



Gjensidige

Gjensidige Forsikring Group

4th quarter 2018 results

24 January 2019

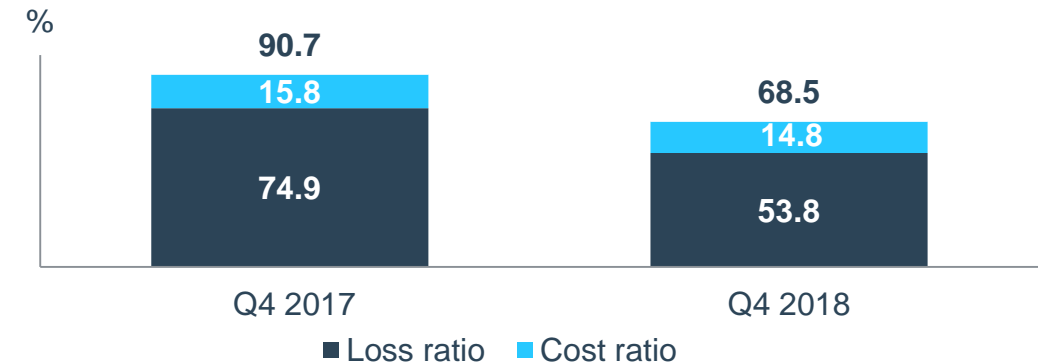




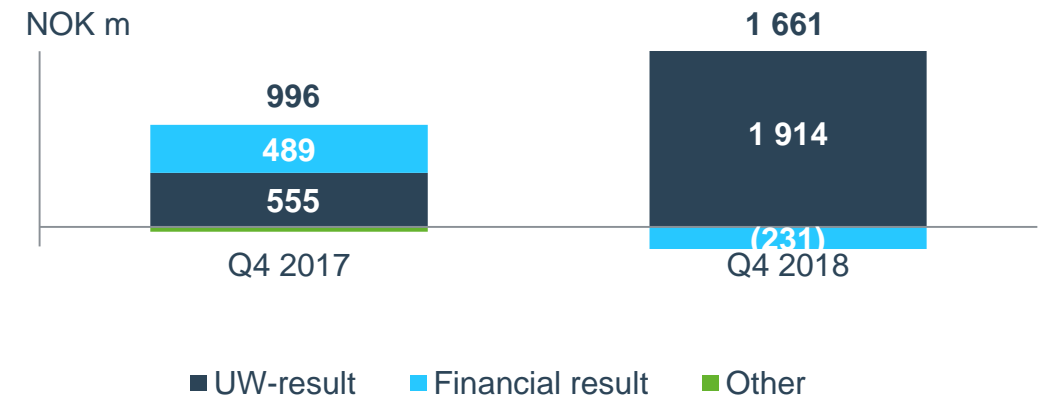
Q418 results reflect high run-off gains and improved underlying frequency claims situation

- Pre-tax profit NOK 1,661m
 - Excluding NOK 15m for Gjensidige Bank, recorded as discontinued operation
- Underwriting result NOK 1,914m
 - 1.9% premium growth
 - NOK 1.4bn in run-offs gains
 - More favourable underlying frequency claims situation
 - Good cost control
- Financial result NOK - 231m, return -0.4%

Combined ratio







Pre-tax profit





2018 was a year significantly impacted by extraordinary weather conditions and high run-off gains

- Pre-tax profit NOK 4,265m
- Underwriting result NOK 3,606m
 - 2.8% premium growth
 - Combined ratio 85.0
 - NOK 2.4bn run-off gains
 - ~NOK 530-660m in weather related frequency claims above Q1-Q3 average in Norway
 - Weaker motor profitability in Norway
 - Improved profitability outside Norway
 - Good cost control
- Financial result NOK 821m, return 1.5%
- Earnings per share NOK 7.44
- Proposed dividend NOK 3,550m or NOK 7.10 per share

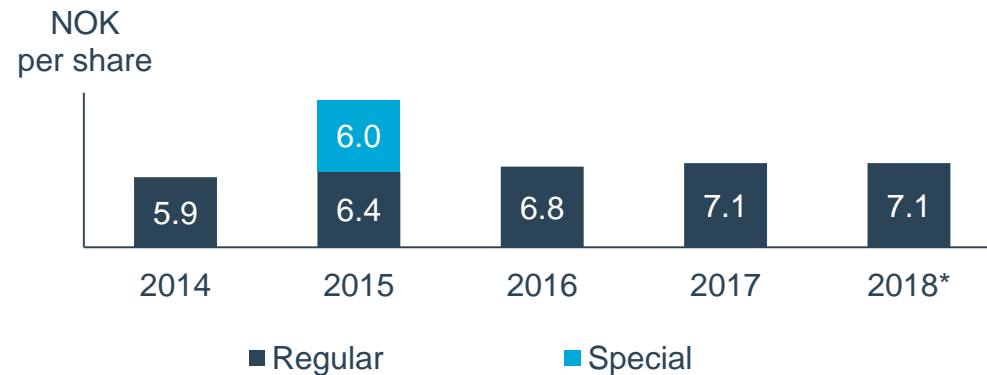
	Delivered 2018	Target
Return on equity	17.3% 	>15%
Combined ratio	85.0% (90.7% excl. run-off gains beyond expected level) 	86-89% ¹⁾
Cost ratio	15.2% 	~15%
Dividends	NOK 7.10 per share 95.5% pay-out ratio 	Nominal high and stable, >70%

¹⁾ Combined ratio target on an undiscounted basis, assuming ~NOK 1bn annual run-off gains through 2022.



Proposed dividend NOK 7.10 per share - 95.5 per cent pay-out ratio for the Group

Delivering attractive high and stable nominal dividends on a regular basis



- Proposal contingent upon FSA approval
- Approval expected, given solid capital position

Dividend policy

Gjensidige targets high and stable nominal dividends to its shareholders, and a pay-out ratio over time of at least 70 per cent of profit after tax (80 per cent payout ratio from 2019, assuming closing of the sale of Gjensidige Bank). 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

* Proposed 2018 dividend to be decided by the AGM, 28 March 2019.

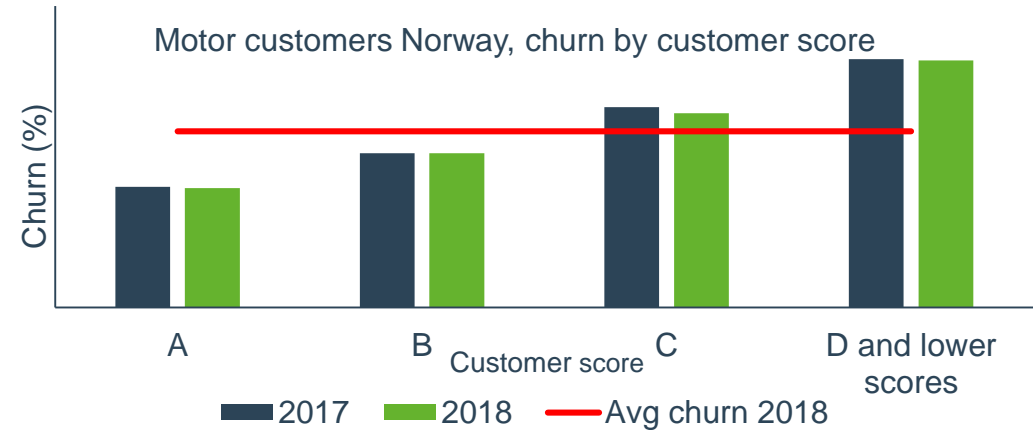


Operational highlights

- focus on improved profitability

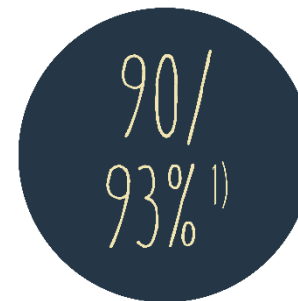
- Effective pricing measures in Norway
 - Profitability for Motor Norway on its way to stabilise
 - Still limited change in motor churn, high overall retention level
 - Somewhat negative impact on new sales
- Steady improvement outside Norway
 - Implementation of new core IT system starting in Denmark 2019 and Sweden 2020
- Satisfactory renewal season so far
- Bank sale on track for closing Q119

Keeping the best customers

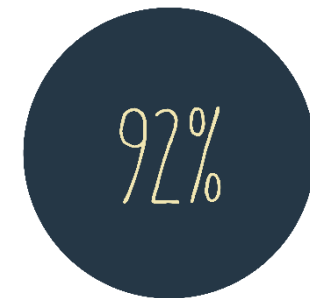


High customer retention in Norway

Private



Commercial



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



Financial performance



Results impacted by high run-off gains and better underlying profitability

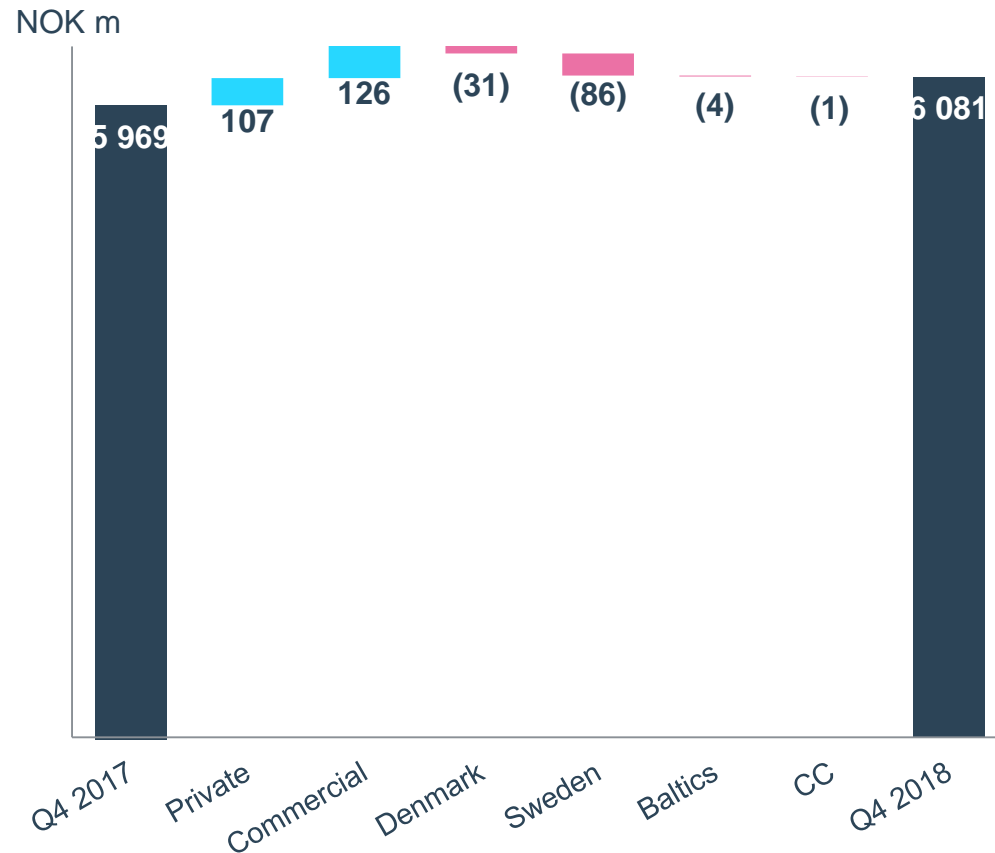


NOK m	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Private	811	393	1 935	2 200
Commercial	1 036	314	1 548	1 635
Denmark	125	71	434	284
Sweden	45	2	78	(92)
Baltics	17	19	68	(7)
Corporate Centre/costs related to owner	(80)	(84)	(379)	(272)
Corporate Centre/reinsurance	(39)	(160)	(79)	(338)
Underwriting result	1 914	555	3 606	3 410
Pension	56	28	167	104
Financial result from the investment portfolio	(231)	489	821	2 003
Amortisation and impairment losses of excess value	(64)	(73)	(265)	(261)
Other items	(15)	(4)	(64)	(38)
Profit/(loss) before tax expenses	1 661	995	4 265	5 217



1.9 per cent premium growth

Premium development



CC = corporate centre

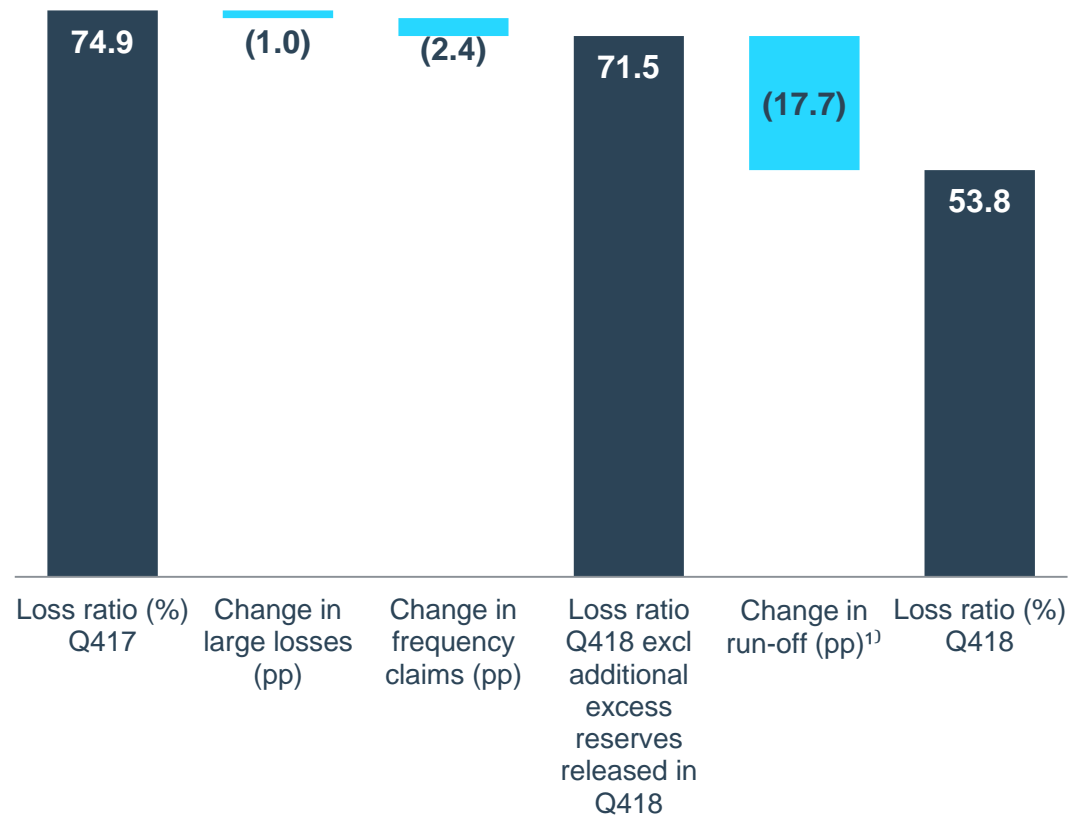
Key drivers - premium development

- Private +5.0%
 - Price driven
- Commercial +6.9%
 - Price driven
- Denmark -2.4%
 - Negative 2.4% in local currency, impacted by pricing and risk selection measures in commercial lines
- Sweden -19.2%
 - Negative 15.2% in local currency following pricing measures, mainly in private lines
- Baltics -1.3%
 - Negative 1.4% in local currency due to pricing measures

Significant impact from run-off gains and a more favourable underlying loss ratio



Loss ratio development



Key drivers

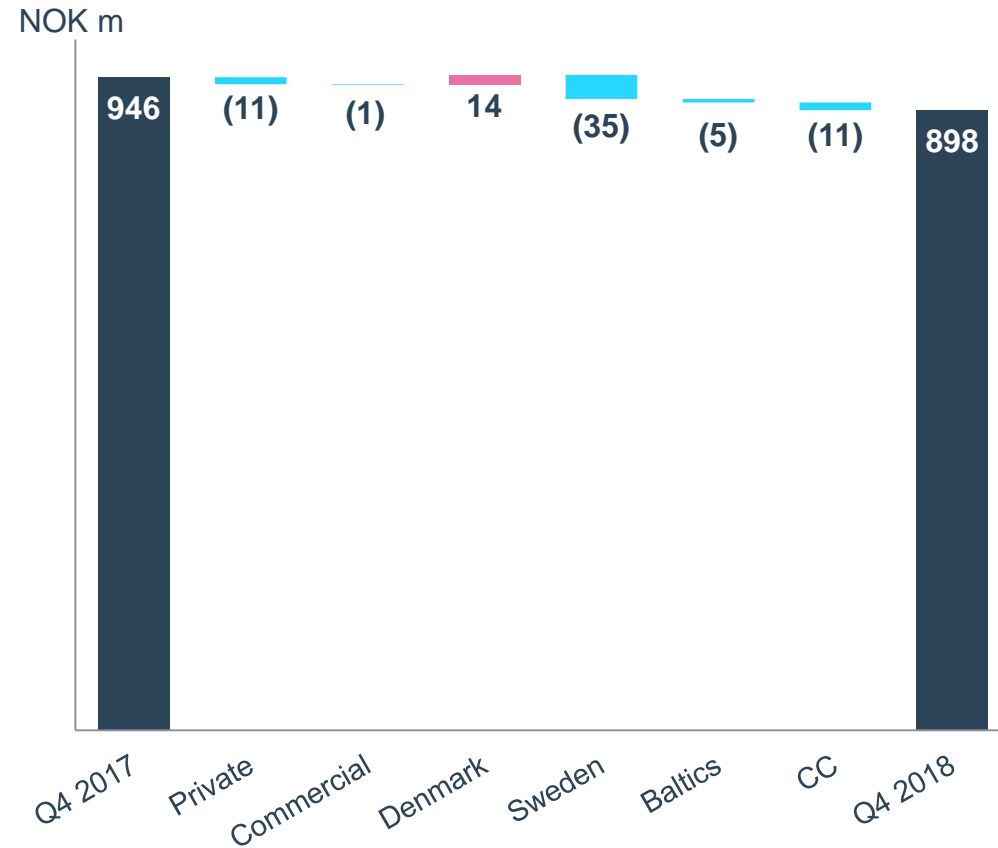
- Higher run-off gains
 - Excess reserves of NOK 1.1bn released in Q418, in addition to earlier planned releases
- Better underlying frequency claims situation
 - Primarily for motor in Norway due to more favourable weather conditions

¹⁾ Change in run-offs related to additional excess reserves of NOK 1.1bn



Continued good cost control - cost ratio 14.8 per cent - 14.1 per cent excluding Baltics

Cost development



Key drivers – cost development

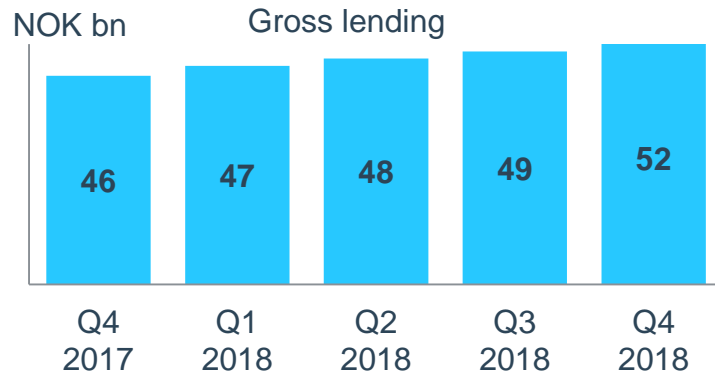
- Strong cost discipline across the group
- Positive effects from efficiency measures in all markets



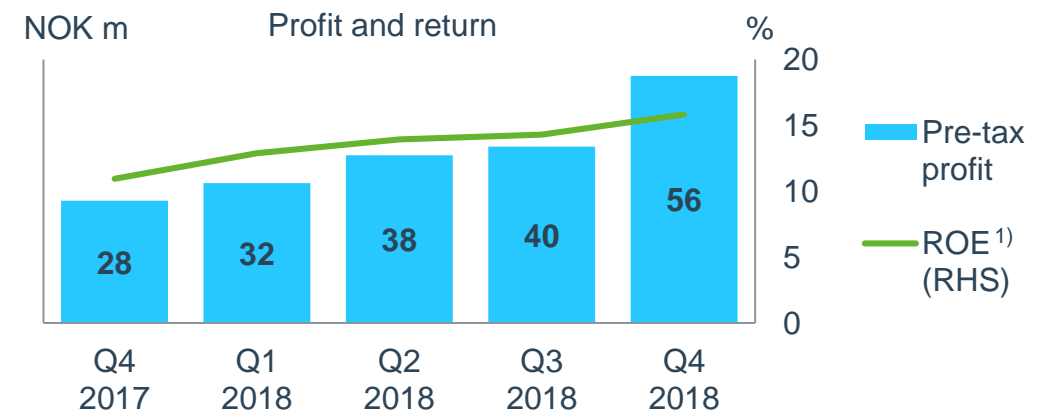
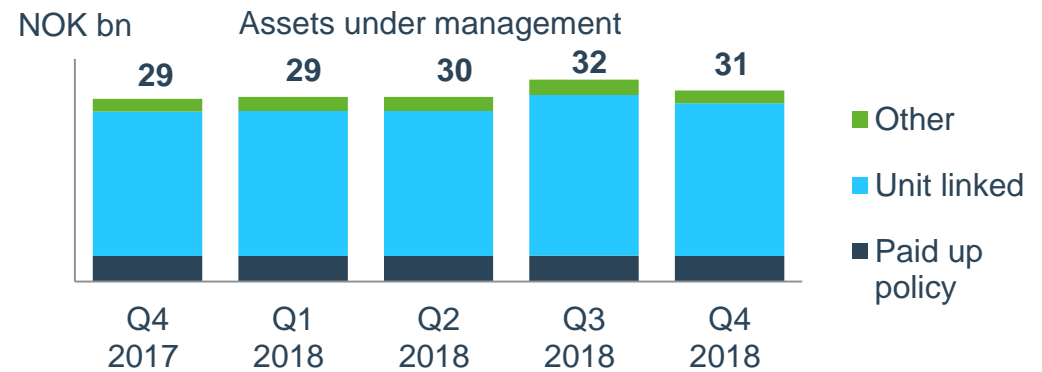
Pension operations post higher profits

Closing of bank sale in Q119 on track

Gjensidige Bank ASA



Gjensidige Pensjonsforsikring AS

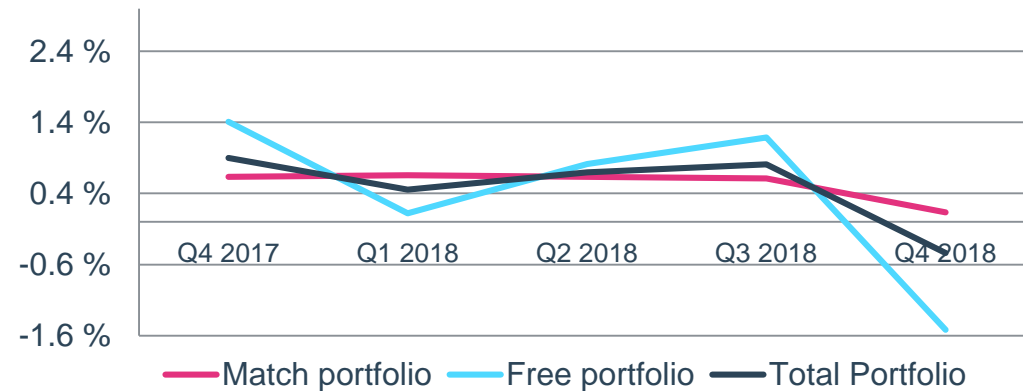


¹⁾ Annualised YTD



Negative investment return of 0.4 per cent, reflecting challenging markets

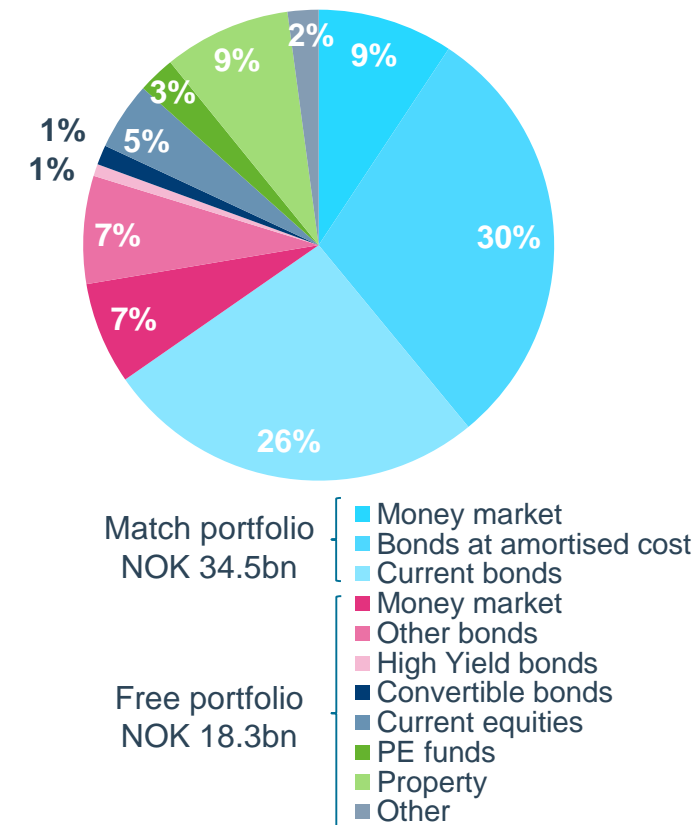
Investment return



Investment return, free portfolio

Q4 2018	%
Fixed income	(0.4)
Current equities	(11.2)
PE funds	1.2
Property	2.7
Total free portfolio	(1.5)

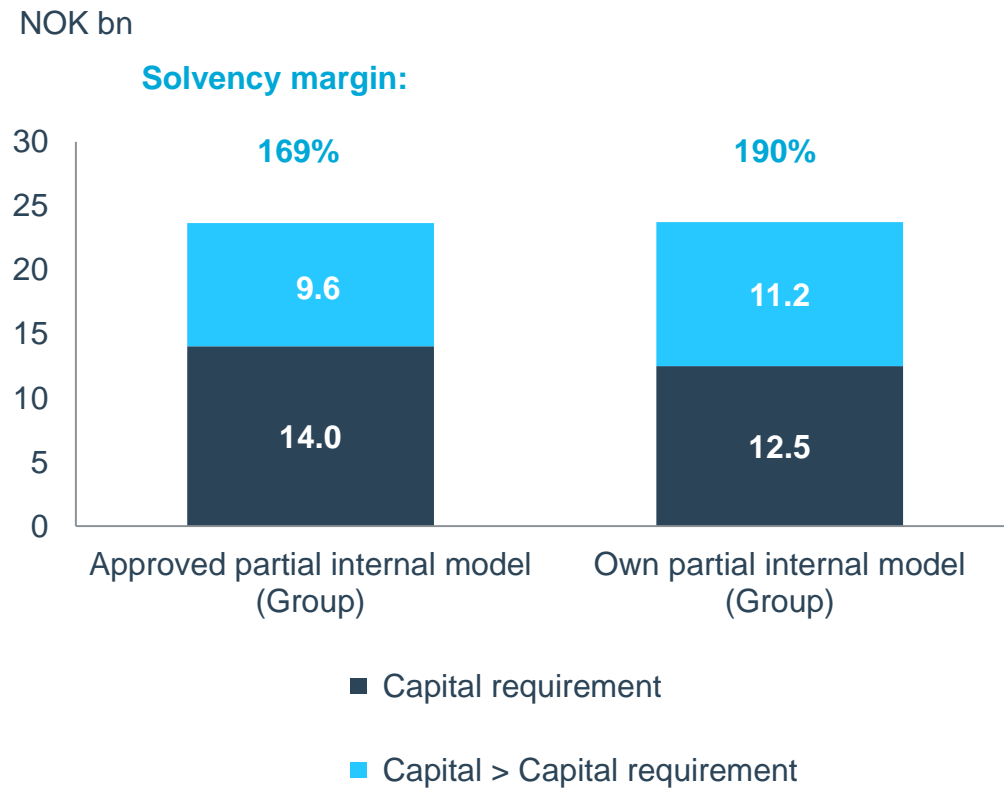
Portfolio mix as at 31.12.2018





Strong capital position - continued capital discipline

Strong capital position



Capital discipline

- Capital buffers well within risk appetite
- All FSA required changes are implemented in the approved partial internal model
- 31 December 2018 pro-forma legal Solvency II margin 245 per cent given sale of Gjensidige Bank



Concluding remarks

- Focus on retaining strong and unique position in Norway
 - Expect motor profitability to reach turning point during 1H 2019
- Pursuing strengthened profitability and growth outside Norway
 - Seeking profitable growth opportunities through M&As
- Maintaining capital discipline and attractive dividends

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

²⁾ Assuming sale of Gjensidige Bank

³⁾ Corresponds to >16 per cent given zero run-off gains post 2022

⁴⁾ Excluding run-off

Annual financial targets 2019-2022

Metric	Target
Combined ratio	86-89% ¹⁾
Cost ratio	<15%
Solvency margin (PIM)	135-200% ²⁾
ROE after tax	>20% ¹⁾⁻³⁾
UW result outside Norway	NOK 750m (in 2022) ⁴⁾
Dividends	Nominal high and stable (and >80 % over time) ²⁾



Appendix





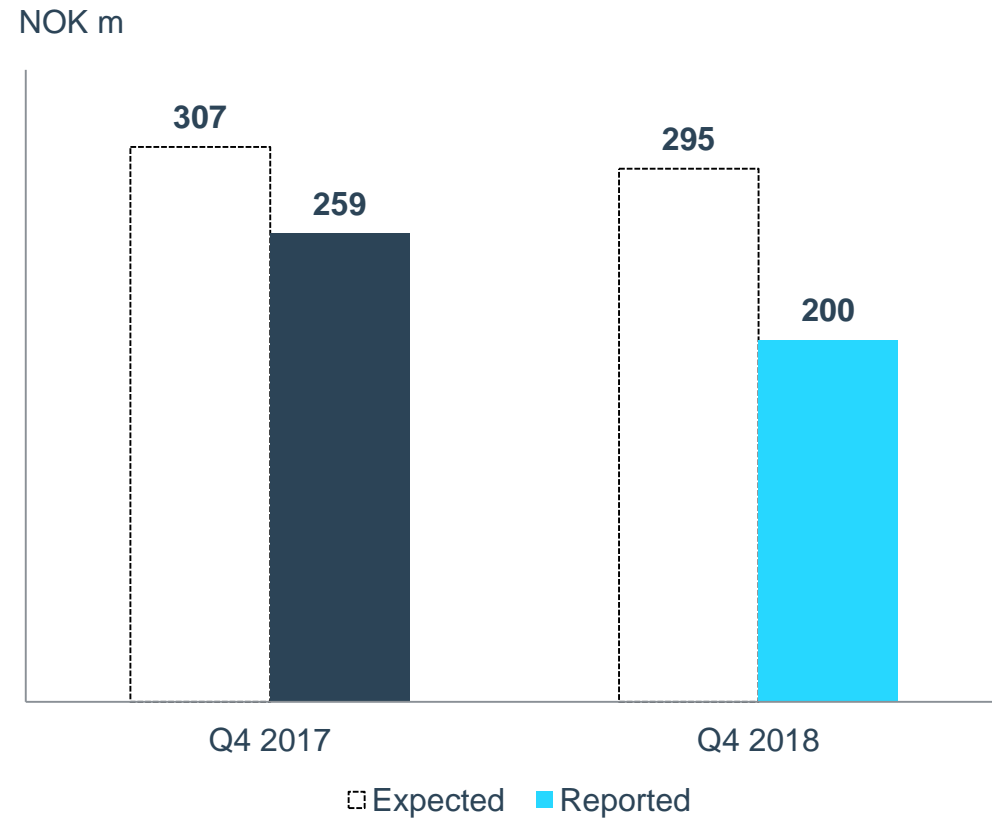
Roadshows and conferences post Q4 2018 results

Date	Location	Participants	Event	Arranged by
24-Jan	Oslo	CEO Helge Leiro Baastad CFO Jostein Amdal Head of IR Mitra H. Negård IRO Live Bjønness	Group lunch Roadshow	Carnegie
25-Jan	London	CFO Jostein Amdal Head of IR Mitra H. Negård	Roadshow	Goldman Sachs
29-Jan	Paris	CFO Jostein Amdal IRO Live Bjønness	Group lunch Roadshow	Exane BNP Paribas
29-Jan	New York	CEO Helge Leiro Baastad EVP Janne Flessum	Group lunch Roadshow	DNB
30-Jan	Boston	CEO Helge Leiro Baastad EVP Janne Flessum	Roadshow	DNB
31-Jan	Toronto	CEO Helge Leiro Baastad EVP Janne Flessum	Roadshow	DNB
01-Feb	Montreal	CEO Helge Leiro Baastad EVP Janne Flessum	Roadshow	DNB

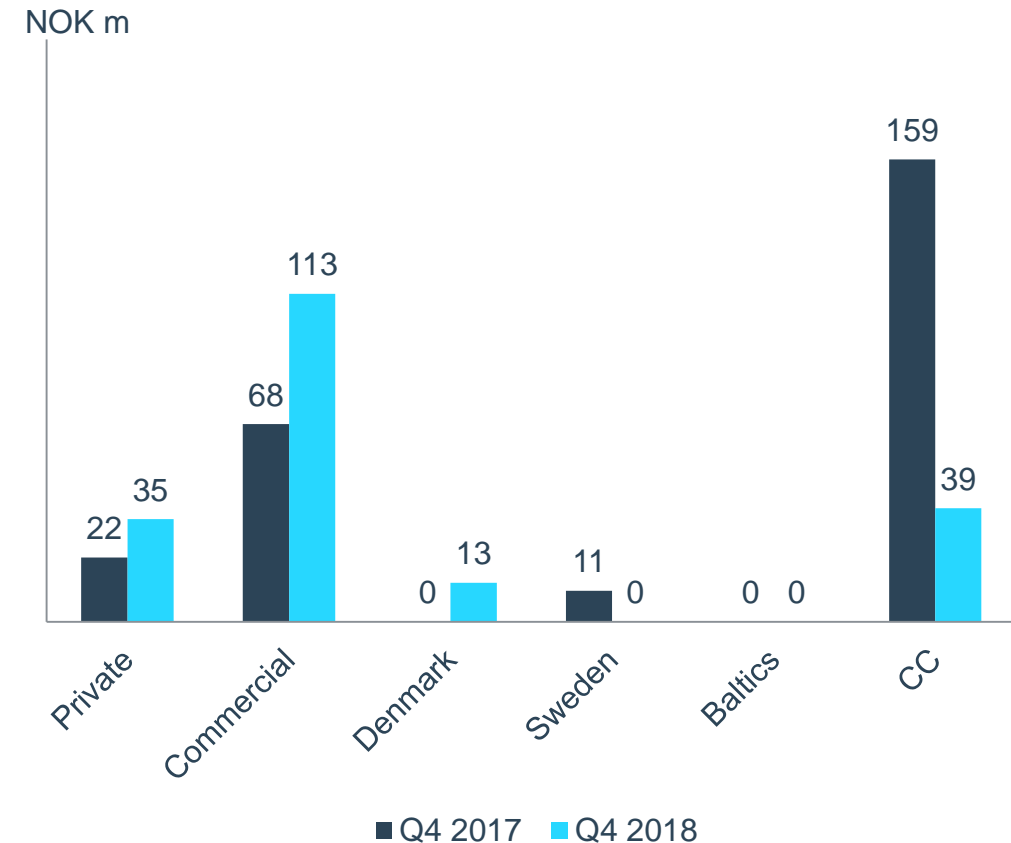


Large losses 3.3 percentage points - lower than expected

Large losses – reported vs expected



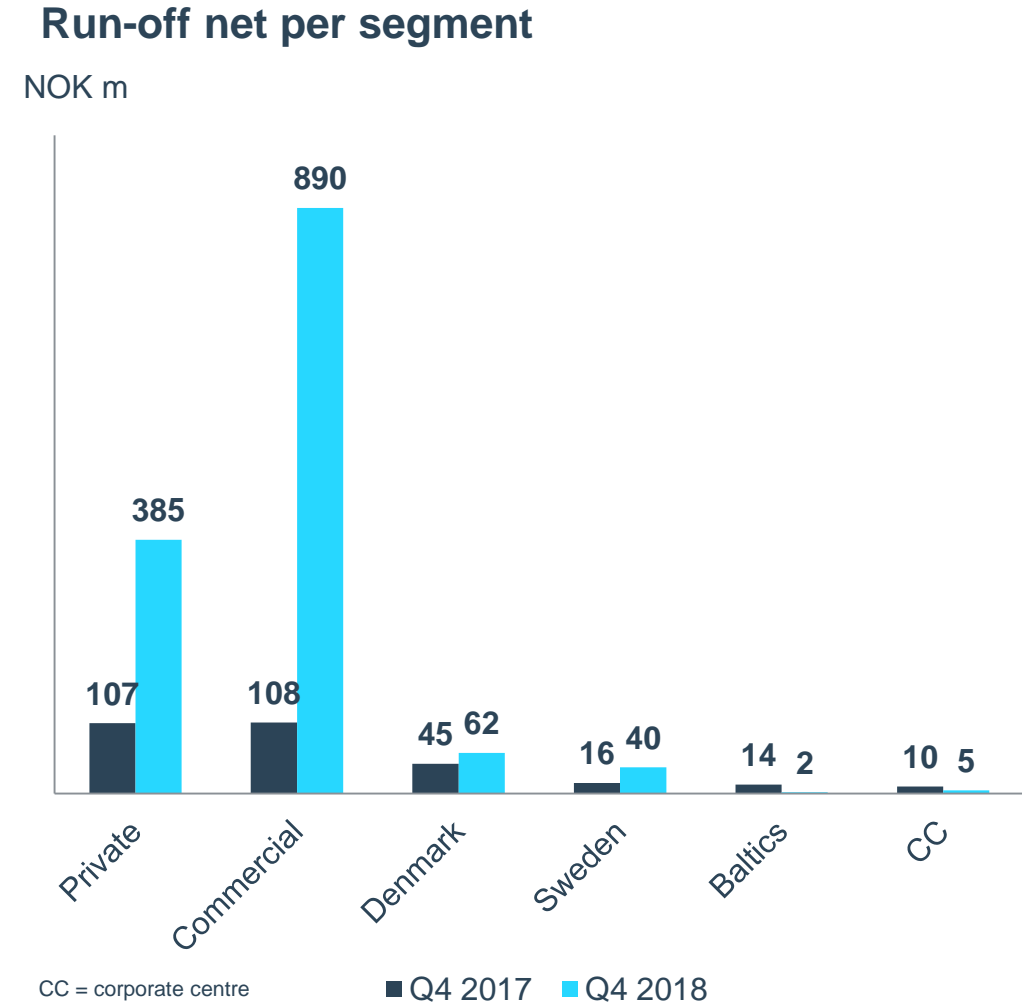
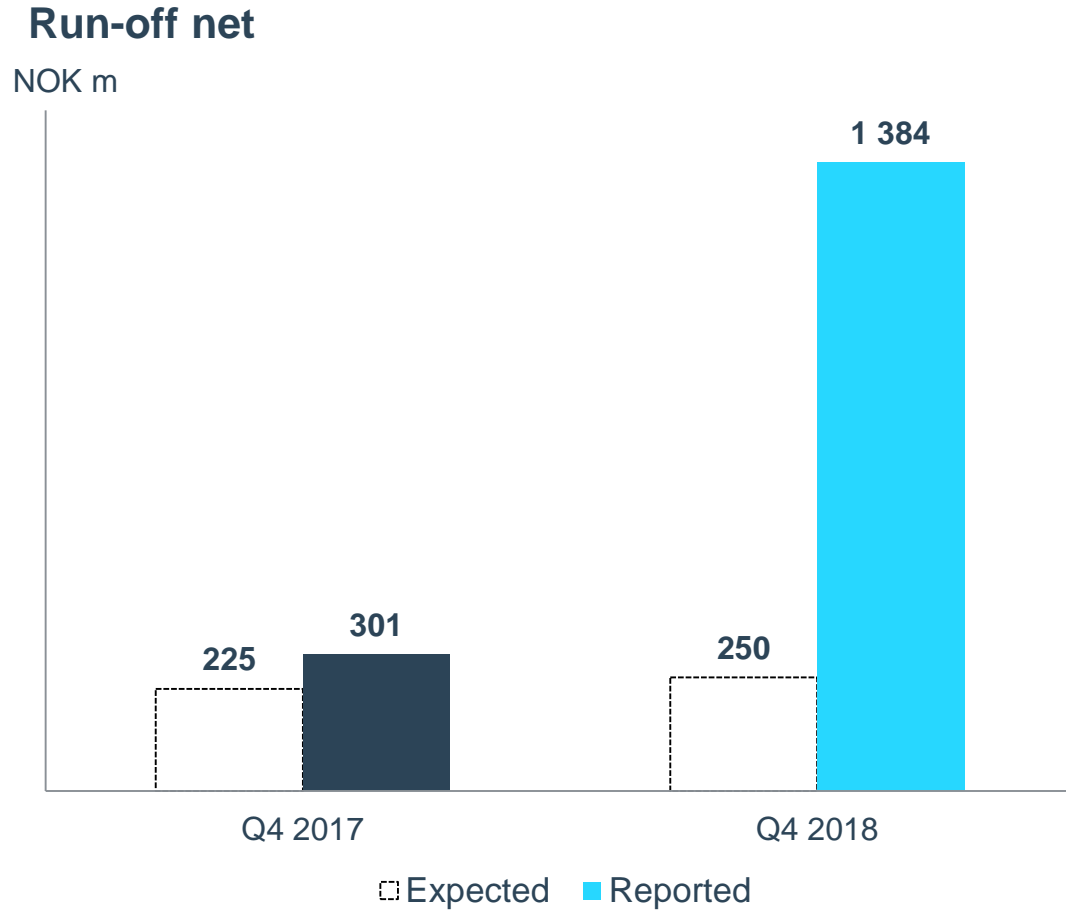
Large losses per segment



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.



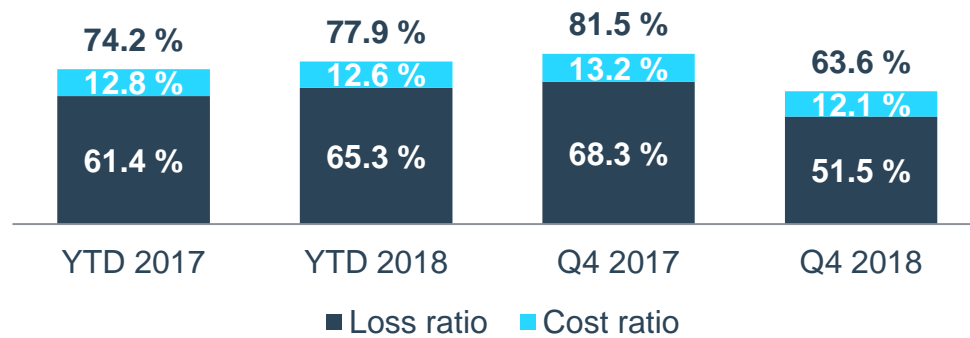
Run-off gains 22.8 percentage points - higher than expected



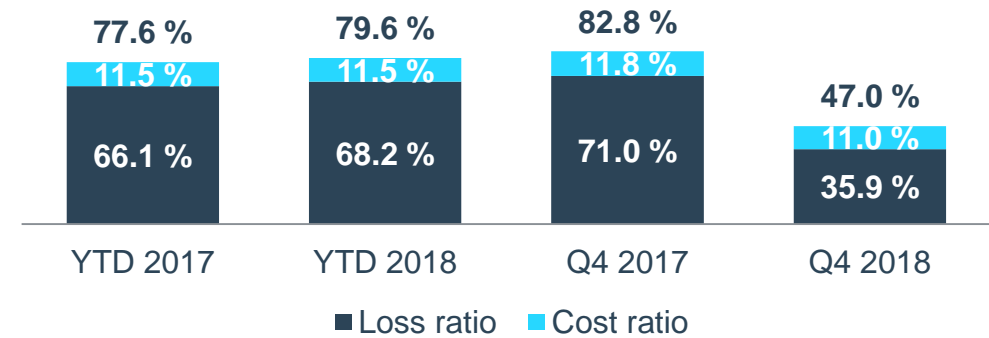
General insurance – cost ratio and loss ratio per segment



Private



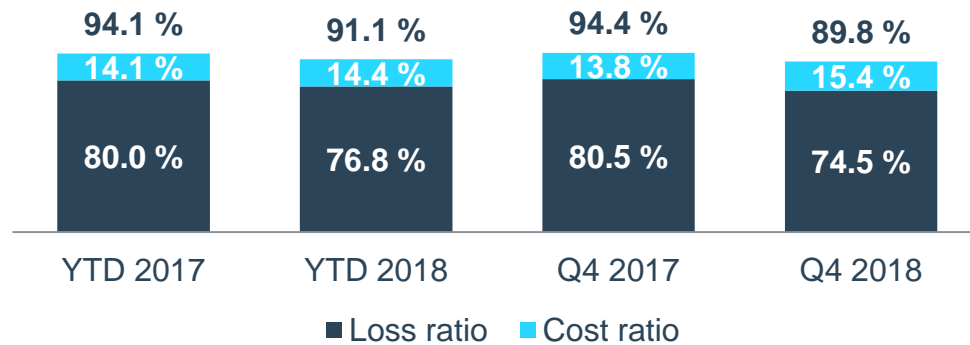
Commercial



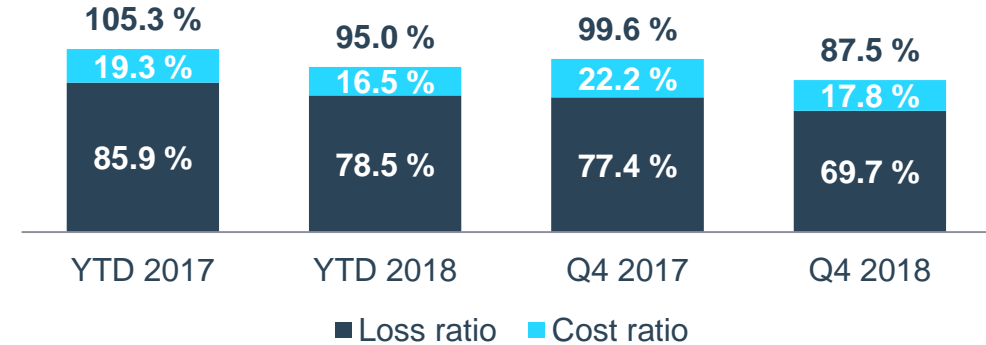
General insurance – cost ratio and loss ratio per segment (cont'd)



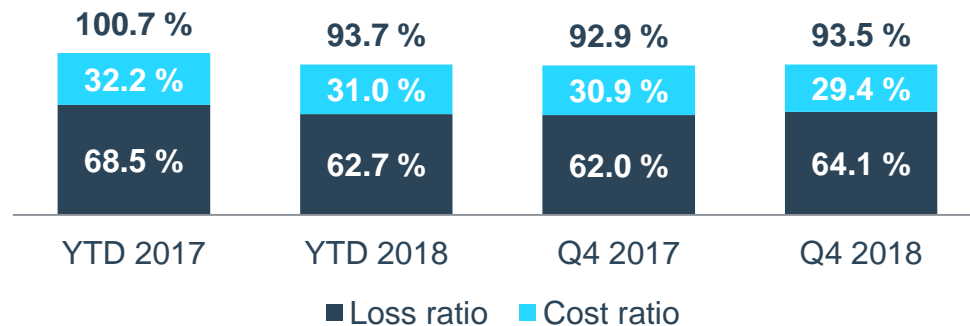
Denmark



Sweden



Baltics

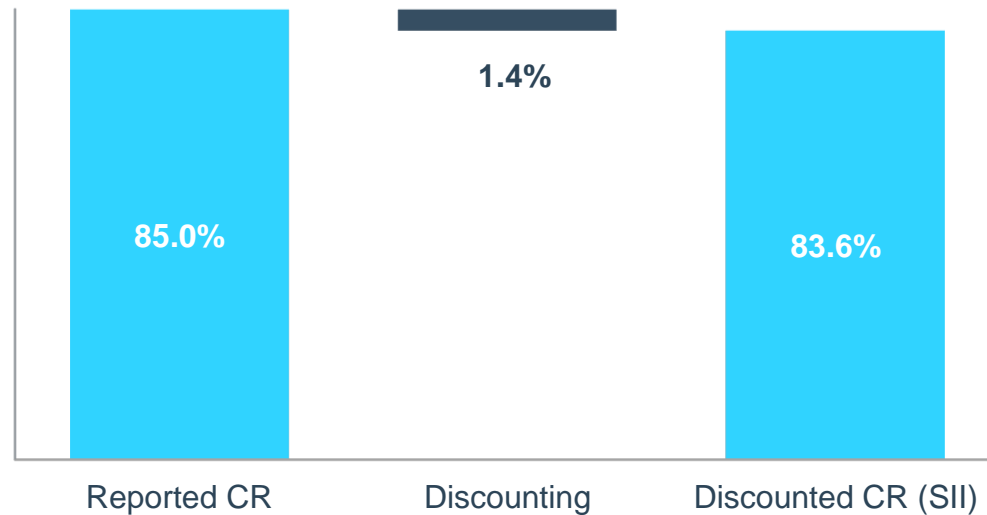




Effect of discounting of claims provisions

Assuming Solvency II regime

Effect of discounting on CR – Q4 2018



Assumptions

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

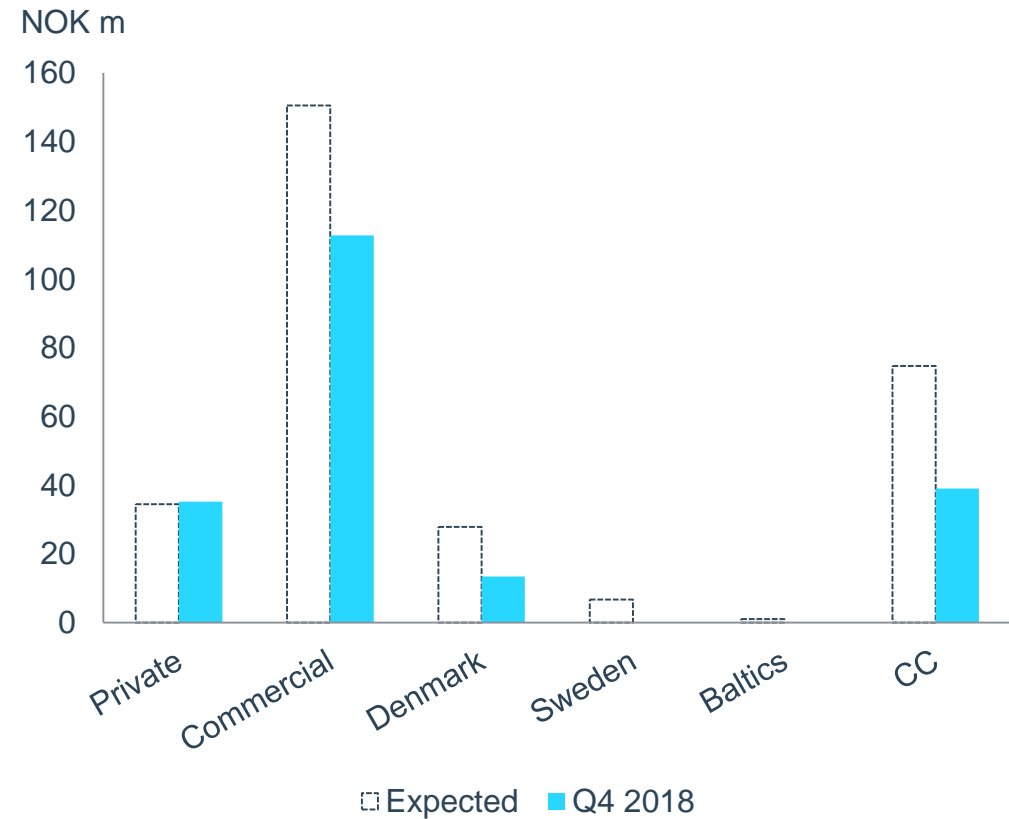


Large losses development

~ NOK 1.2bn in large losses¹⁾ expected annually



Large losses per segment – actual vs expected



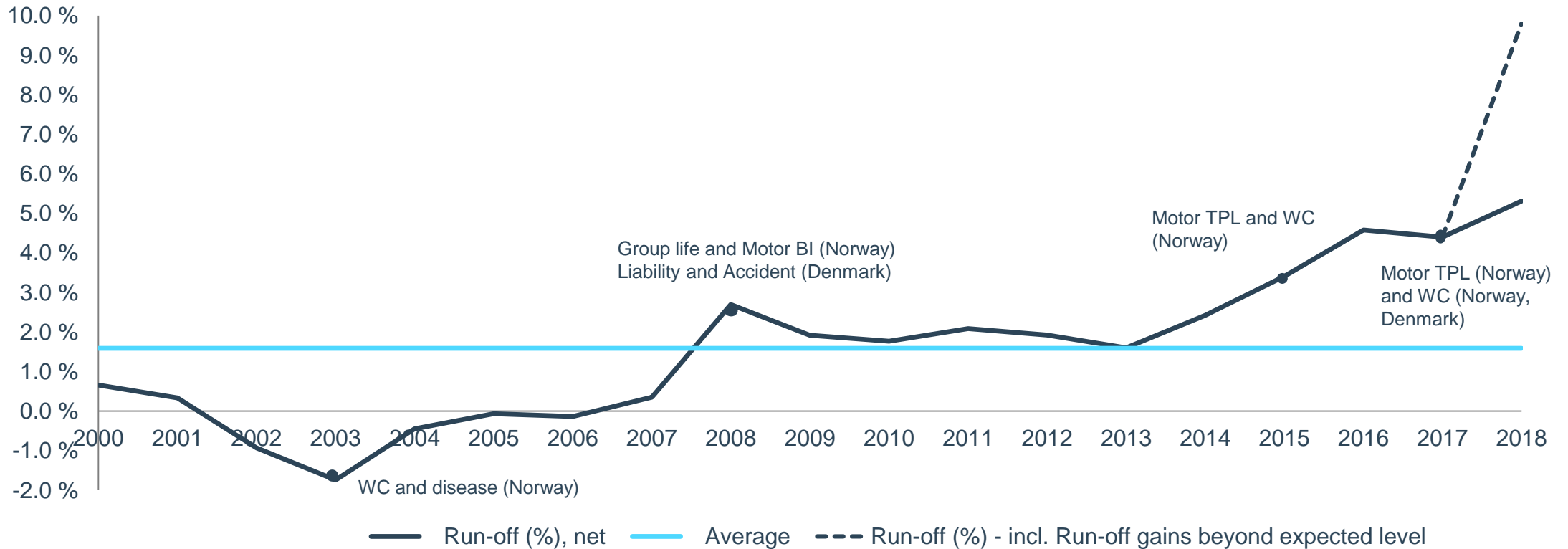
¹⁾ Losses >NOK 10m. From and including 2012, the numbers include weather related large losses.



Run-off development

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

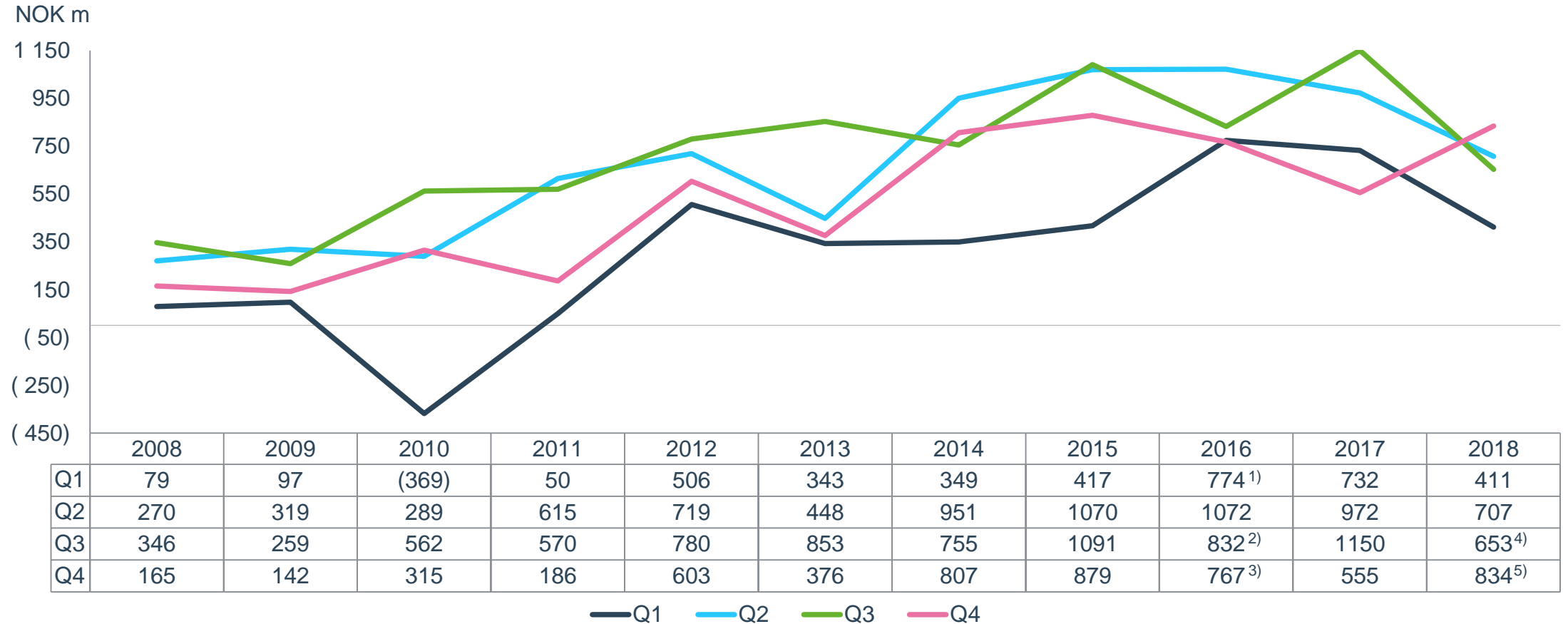
Run-off % of earned premium





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 653.

5) Reported UW result for Q4 2018 was NOK 1914. Adjusted for the extra run-off gains of NOK 1.1bn.

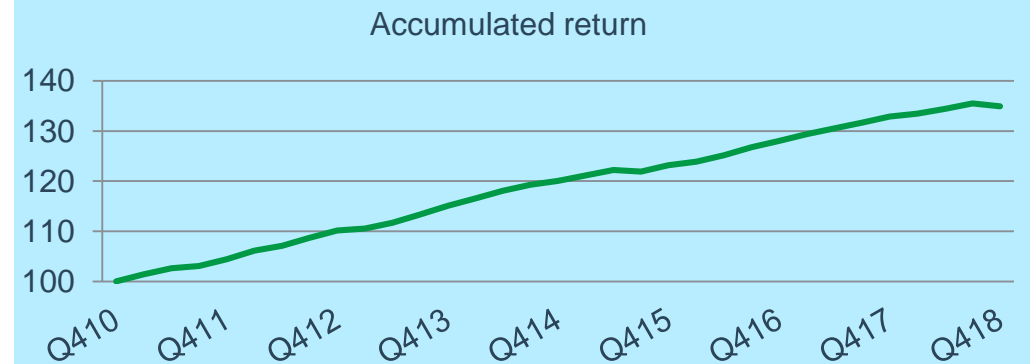


Investment strategy supporting high and stable nominal dividends

- 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 ¹⁾	Benchmark
Match portfolio		
Money market	Norwegian money market	ST1X index
Bonds at amortised cost	Government and corporate bonds	Yield provided in quarterly reports
Current bonds	Mortgage, sovereign and corporate bonds, investment grade bond funds and loan funds containing secured debt	IBOX COR 1-3 yrs QW5C index
Free portfolio		
Money market	Norwegian money market	ST1X index
Other bonds	IG bonds in internationally diversified funds externally managed and current bonds	Global Agg Corp LGCPTRUH index
High Yield bonds	Internationally diversified funds externally managed	BOAML global HY HWIC index
Convertible bonds	Internationally diversified funds externally managed	BOAML global 300 conv VG00 index / Exogen factors
Current equities	Mainly internationally and domestic diversified funds externally managed	MSCIAC NDUEACWF index
PE funds	Oil/ oil-service/ general (Norwegian and Nordic funds)	OSEBX index / oil price
Property	50% of Oslo Areal	IPD index Norway / Exogen factors
Other	Miscellaneous	

¹⁾See quarterly report for a more detailed description

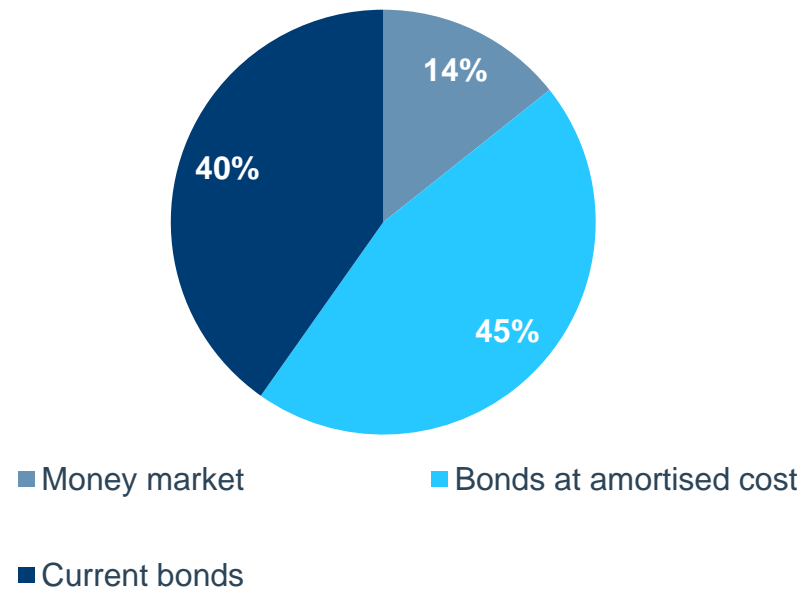


Asset allocation

As at 31.12.2018

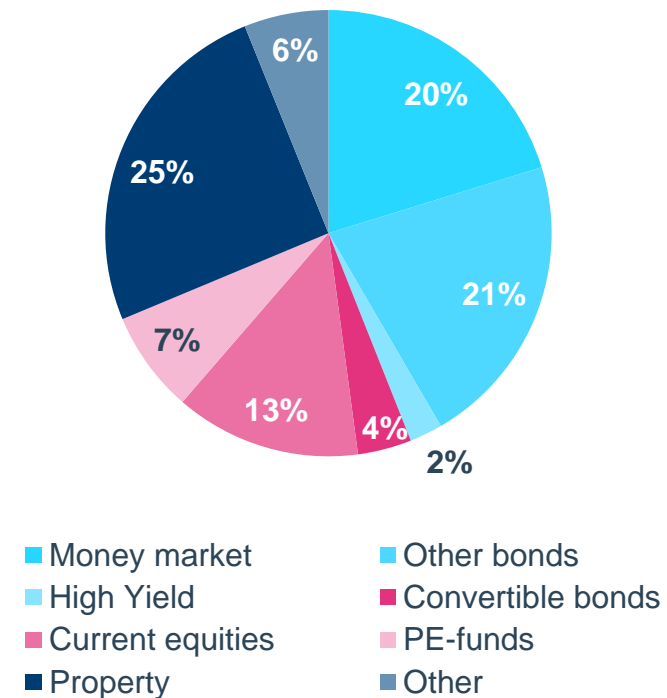
Match portfolio

- Carrying amount: NOK 34.5bn
- Average duration: 3.3 years



Free portfolio

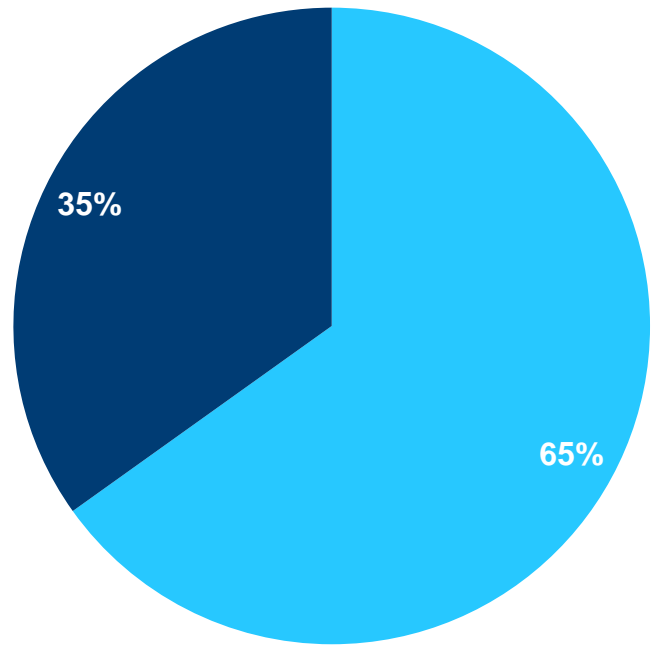
- Carrying amount: NOK 18.3bn
- Average duration fixed-income instruments: 3.1 years





Contribution from the match portfolio

Asset allocation as at 31.12.2018



■ Match portfolio ■ Free portfolio

Quarterly investment returns

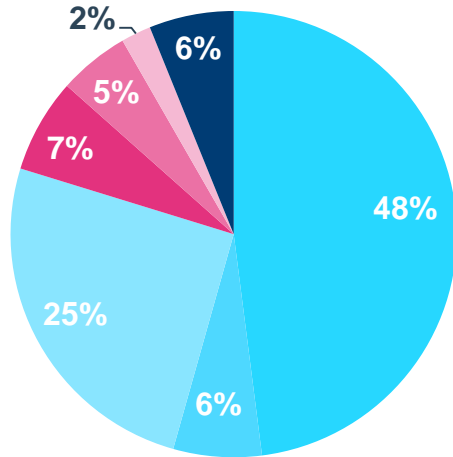


¹⁾ Prior to 2014 former associated companies were not included in the Free portfolio.



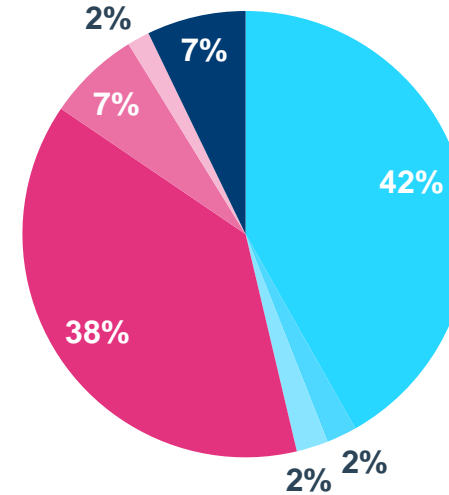
Balanced geographical exposure

Match portfolio



■ Norway ■ Sweden ■ Denmark ■ USA
■ UK ■ Baltic ■ Other

Free portfolio, fixed-income instruments



■ Norway ■ Sweden ■ Denmark ■ USA
■ UK ■ Baltic ■ Other



Credit and counterparty risk

Credit exposure

- The portfolio consists mainly of securities in rated companies with high creditworthiness (Investment grade)
- Issuers with no official rating are mainly Norwegian savings banks, municipalities, credit institutions and power producers and distributors

Total fixed income portfolio

Split - Rating	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
AAA	11.8	34.0	1.2	13.2
AA	2.8	8.2	2.5	28.0
A	5.0	14.3	2.0	22.6
BBB	3.8	11.0	1.3	14.3
BB	0.3	0.8	0.3	3.8
B	1.9	5.4	0.2	2.7
CCC or lower	0.1	0.2	0.1	0.6
Internal rating ¹⁾	5.7	16.6	0.8	9.4
Unrated	3.3	9.4	0.5	5.3
Fixed income portfolio	34.6	100.0	8.8	100.0

Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	4.8	13.9	3.2	36.1
Bank/financial institutions	16.6	47.8	3.6	40.9
Corporates	13.3	38.3	2.0	23.0
Total	34.6	100.0	8.8	100.0



Capital position per operational areas

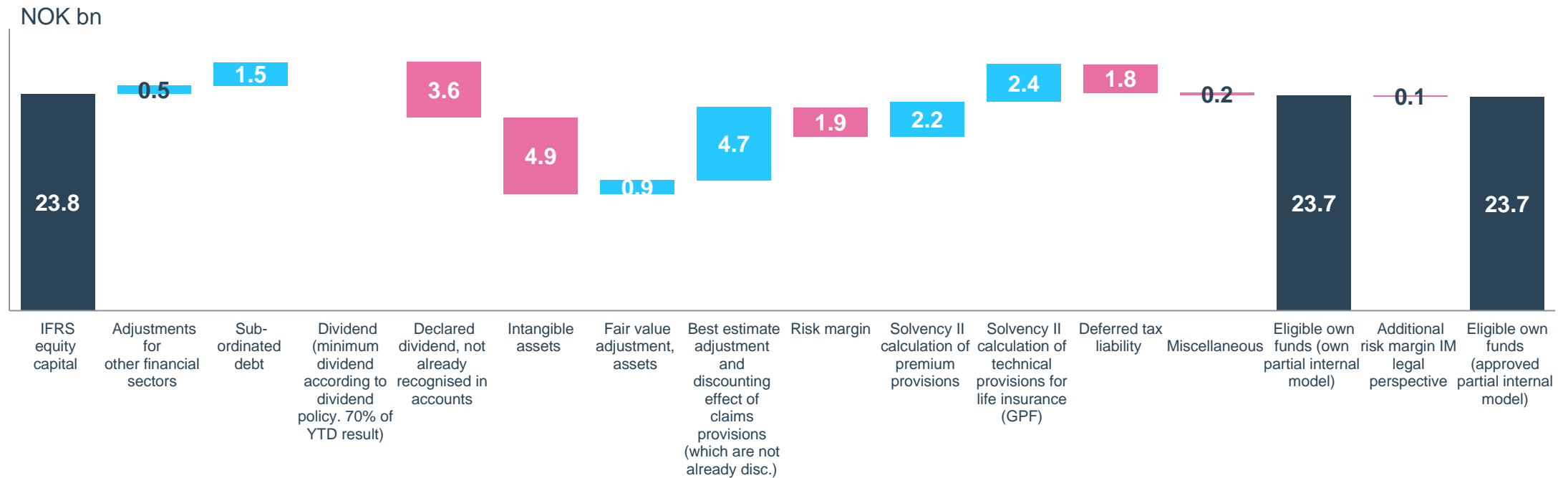
(NOK bn)	Approved partial internal model (Group)	Approved partial internal model (general insurance)	Own partial internal model (Group)	Own partial internal model (general insurance)	Gjensidige Pensjonsforsikring	Gjensidige Bank
Capital available	23.7	17.0	23.7	17.1	2.4	4.9
Capital requirement	14.0	8.4	12.5	6.8	1.6	4.7
Solvency margin	169%	203%	190%	251%	143%	105%

Figures as at 30.9.2018. The legal perspective is the regulatory approved version of the partial internal model. Solvency margins reflect best estimate reserves. The figures are adjusted for a formulaic dividend pay-out ratio of 70 per cent of net profit. Allocation of capital to Gjensidige Bank is based on 17,0 per cent capital adequacy ratio.



Solvency II economic capital available

Bridging the gap between IFRS equity and Solvency II capital



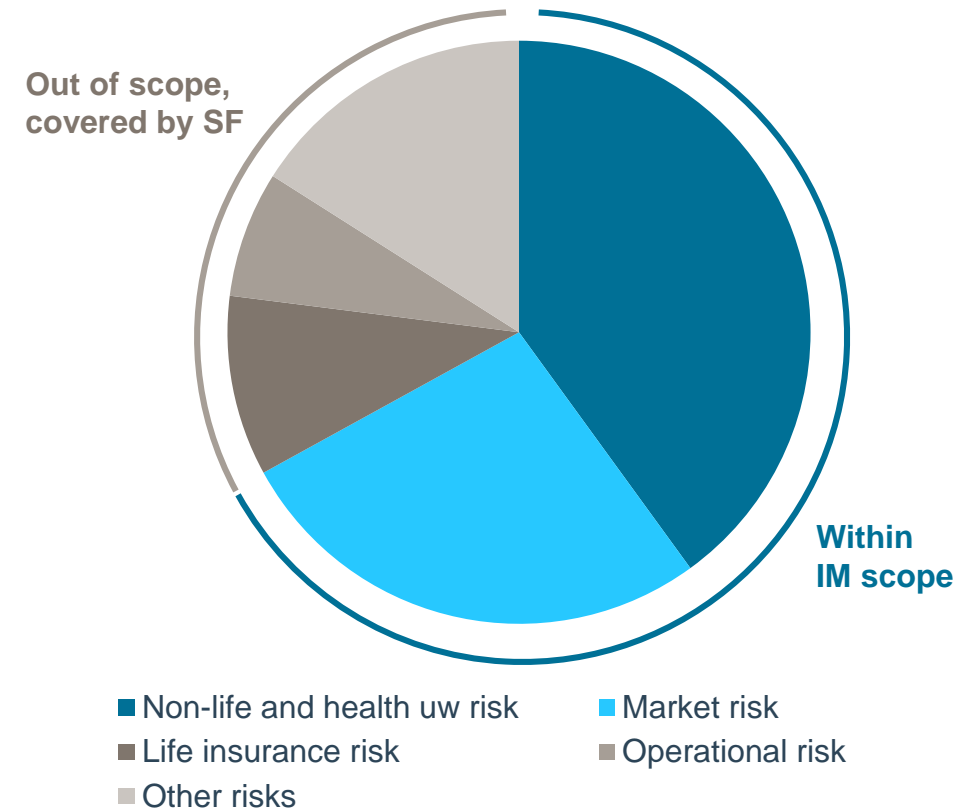
Figures as at 31.12.2018. GPF = Gjensidige Pensjonsforsikring. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. Tax is assumed on the security provision. Miscellaneous: Main effects are related to the guarantee scheme provision and different valuation of Oslo Areal.



Solvency II capital requirements

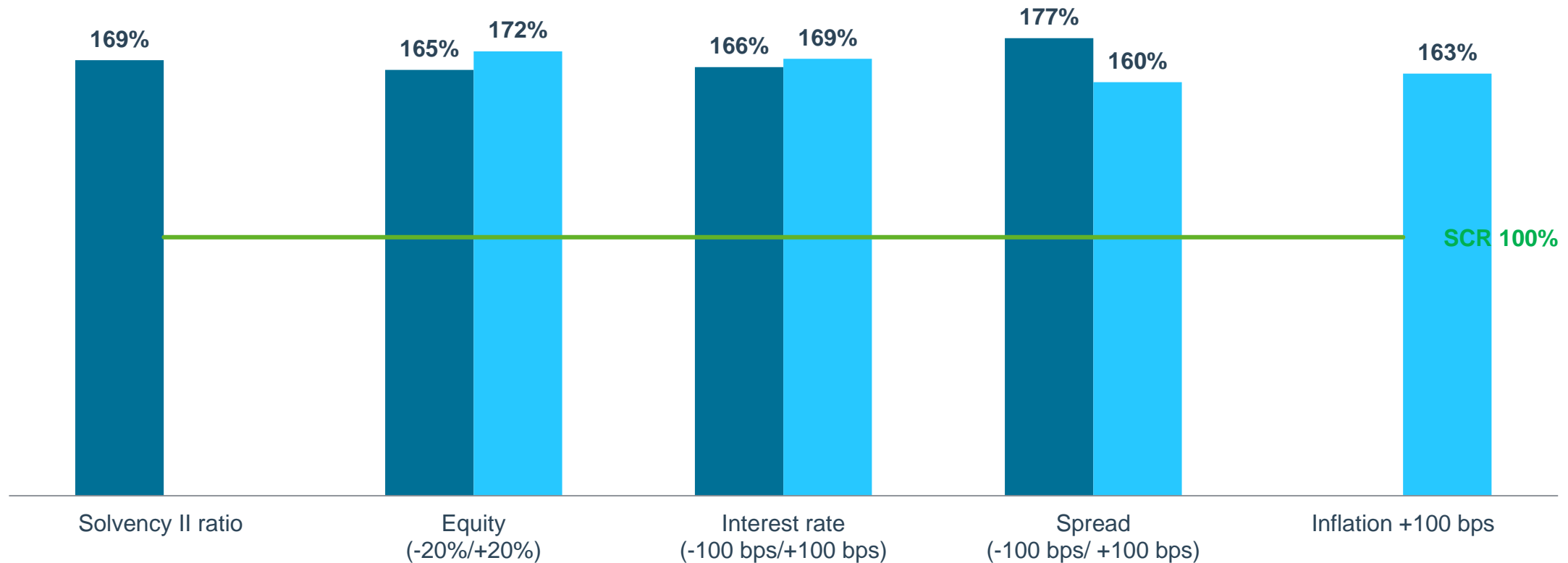
NOK bn	Approved partial internal model (Group)	Own partial internal model (Group)
Eligible own funds	23.7	23.7
Capital charge for non-life and health uw risk	7.1	6.0
Capital charge for life uw risk	1.6	1.6
Capital charge for market risk	6.4	5.7
Capital charge for counterparty risk	0.5	0.5
Diversification	(4.3)	(4.4)
Basic SCR	11.3	9.3
Operational risk	0.8	0.8
Adjustments (risk-reducing effect of deferred tax)	(2.7)	(2.3)
Gjensidige Bank	4.7	4.7
Total solvency capital requirement	14.0	12.5
Surplus	9.6	11.2
Solvency ratio	169%	190%

Scope regulatory approved PIM





Solvency II sensitivities for the approved partial internal model



Figures as at 31.12.2018. The legal perspective is the regulatory approved version of the partial internal model. Solvency margins reflect best estimate reserves. Total comprehensive income is included in the calculations, minus a formulaic dividend pay-out ratio of 70 per cent of net profit. UFR-sensitivity is very limited.



Subordinated debt capacity

Principles for capacity

	Intermediate Equity Content		Constraint
S&P	25% of TAC		For the general insurance group, both Solvency II Tier 1 and Tier 2 instruments are classified as Intermediate Equity Content. Capital must be regulatory eligible in order to be included.
	T1	T2	Constraint
SII	Max 20% of Tier 1 capital	Max 50% of SCR less other T2 capital items	Must be satisfied at group and solo level

Capacity and utilisation

- Tier 1 remaining capacity is NOK 1.4-1.9bn
 - Utilised Tier 1 debt capacity: NOK 1.0bn
- Tier 2 capacity is fully utilised for the insurance group
 - Utilised sub debt: NOK 1.5bn¹⁾
 - Utilised natural perils fund and guarantee scheme: NOK 3.1bn

Figures as at 31.12.2018. 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. ¹⁾Sub debt Gjensidige Forsikring ASA NOK 1.2bn, Gjensidige Pensjonsforsikring NOK 0.3bn



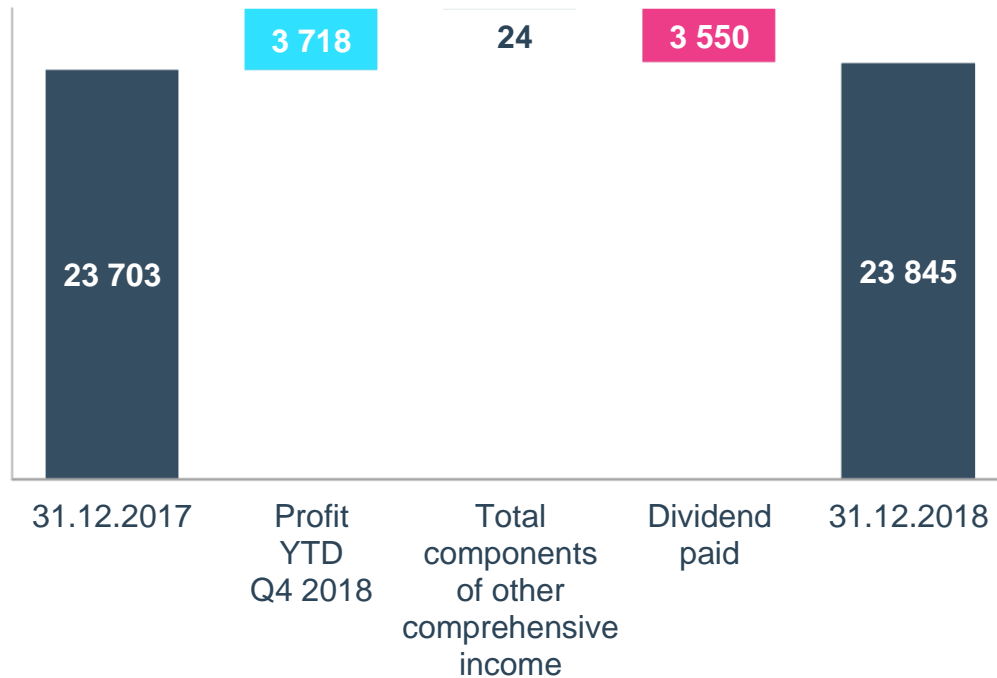
Reduced Solvency II regulatory uncertainty

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
Tax effect on Solvency II balance sheet	0	New tax rules result in increased deferred tax on the security provision that is taken into account in the capital calculations at the year-end. No deferred tax is recognized for natural capital.
Risk-reducing effect of deferred tax	0	The requirements for calculating and documenting the risk-reducing effect of deferred tax in the capital requirement will have no capital effect with Gjensidige's current balance sheet, but will be taken into account when determining capital figures going forward.
Interest rate risk	0	The EU does not want to change the modeling of interest rate risk in this instance.

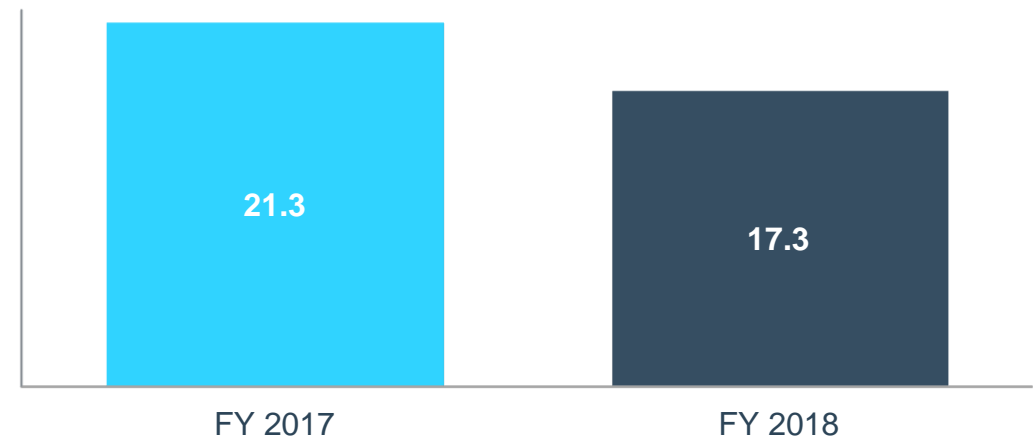


Annualised return on equity 17.3 per cent

Equity (NOK m)



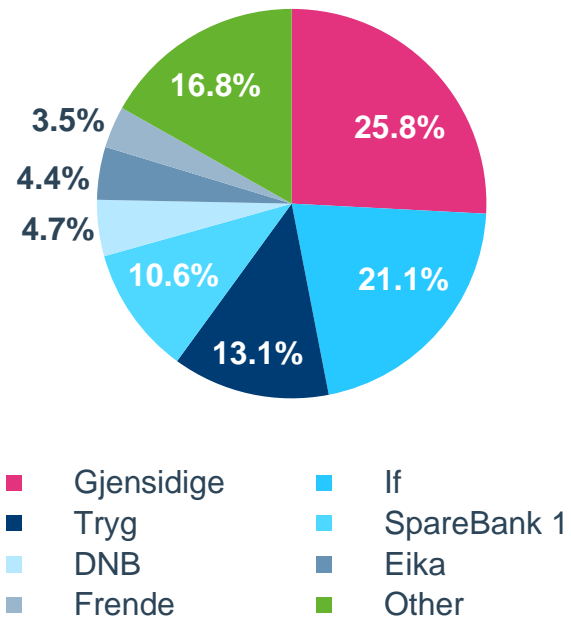
Return on equity (%)



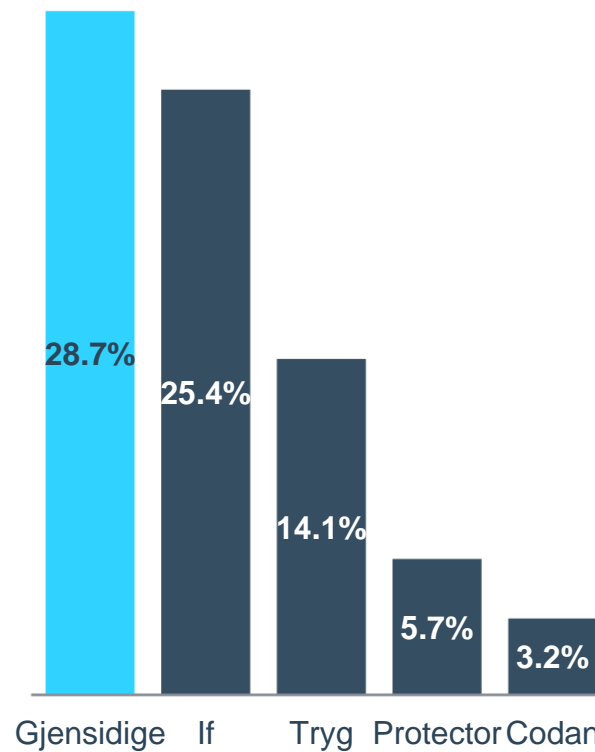


Market leader in Norway

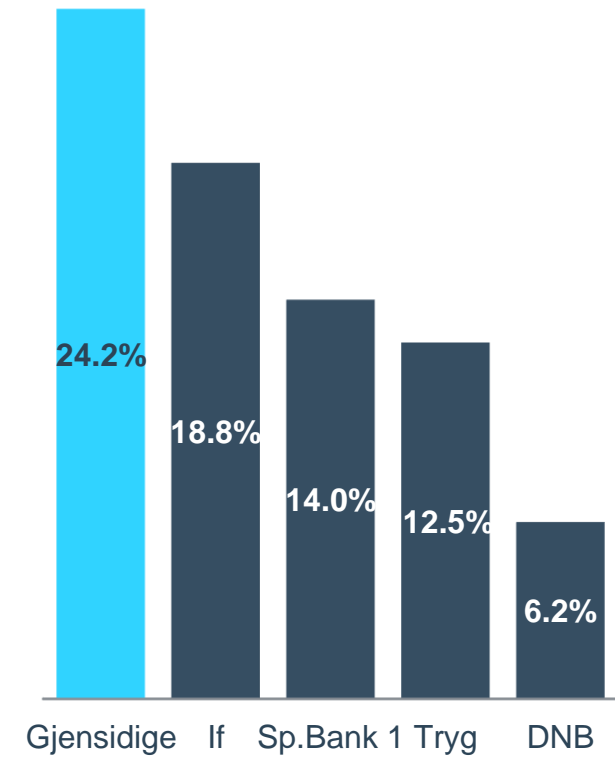
Market share – Total market



Market share – Commercial



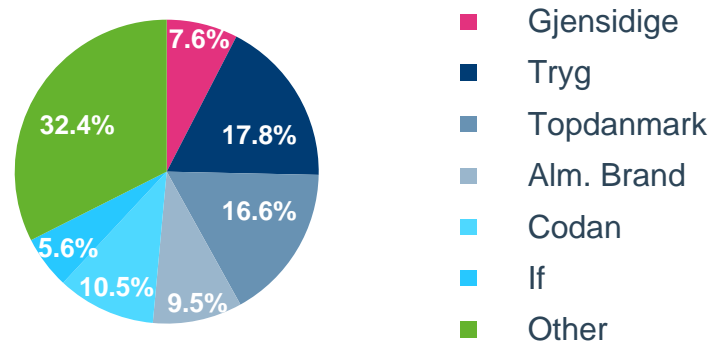
Market share – Private



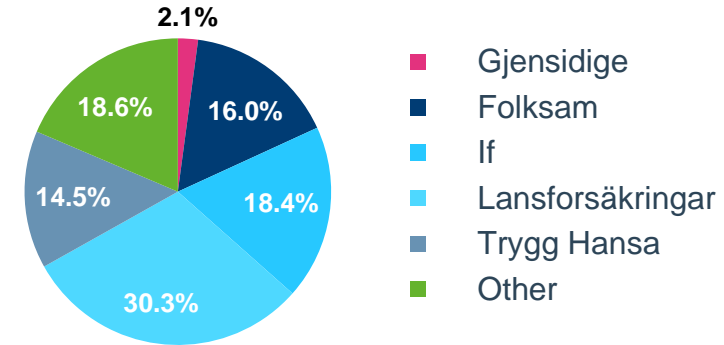


Growth opportunities outside Norway

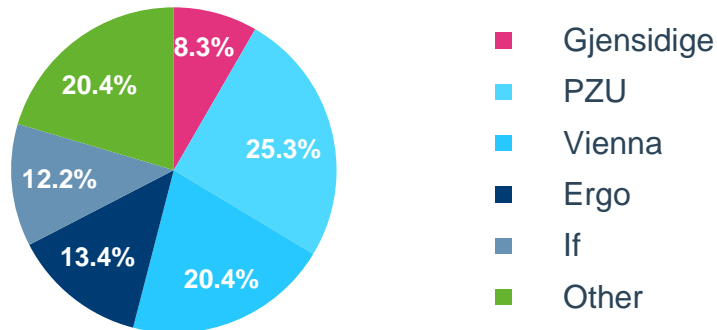
- Market shares Denmark



- Market shares Sweden



- Market shares Baltics



Sources: Insurance Sweden, 3rd quarter 2018 (Gjensidige including Vardia), The Danish Insurance Association 4th quarter 2017 (Gjensidige including Mølholm). Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 3rd quarter 2018



Ownership

10 largest shareholders¹⁾

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	4.2
3	Caisse de Depot et Placement du Quebec	3.7
4	Deutsche Bank	3.5
5	Black Rock	2.0
6	Danske Bank	1.9
7	DNB	1.2
8	The Vanguard Group	1.0
9	Nordea	0.9
10	Svenska Handelsbanken Group	0.9
Total 10 largest		81.4

Geographical distribution of shares²⁾



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

¹⁾ 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 December 2018. This analysis provides a survey of the shareholders who are behind the nominee accounts. There is no guarantee that the list is complete. ²⁾ Distribution of shares excluding share held by the Gjensidige Foundation (Gjensidigestiftelsen).



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In addition to the financial statements according to IFRS, Gjensidige uses different alternative performance measures (APM) to present the business in a more relevant way for its different stakeholders. The alternative performance measures have been used consistent over time, and relevant definitions have been disclosed in the quarterly reports. Comparable figures are provided for all alternative performance measures in the quarterly reports.



Notes



Notes



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