NOK 0-1,000m covered by general insurance companies based on national market share
  - NOK 1,000m-12,500m covered by the Natural Perils Pool's reinsurance programme
  - Maximum compensation per event is NOK 12,500m
- No limit for the frequency of events

## Objects covered

- Fire insurance coverage for buildings and contents in Norway includes coverage for natural catastrophes
- The pool does not cover loss of profits, motor vehicles, leisure boats, and certain other items, which are covered through ordinary insurances
- For damages on private property that cannot be insured, e.g. roads, bridges, farmland and forests, coverage may be sought through the may be covered by the National Natural Perils Fund



# Norwegian Natural Perils Pool

## Handling of natural perils claims

- The customers report claims to own insurance company
- The insurance company reports claims on to Finance Norway, who coordinates the Natural Perils Pool
- Share of claims is allocated to the companies based on national market share for fire insurance
- Through own accounts, the companies cover the allocated claims costs

## Gjensidige specific

- Market share for Gjensidige in 2015 is calculated to 26.1 %
- Gjensidige is a reinsurer for the pool, for it's own market share
- Natural perils claims are booked in the same month as the claim occurs



# Reinsurance

## - Overview, valid as from 2015

- Reinsurance is purchased for protection of the Group's capital position and is primarily a capital management tool
- General retention level per claim/ event is around NOK 100m
- For weather-related events the retention level per claim/ event is NOK around 200m
- Maximum retention level per claim/ event hitting more than one reinsurance programme is NOK 400m\* including any reinstatement premium
- Gjensidige considers additional coverage if this is appropriate considering internal modelling and capital requirement

\* Valid as from 2015. To and including 2014 maximum retention level per claim/ event hitting more than one reinsurance programme was NOK 390m.



# Practical example, natural perils claim in Norway

## Example: Natural perils event occurring in 2015

A natural perils event covered by the Natural Perils Pool occurs and is defined by Finance Norway as a single event. The total industry claims exceed NOK 1,000m.

- Gjensidige is allocated its share of the NOK 1,000m claim from the pool
- Gjensidige is in addition allocated its share of the amount exceeding NOK 1,000m, as a reinsurer for the pool
- Gjensidige receives claims directly, for damages not covered by the pool
- Gjensidige's total claims related to the natural perils event exceeds Gjensidige's retention level and only hits the natural perils reinsurance programme.  
→ Gjensidige's net impact for this event is around NOK 200m if the event occurs



# Disclaimer

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