

# Gjensidige Insurance Group

## 2<sup>nd</sup> quarter results 2016

15 July 2016

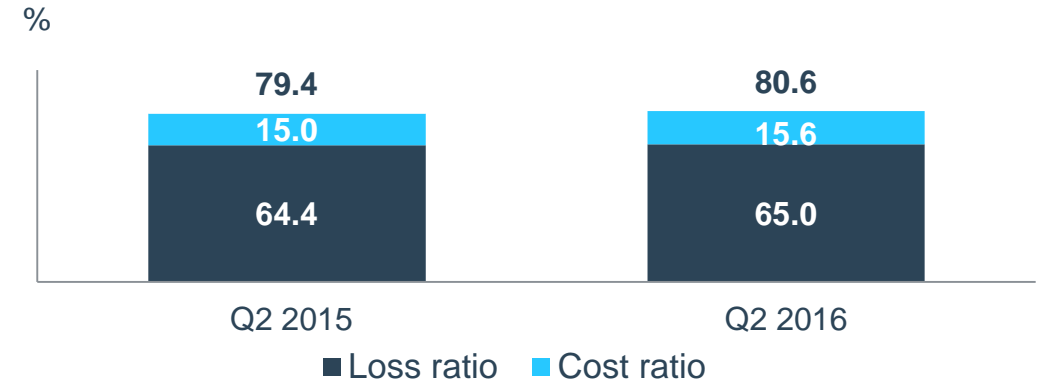




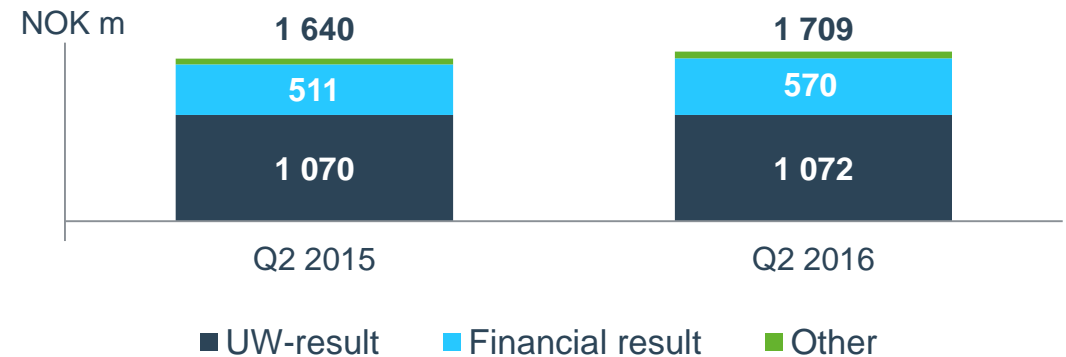
# Yet another strong second quarter

- Pre-tax profit NOK 1,709m
- Underwriting result NOK 1,072m
  - Combined ratio 80.6%
  - 6.7% premium growth
  - Favourable frequency claims development
  - Large losses below expected level
  - Good cost control – cost ratio 15.6%
- Financial result NOK 570m, investment return 1.0%
- 21.7% return on equity\*

## Combined ratio



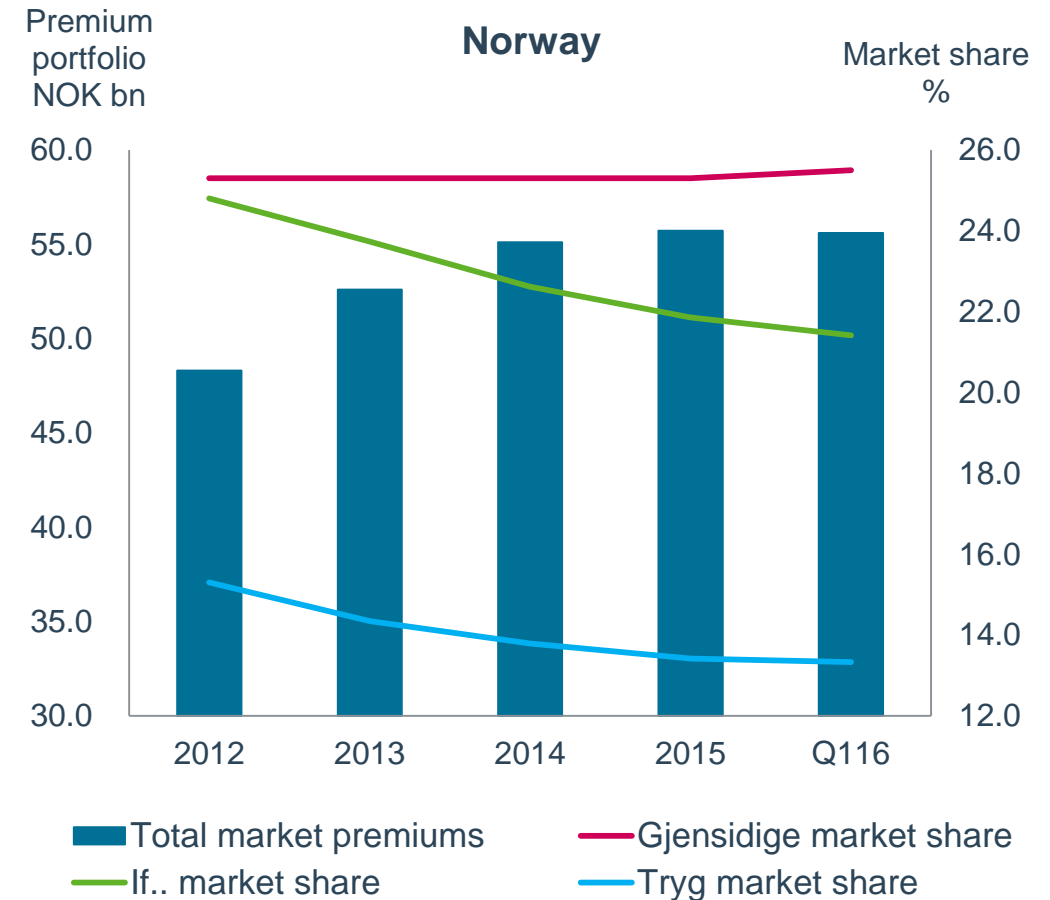
## Pre-tax profit





# Strengthening leadership position in competitive domestic market with slower growth

- Strong profitability and satisfied customers
- Continued cost discipline to meet long-term financial targets
- Leveraging partner agreements for customer loyalty and portfolio growth
  - NITO\* agreement expanded from 1 January 2017
  - New agreement with Danske Seniorer\*\*
- Restructuring and integration on track in Sweden and the Baltics
  - Vardia transactions closed 1 July 2016

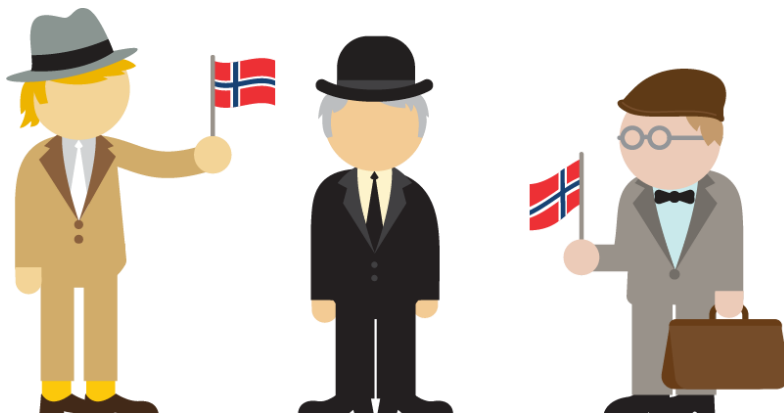


\* NITO: The Norwegian Society of Engineers and Technologists. \*\* Danske Seniorer: Danish Community of Senior Citizen Organisation

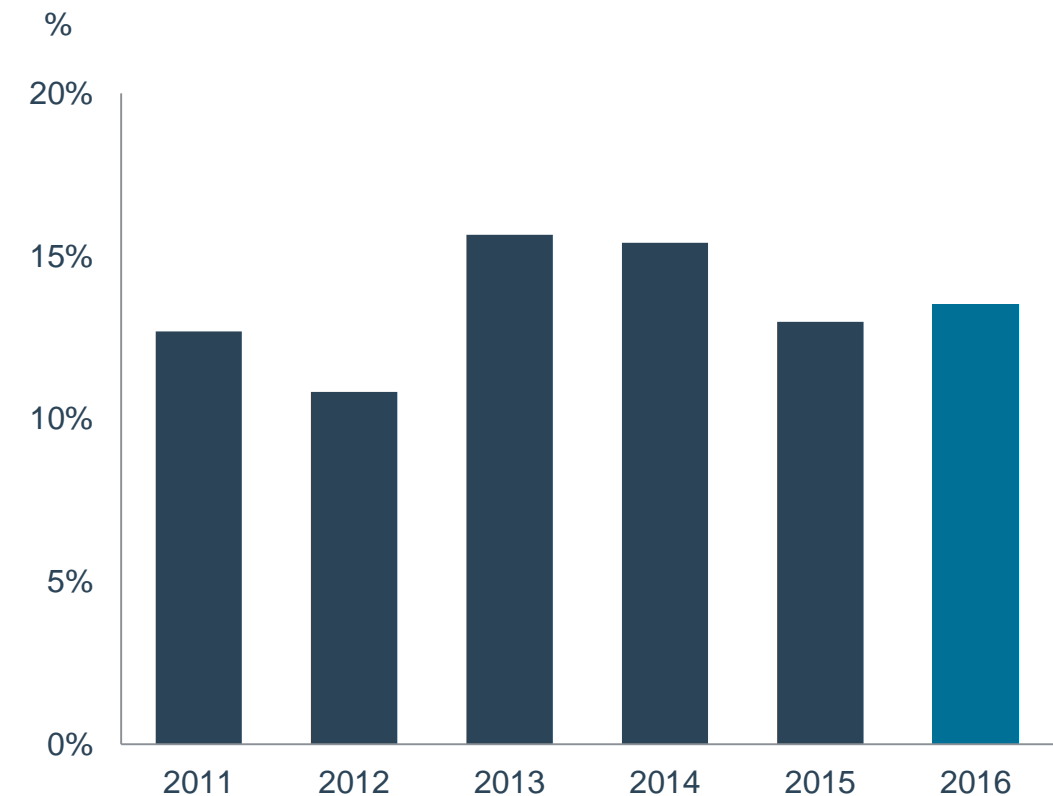


# Unique customer dividend model continues to build brand awareness, preference and loyalty

- Customer dividends paid out every year since IPO
  - NOK 10.9bn in total
  - Corresponding to 11-16% of premiums paid annually
- Cash amount automatically transferred to customers' bank account
- Record-high awareness of model among non-customers



## 2016 customer dividend NOK 2.0bn (13.5%\*)



\* Customer dividend in per cent of premiums paid in 2015



# Financial performance





# Strong result first half-year and second quarter

NOK m	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Private	630	579	1 111	882
Commercial	531	456	848	619
Nordic	48	142	167	304
Baltics	(36)	(6)	(41)	(18)
Corporate Centre/costs related to owner	(83)	(83)	313	(152)
Corporate Centre/reinsurance	(18)	(16)	(76)	(147)
<b>Underwriting result</b>	<b>1 072</b>	<b>1 070</b>	<b>2 322</b>	<b>1 487</b>
Pension and savings	26	21	57	42
Retail Bank	116	86	195	164
Financial result from the investment portfolio	570	511	893	1 032
Amortisation and impairment losses of excess value	(65)	(37)	(131)	(74)
Other items	(9)	(11)	(19)	(22)
<b>Profit/(loss) before tax expenses</b>	<b>1 709</b>	<b>1 640</b>	<b>3 318</b>	<b>2 627</b>



# Stable underlying loss ratio development

## Loss ratio development Q2 2015 – Q2 2016



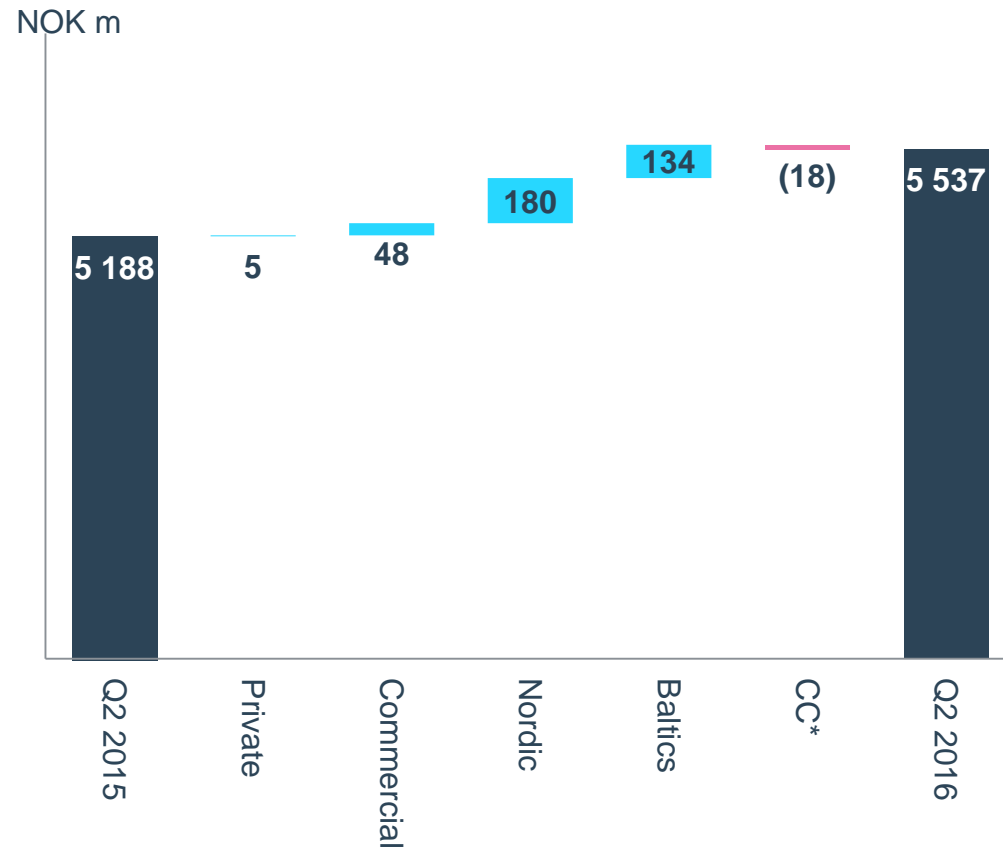
## Key drivers

- Group cost ratio excluding Baltics 14.5% (14.5%)
- Positive frequency claims development in Norway
  - For most commercial products and particularly property in the private portfolio
- Weaker underlying frequency claims development in Nordic
  - Particularly for private property and commercial motor



# Premium growth of 6.7 per cent

## Premium development Q2 2015 – Q2 2016



\* CC = corporate centre

## Key drivers - premium development

- Private +0.2%, stable number of customers
- Commercial +2.7%, mainly driven by one, large new contract
- Nordic +14.9%, driven by Mondux and currency
  - Underlying premium development marginally positive
  - Denmark +2.9% underlying growth (local currency)
- Baltics +108.4%, driven by PZU Lietuva acquisition

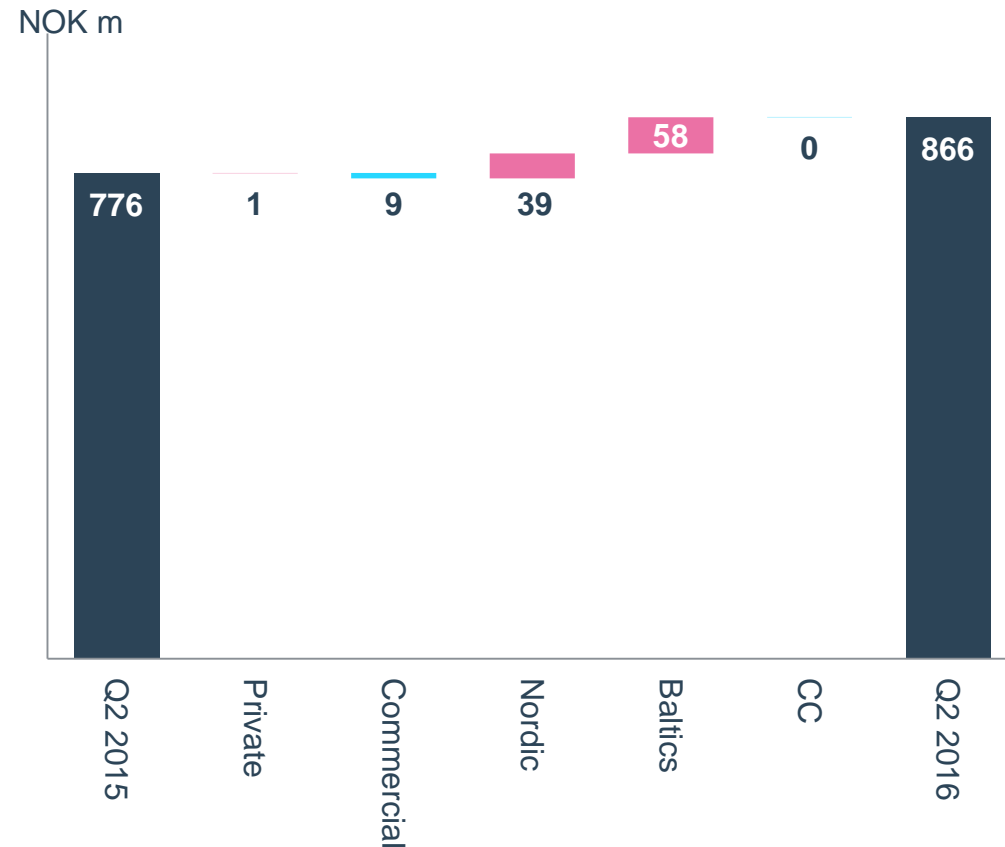




# Good cost control

## - continued cost efficiency initiatives going forward

### Cost development Q2 2015 – Q2 2016



### Key drivers - cost development

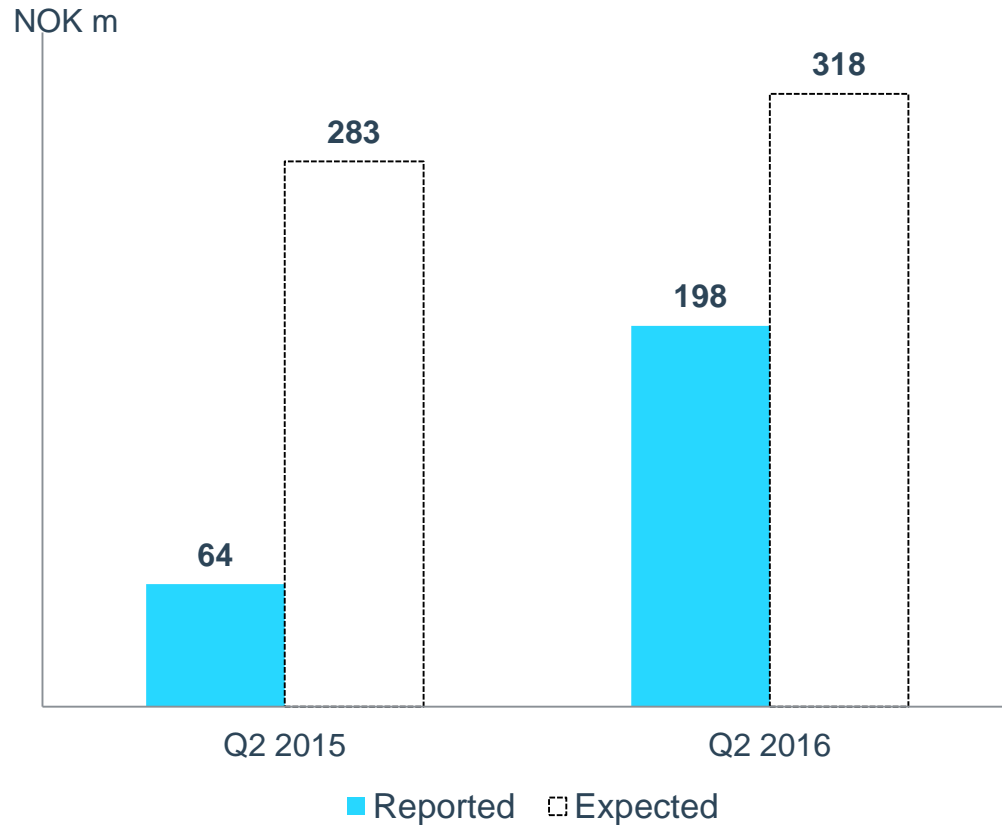
- Nordic segment: Increase due to Mondux and currency
- Baltics segment: Increase due to PZU Lietuva, integration costs and IT investments

\* CC = corporate centre

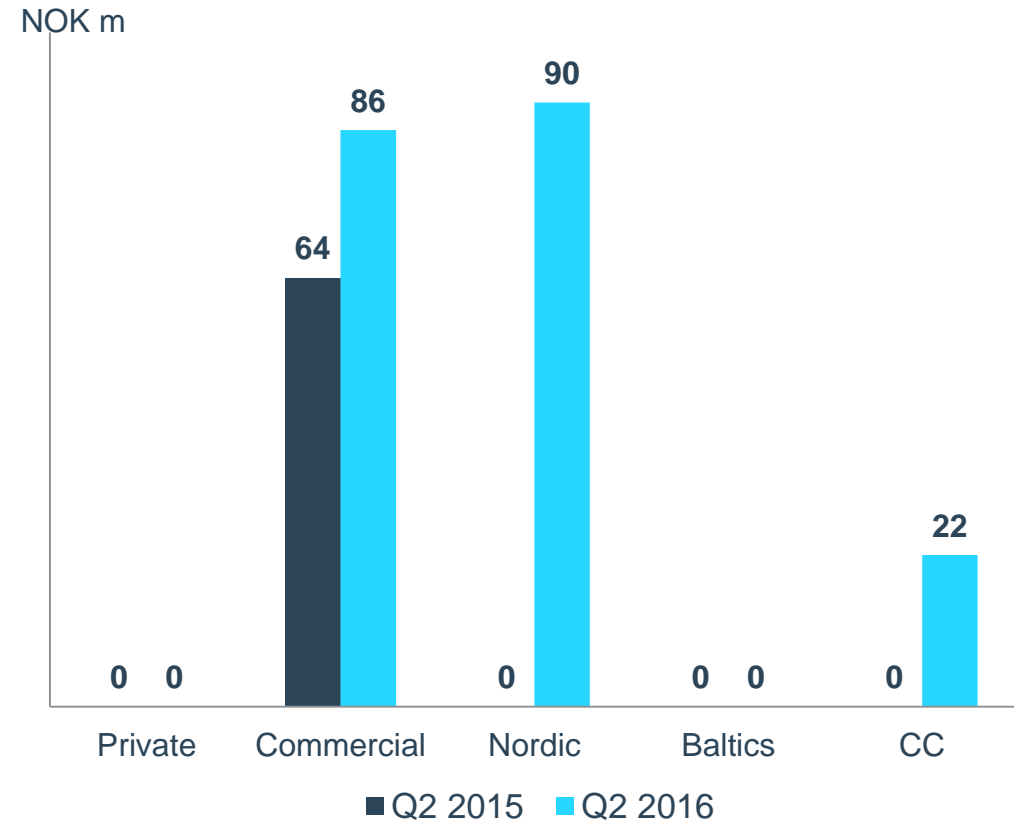


# Large losses lower than expected

## Large losses – reported vs expected



## Large losses per segment

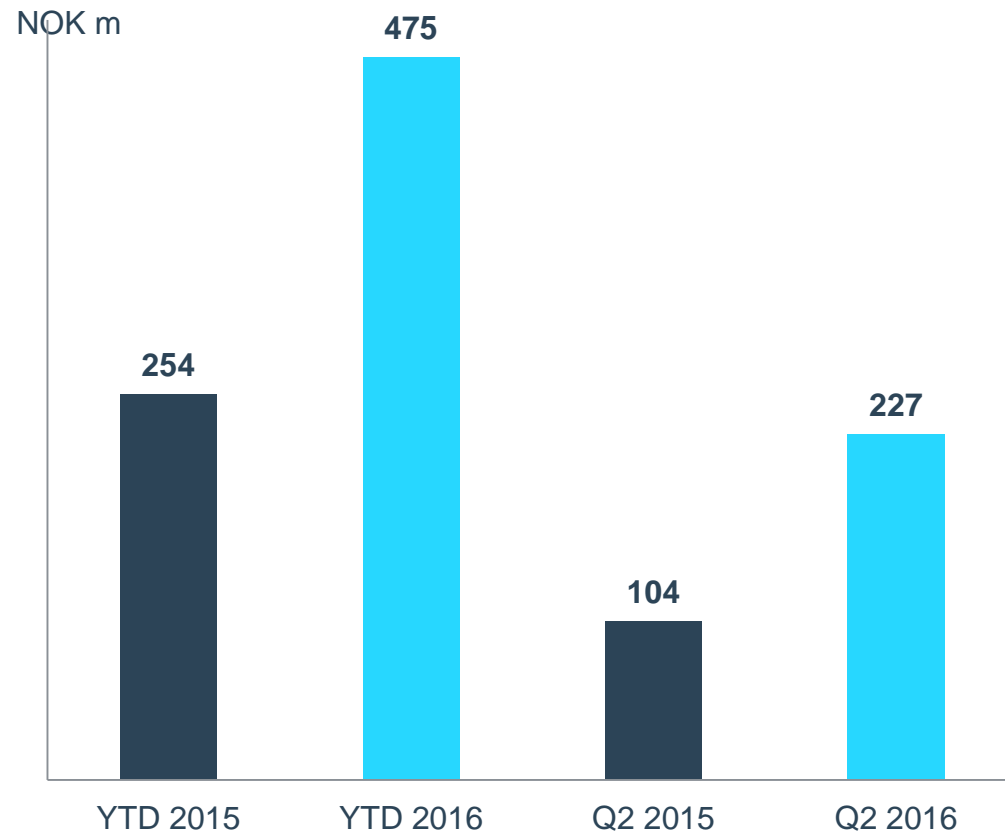


\* Large losses: Losses > NOK 10m. Weather related large losses are included. Large losses in excess of NOK 30.0m are charged to the Corporate Centre while up to NOK 30.0m per claim is charged to the segment in which the large loss occurred. The Baltics segment has, as a main rule, a retention level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

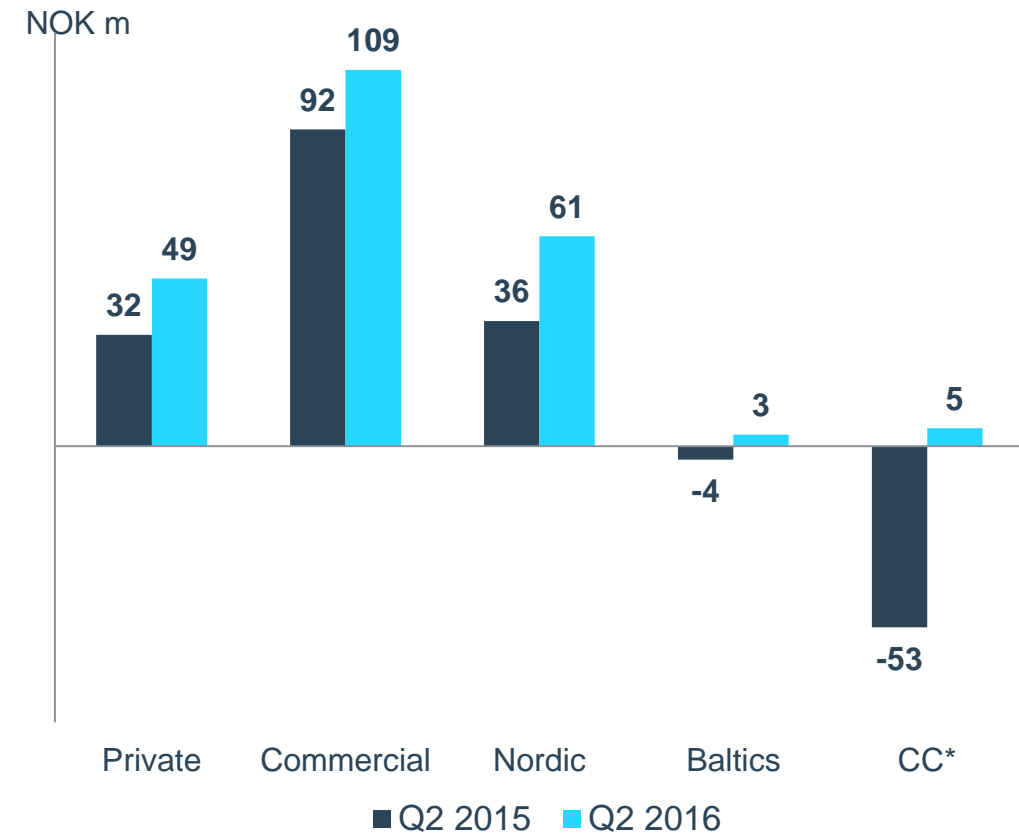


# Impact of 4.1 percentage points from run-off gains

## Run-off net



## Run-off net per segment

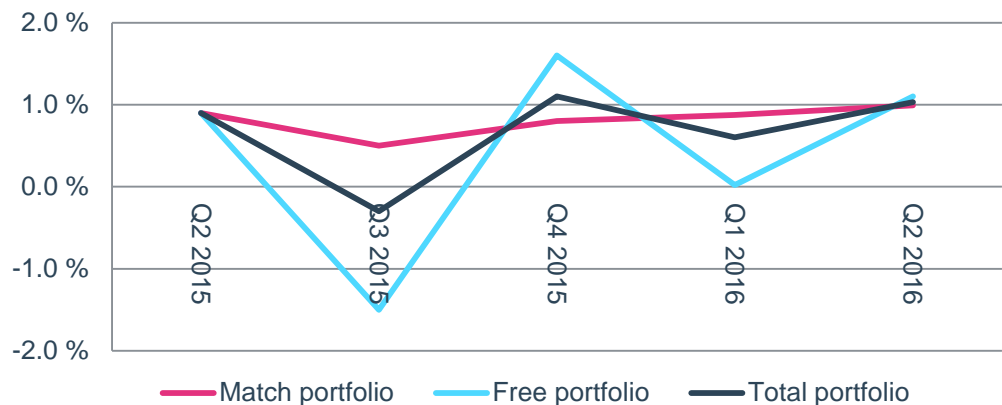


\* CC = corporate center



# Investment return of 1.0 per cent

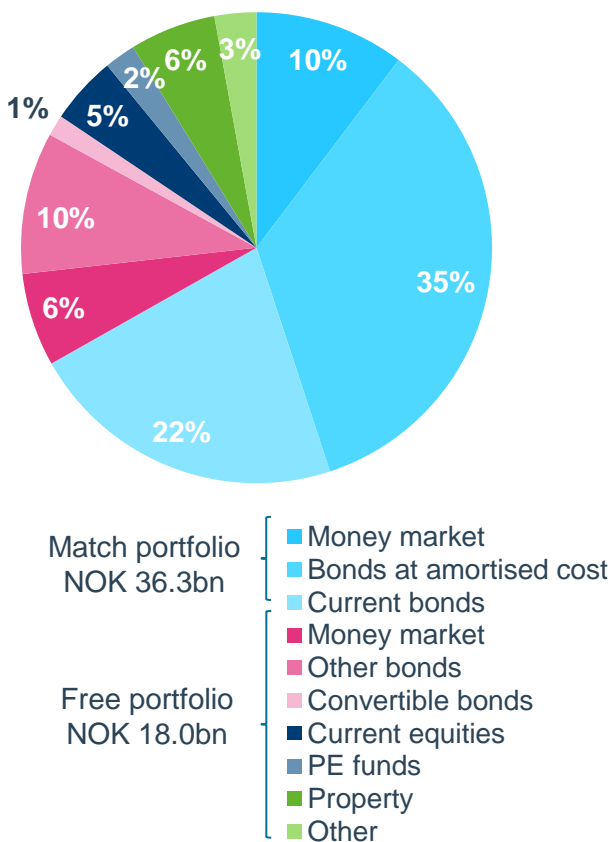
## Investment return (%)



## Investment return, free portfolio

Q2 2016	%
Fixed income	1.8
Current equities	2.2
PE funds	(0.5)
Property	1.2
<b>Total free portfolio</b>	<b>1.1</b>

## Portfolio mix as at 30.06.2016



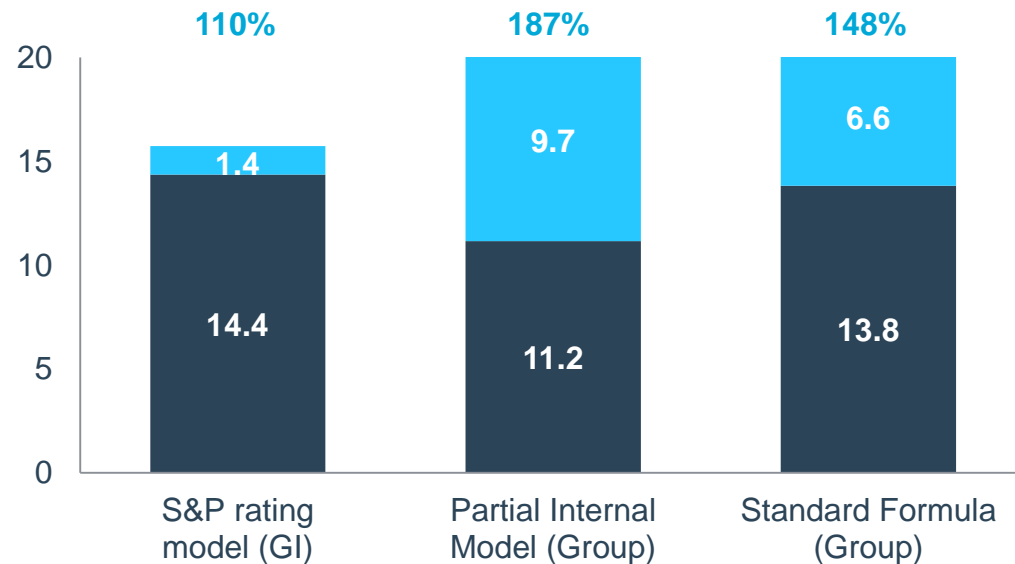


# Strong capital position - continued capital discipline going forward

## Strong capital position

Capital  
available  
(NOK bn)

**Solvency margin:**



■ Capital requirement ■ Capital > Capital requirement

## Capital discipline

- Capital buffers well within risk appetite
  - Figures include the ~NOK 500m capital effect from the Vardia acquisitions closed 1 July 2016
  - S&P capital requirement reduced by ~NOK 500m related to the surplus technical provisions
- Solvency margins 191% (PIM) and 151% (SF) when including guarantee scheme
- Capital efficiency may improve further through Tier 1 issuance, given reasonable market conditions

Figures as at 30.06.2016. The Solvency II regulation is principle based. Calculations are based on Gjensidige's understanding of the Solvency II regulation and how it is implemented in Norway, including the current view of the Norwegian FSA on the guarantee provision. If the Guarantee provision had been treated as solvency capital, the Group's PIM and SF solvency margins would be 191% and 151%, respectively. The figures related to the S&P rating model are based on Gjensidige's interpretations of the model. Total comprehensive income is included in the calculations, minus a formulaic dividend pay-out ratio of 70 per cent of net profit.



# Concluding remarks

## Key takeaways

- Strengthened market leader position in Norway in combination with strong profitability
- Continued cost discipline
- Strong capital position

## Targets

Return on equity	>15%
Combined ratio	86-89%*
Cost ratio	~15%
Dividends	Nominal high and stable (>70%)



\* Combined ratio target on an undiscounted basis, assuming ~4 pp run-off gains next 2.5-4.5 years and normalised large losses impact. Beyond the next 2.5-4.5 years, the target is 90-93 given 0 pp run-off.



**Tiden går  
Gjensidige består**



# Roadshows and conferences post Q2 2016 results

Date	Location	Participants	Event	Arranged by
15 July 2016	Oslo	CEO Helge Leiro Baastad CFO Catharina Hellerud	Interim presentation	Gjensidige
18 August 2016	Oslo	Group management	Sell-side analyst day	Gjensidige
25 August 2016	Helsinki	CFO Catharina Hellerud IRO Katharina Hesbø	Roadshow	Handelsbanken
26 August 2016	Oslo	CEO Helge Leiro Baastad CFO Catharina Hellerud Head of IR Janne Flessum IRO Katharina Hesbø	Lunch presentation	Fondsfinans
7-8 September 2016	Zurich Genève	CFO Catharina Hellerud Head of IR Janne Flessum	Roadshow	
13-14 September 2016	New York	CFO Catharina Hellerud IRO Katharina Hesbø	Barclays Global Financial Services Conference	Barclays
14 September 2016	London	CEO Helge Leiro Baastad Head of IR Janne Flessum	KBW European Financials Conference	KBW
21 September 2016	Stavanger Bergen	CEO Helge Leiro Baastad Head of IR Janne Flessum IRO Katharina Hesbø	Roadshow	
27 September 2016	London	CFO Catharina Hellerud Head of IR Janne Flessum	Bank of America Merrill Lynch Annual Financials CEO Conference	BoAML





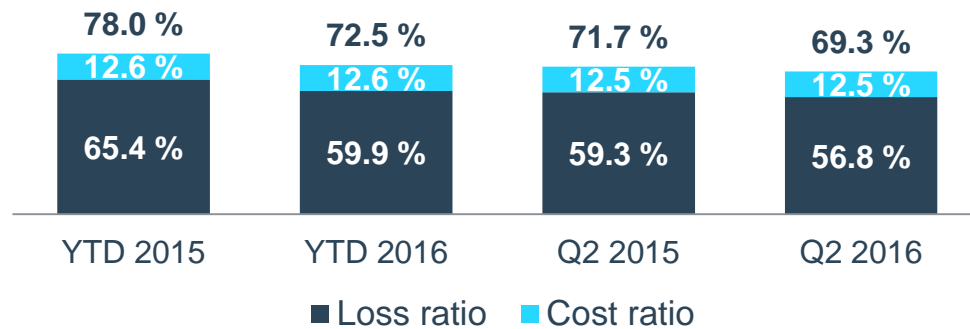
# Appendix



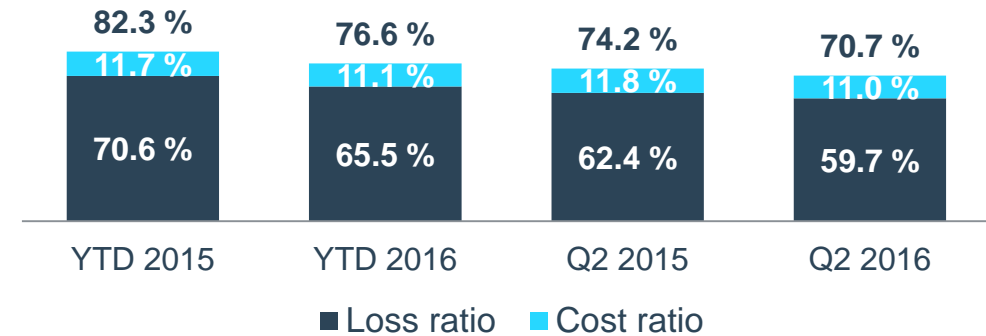
# General insurance – cost ratio and loss ratio per segment



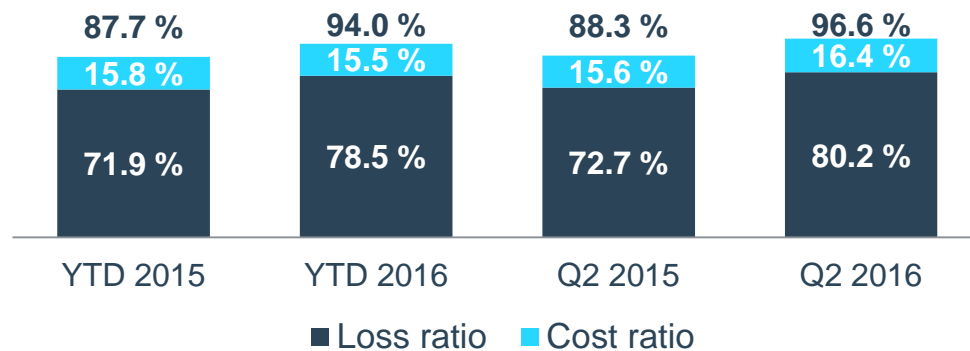
## Private



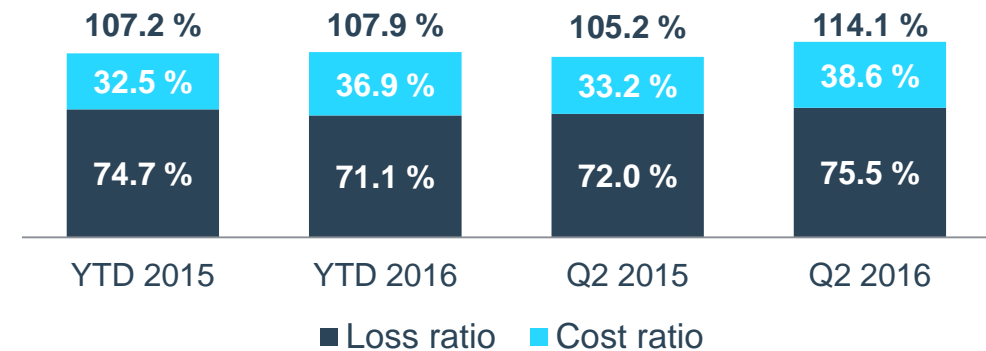
## Commercial



## Nordic



## Baltics

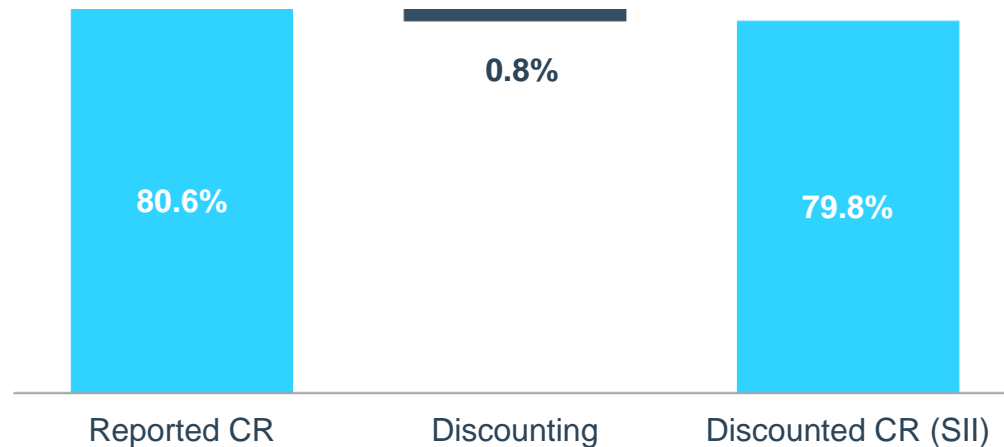




# Effect of discounting of claims provisions

Assuming Solvency II regime

## Effect of discounting on CR – Q2 2016



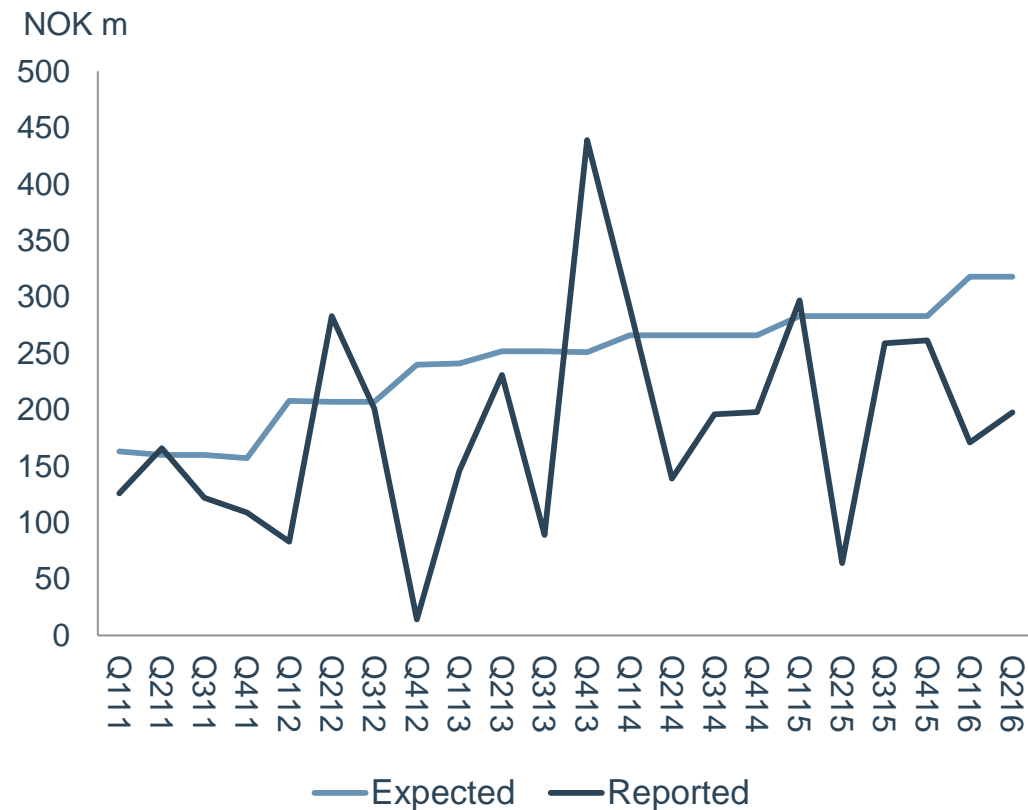
## Assumptions

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



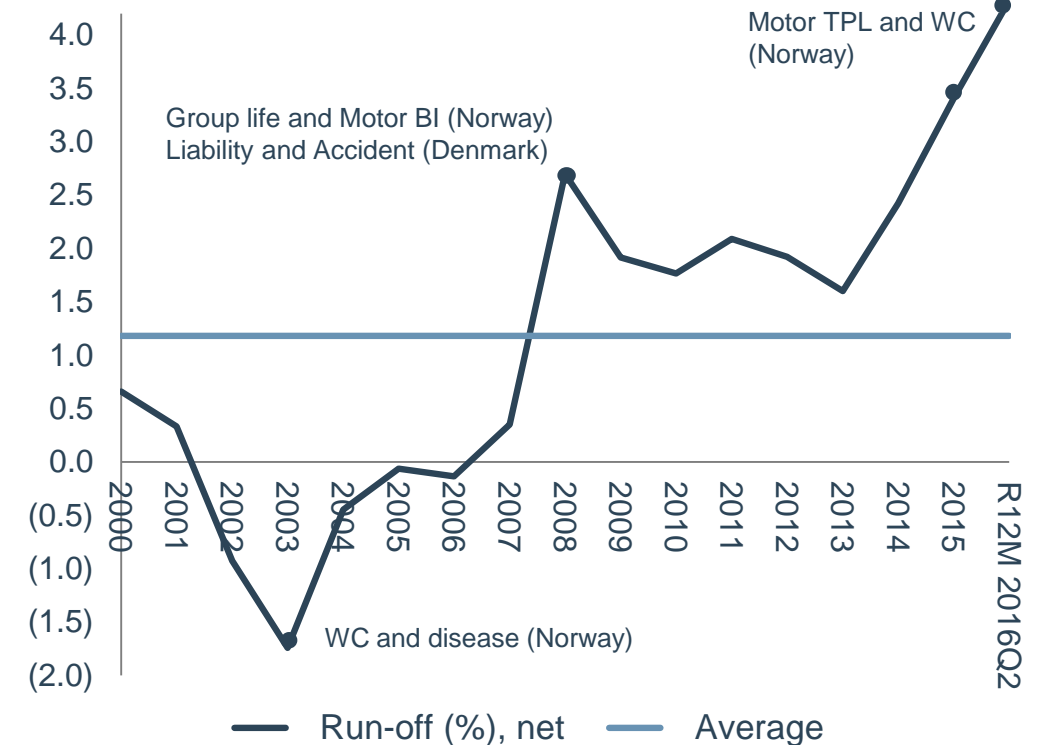
# Large losses and run-off development

~ NOK 1.3bn in large losses\* expected annually



Expected annual run-off gains of ~NOK 800m next 2.5-4.5 years

Run-off % of earned premium

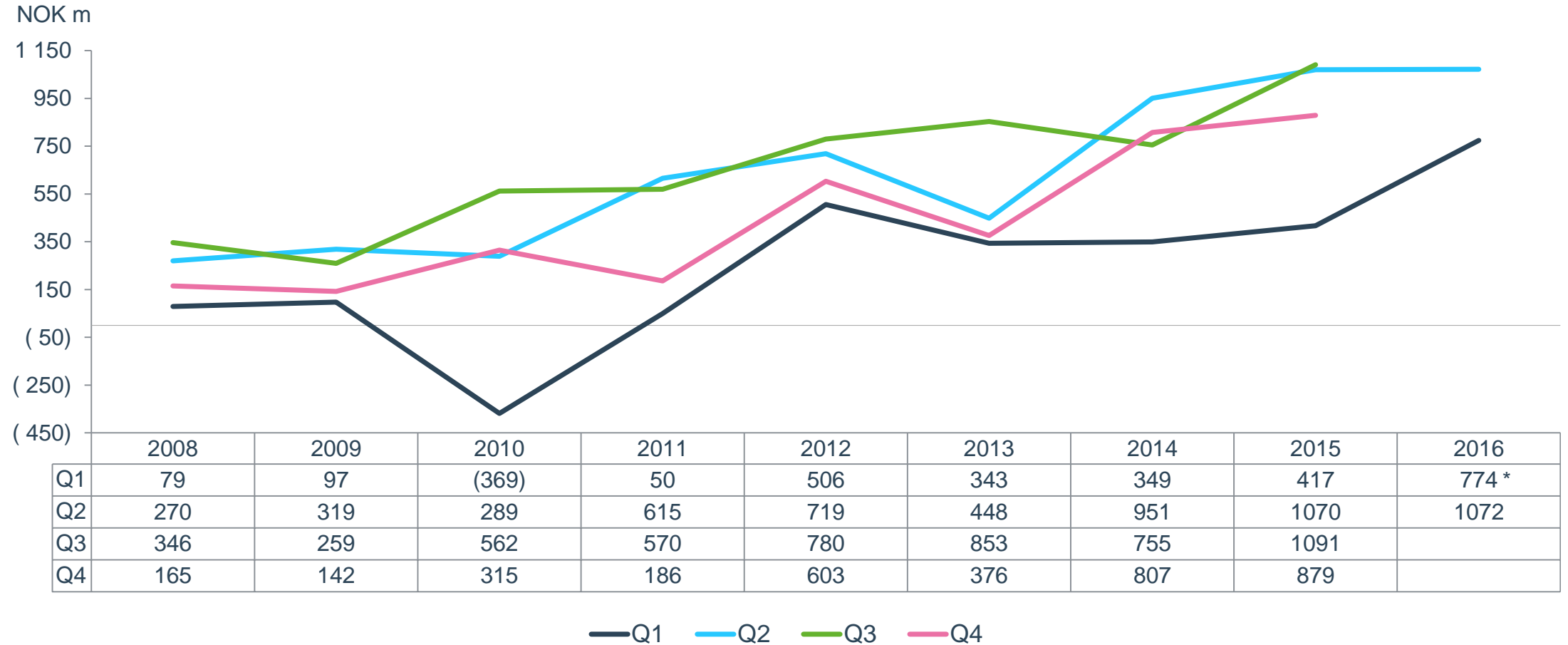


\* Losses >NOK 10m. From and including 2012, the numbers include weather related large losses.



# Quarterly underwriting results

## General Insurance



\* 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

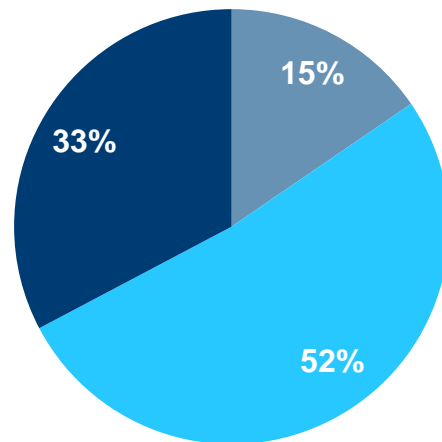


# Asset allocation

As at 30.06.2016

## Match portfolio

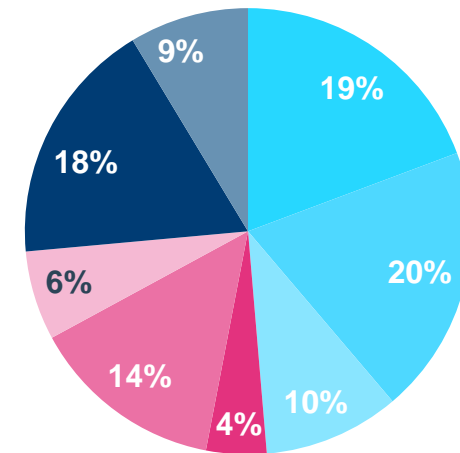
- Carrying amount: NOK 36.3bn
- Average duration: 3.5 years



- Money market
- Bonds at amortised cost
- Current bonds

## Free portfolio

- Carrying amount: NOK 18.0bn
- Average duration fixed-income instruments: 3.7 years

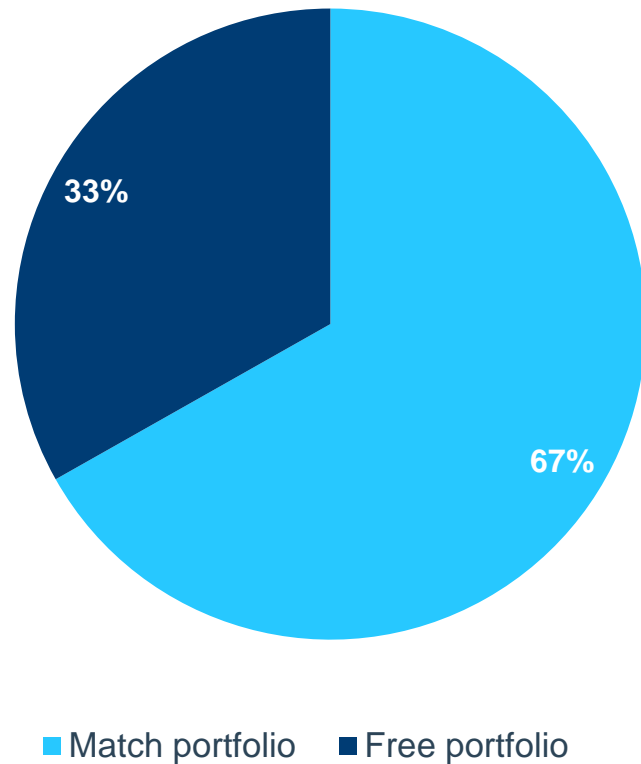


- Money market
- High Yield
- Current equities
- Property
- Other bonds
- Convertible bonds
- PE-funds
- Other



# Stable contribution from the match portfolio

Asset allocation as at 30.06.2016



Quarterly investment returns\*

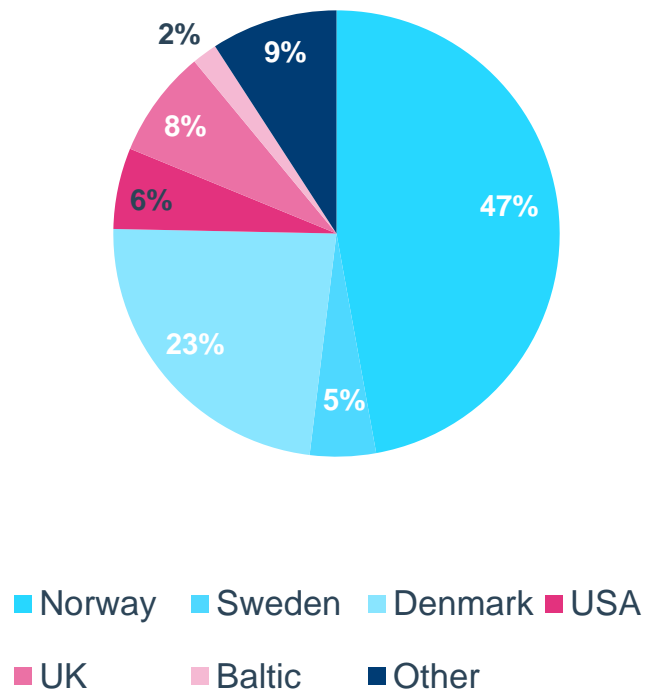


\* From and including 2014 former associated companies are included in the Free portfolio. The investment in STB was sold in Q1 2014. From and including Q2 2014 the investment in SRBANK was classified as an ordinary share

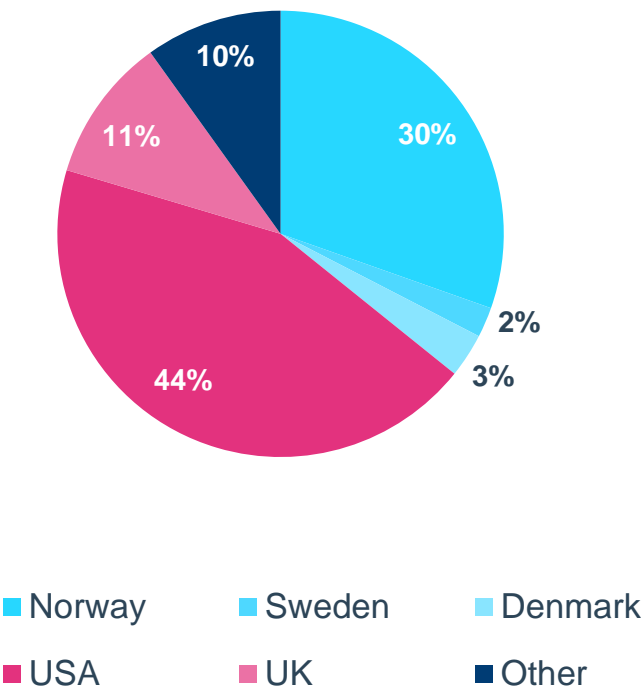


# Balanced geographical exposure

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
- Relevant benchmark for high yield and investment grade are international, wide HY and IG indices
- Generally, foreign-exchange risk in the investment portfolio is hedged close to 100 per cent, within a permitted limit of +/- ten per cent per currency

## Total fixed income portfolio

Split - Rating	Match portfolio		Free portfolio	
	NOK bn	Per cent	NOK bn	Per cent
AAA	10.5	29.0	0.9	8.9
AA	4.0	11.1	0.9	9.0
A	6.5	18.0	2.6	26.7
BBB	2.1	5.7	1.9	20.1
BB	0.7	1.8	1.0	11.0
B	0.9	2.6	0.8	8.6
CCC or lower	0.0	0.0	0.1	1.1
Internal rating*	7.4	20.5	0.9	9.0
Unrated	4.1	11.3	0.5	5.6
<b>Fixed income portfolio</b>	<b>36.3</b>	<b>100.0</b>	<b>9.6</b>	<b>100.0</b>

Split - Counterparty	Match portfolio		Free portfolio	
	NOK bn	%	NOK bn	%
Public sector	3.8	10.4	1.4	14.2
Bank/financial institutions	20.5	56.3	3.5	36.9
Corporates	12.1	33.2	4.7	48.9
<b>Total</b>	<b>36.3</b>	<b>100.0</b>	<b>9.6</b>	<b>100.0</b>



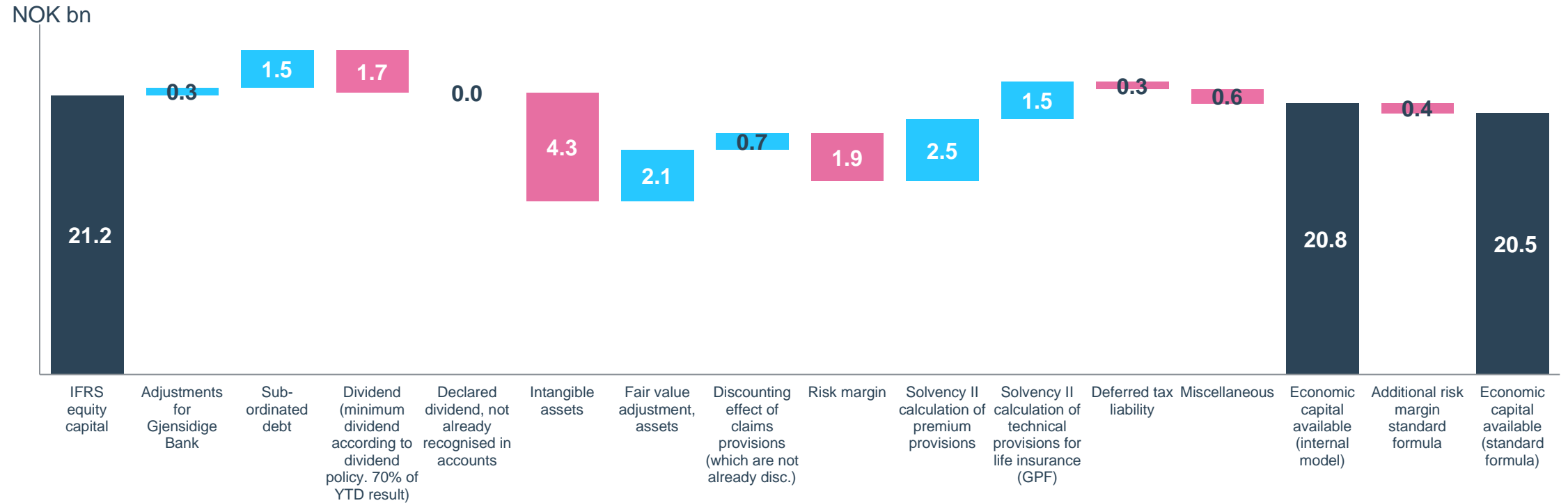
# Overview capitalisation

(NOK bn)	SF (Group)	SF (general insurance)	PIM (Group)	PIM (general insurance)	Rating model (general insurance)	Gjensidige Bank & Gjensidige Investeringsrådgivning	Gjensidige Pensjonsforsikring
Capital available	20.5	15.5	20.8	15.9	15.7	3.3	1.5
Capital requirement	13.8	9.7	11.2	7.2	14.4	3.2	1.3
<b>Solvency margin</b>	<b>148%</b>	<b>159%</b>	<b>187%</b>	<b>220%</b>	<b>110%</b>	<b>103%</b>	<b>119%</b>

Figures as at 30.06.2016. The Solvency II regulation is principle based. Calculations are based on Gjensidige's understanding of the Solvency II regulation and how it is implemented in Norway, including the current view of the Norwegian FSA on the guarantee provision. If the Guarantee provision had been treated as solvency capital, the Group's PIM and SF solvency margins would be 191% and 151%, respectively. The figures related to the S&P rating model are based on Gjensidige's interpretations of the model. Total comprehensive income is included in the calculations, minus a formulaic dividend pay-out ratio of 70 per cent of net profit. Allocation of capital to Gjensidige Bank is based on 16 per cent capital adequacy ratio. Allocation of capital to Gjensidige Investeringsrådgivning is based on 8 per cent capital adequacy ratio.



# Solvency II economic capital available



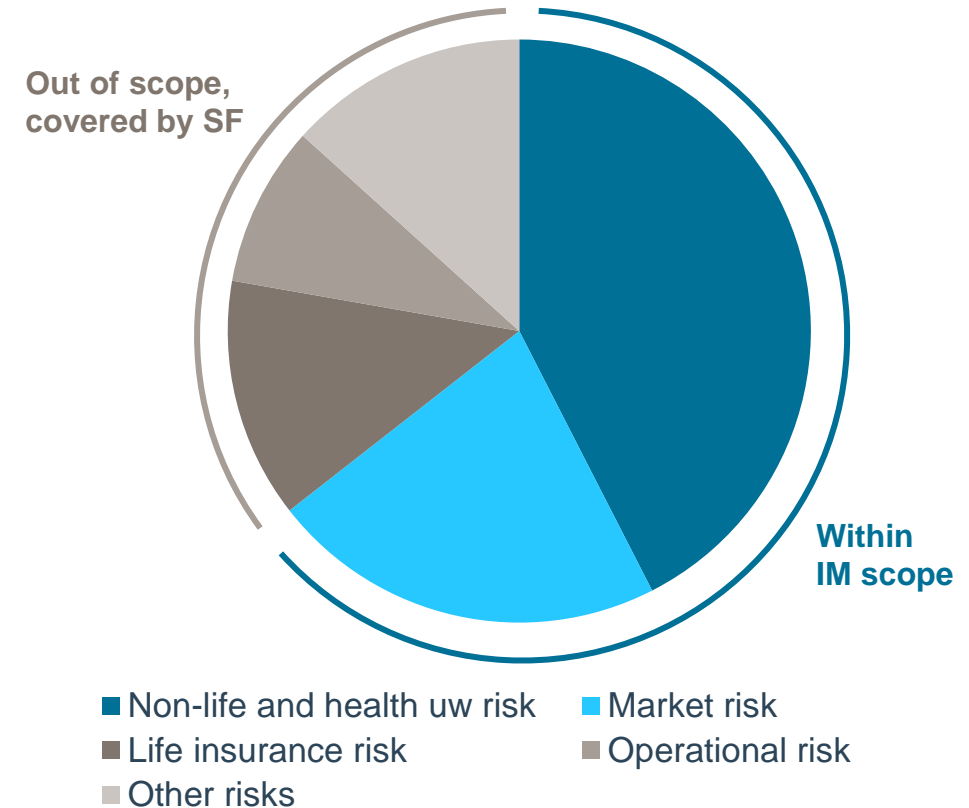
Figures as at 30.06.2016. GPF = Gjensidige Pensjonsforsikring. The Solvency II regulation is principle based. Calculations are based on Gjensidige's understanding of the Solvency II regulation and how it is implemented in Norway, including the current view of the Norwegian FSA on the guarantee provision. Deferred tax: All differences in valuation of assets and liabilities are adjusted for tax. No tax is assumed on the security provision. Miscellaneous: Main effects are related to the guarantee scheme provision, different valuation of Oslo Areal and assumed effect of the Vardia acquisition.



# Solvency II capital requirements

NOK bn	PIM	SF
<b>Capital available</b>	<b>20.8</b>	<b>20.5</b>
Capital charge for non-life and health uw risk	5.8	8.0
Capital charge for life uw risk	1.3	1.3
Capital charge for market risk	5.9	6.7
Capital charge for counterparty risk	0.3	0.3
Diversification	(4.3)	(3.6)
<b>Basic SCR</b>	<b>9.1</b>	<b>12.7</b>
Operational risk	1.0	1.0
Adjustments (risk-reducing effect of deferred tax)	(2.2)	(3.1)
Gjensidige Bank/Gjensidige Investeringsrådgivning	3.2	3.2
<b>Total capital requirement</b>	<b>11.2</b>	<b>13.8</b>
<b>Solvency ratio</b>	<b>187%</b>	<b>148%</b>

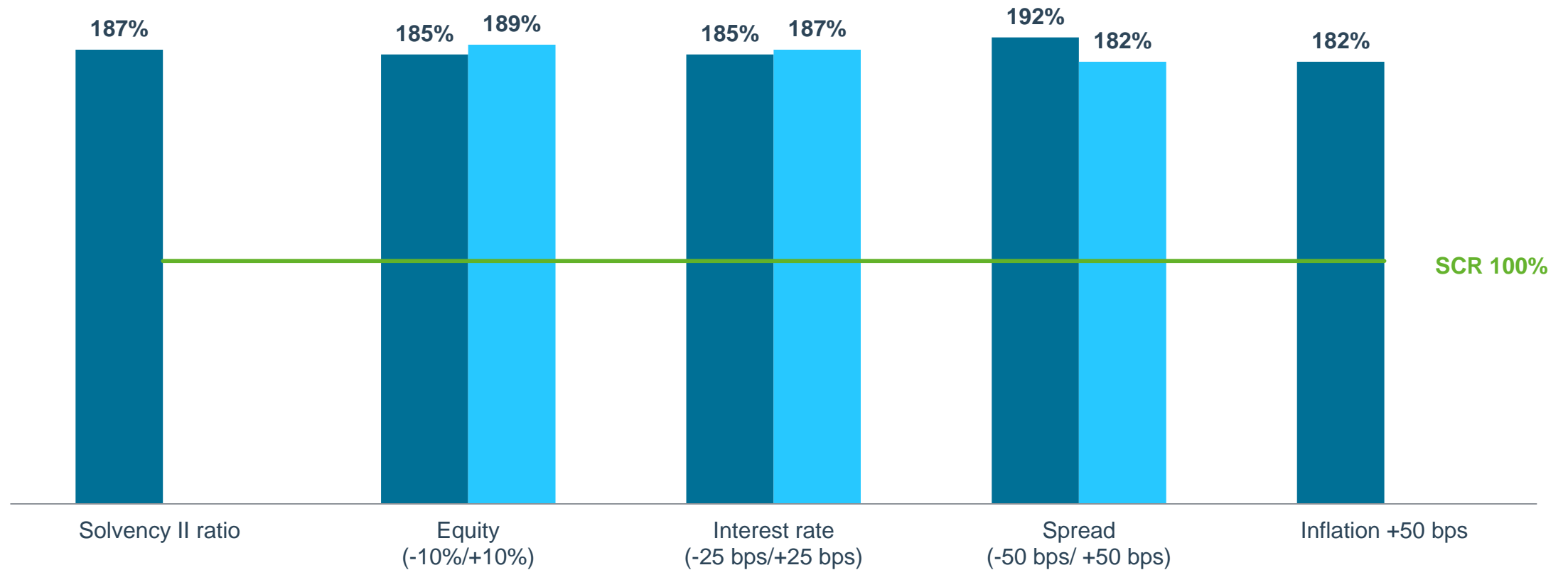
## Scope internal model



Figures as at 30.06.2016. The Solvency II regulation is principle based. Calculations are based on Gjensidige's understanding of the Solvency II regulation and how it is implemented in Norway, including the current view of the Norwegian FSA on the guarantee provision. If the Guarantee provision had been treated as solvency capital, the Group's PIM and SF solvency margins would be 191% and 151%, respectively. Total comprehensive income is included in the calculations, minus a formulaic dividend pay-out ratio of 70 per cent of net profit. Allocation of capital to Gjensidige Bank is based on 16 per cent capital adequacy ratio. Pie chart is based on allocated capital for the specified risk types within the Gjensidige Group excl. Gjensidige Bank and Gjensidige Investeringsrådgivning .



# Solvency II sensitivities PIM

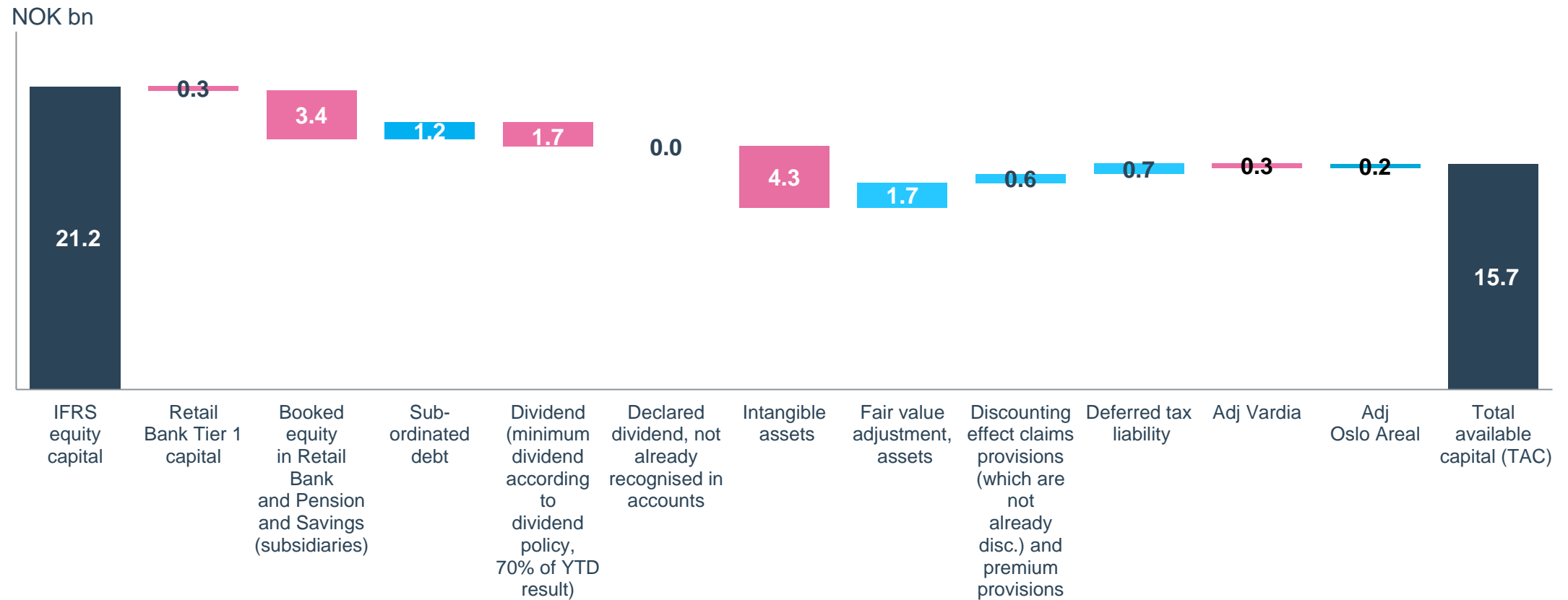


Figures as at 30.06.2016. Calculations are based on Gjensidige's understanding of the Solvency II regulation and how it is implemented in Norway, including the current view of the Norwegian FSA on the guarantee provision. If the Guarantee provision had been treated as solvency capital, the Group's PIM solvency margins would be 191%. 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.



# S&P total available capital

## Bridging the gap between IFRS equity and available capital



Figures as at 30.06.2016. The figures related to the S&P rating model are based on Gjensidige's interpretations of the model. Note that the rating perspective is based on the balance sheet of the Group's general insurance operations.



# S&P capital requirement

	NOK bn
Total capital charge for asset risk	7.1
Total capital charge for insurance risk	9.2
Total gain diversification	(1.1)
Quantitative credit	(0.8)
<b>Total capital requirement A-rating</b>	<b>14.4</b>

Figures as at 30.06.2016. The figures related to the S&P rating model are based on Gjensidige's interpretations of the model. Note that the rating perspective is based on the balance sheet of the Group's general insurance operations.



# 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 capacity is NOK 2.7bn
- Tier 2 capacity is fully utilised for the insurance group assuming PIM approval
  - Utilised sub debt: NOK 1.5bn\*
  - Utilised natural perils fund and guarantee scheme: NOK 2.8bn

Figures as at 31.06.2016. The Solvency II regulation is principle based. Calculations are based on Gjensidige's understanding of the Solvency II regulation and how it is implemented in Norway. However, 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.

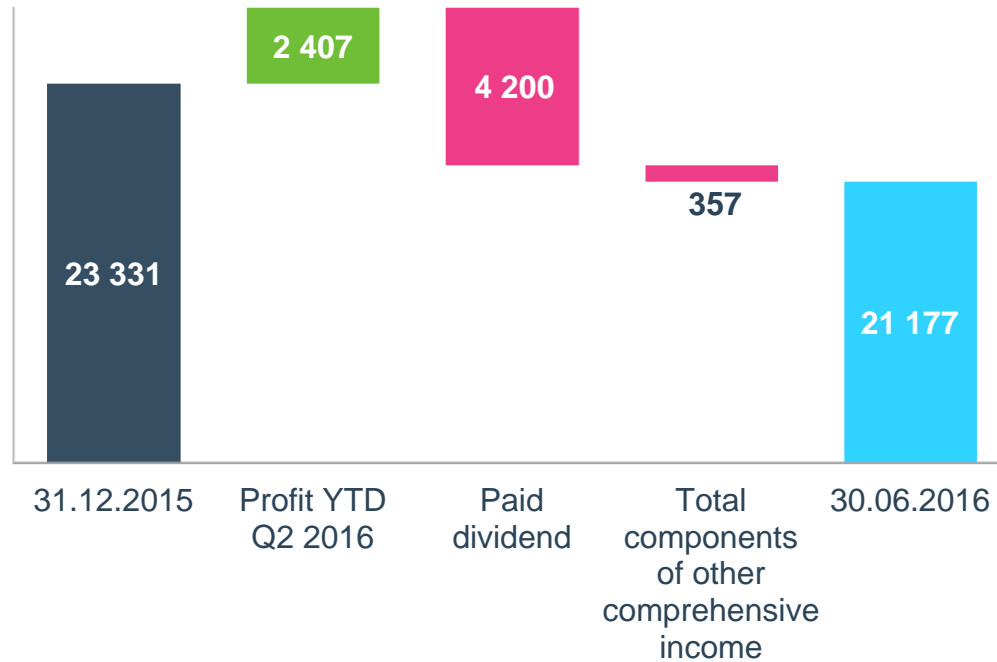
\* Sub debt Gjensidige Forsikring ASA NOK 1.2bn, Gjensidige Pensjonsforsikring NOK 0.3bn



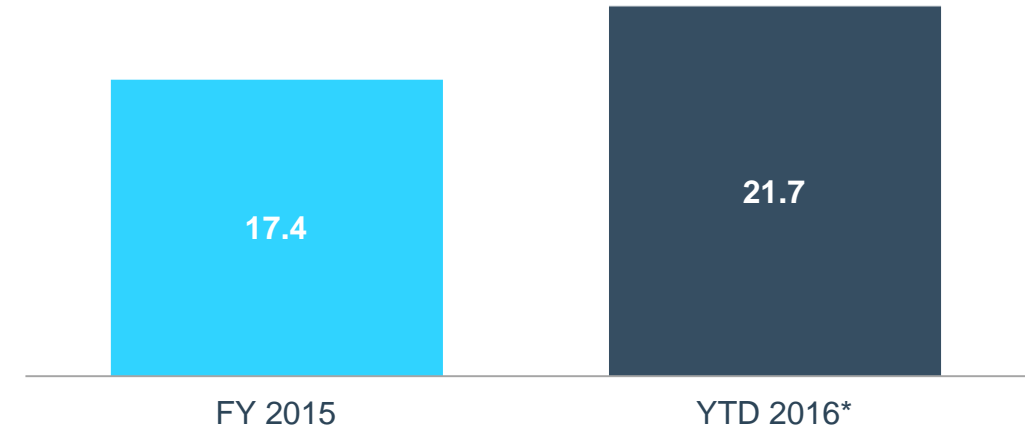


# Annualised return on equity 21.7 per cent in Q2 2016

## Equity (NOK m)



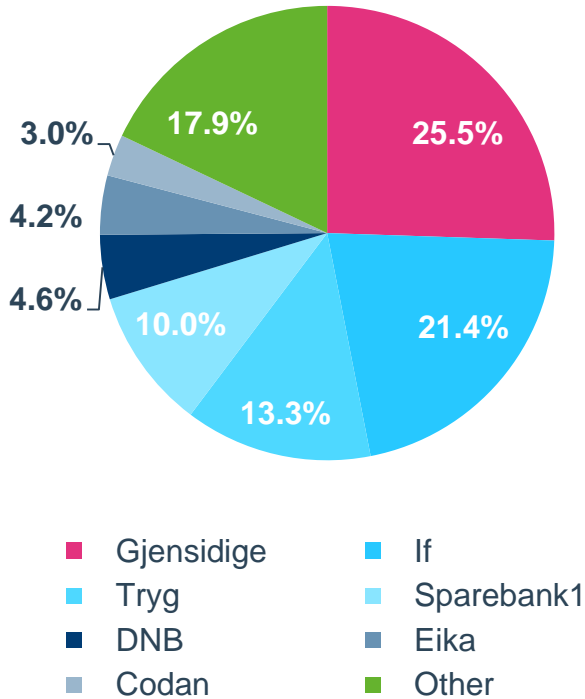
## Return on equity (%)



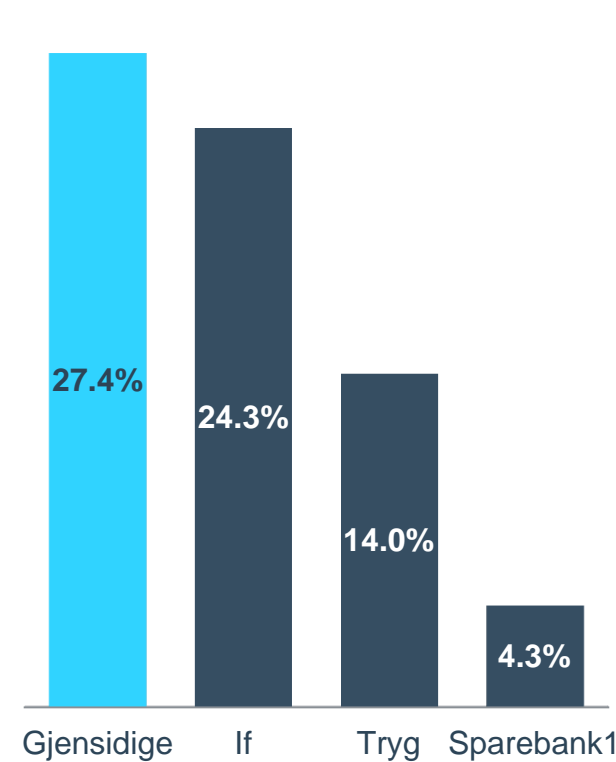


# Market leader in Norway

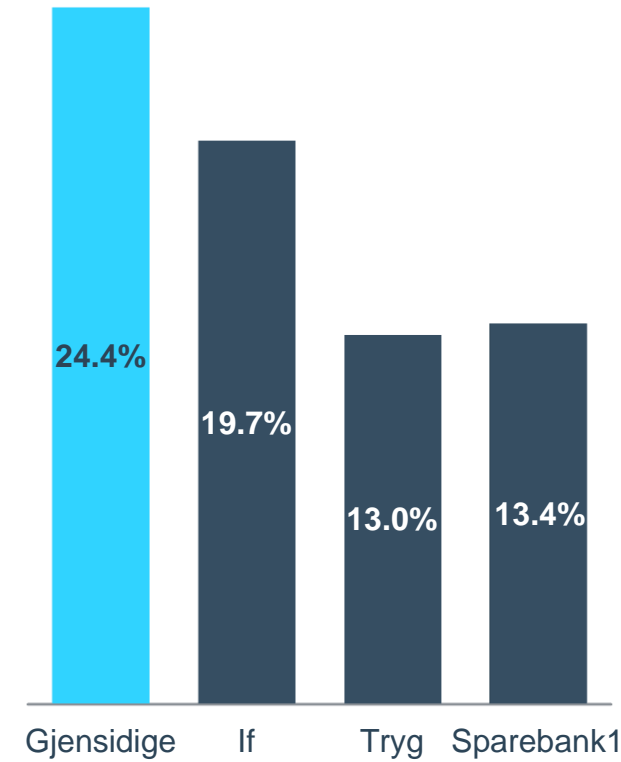
Market share – Total market



Market share – Commercial



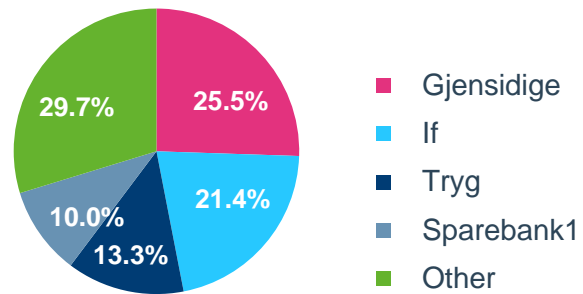
Market share – Private



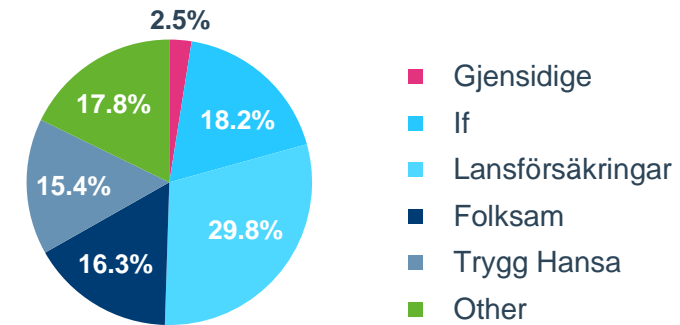


# Nordic and Baltic growth opportunities

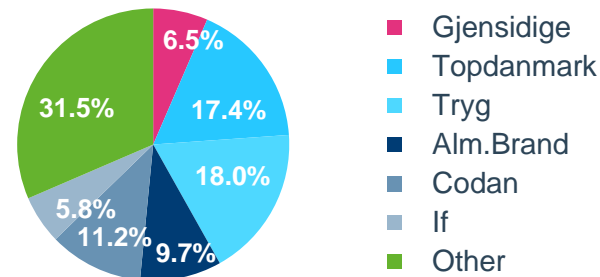
## Market shares Norway



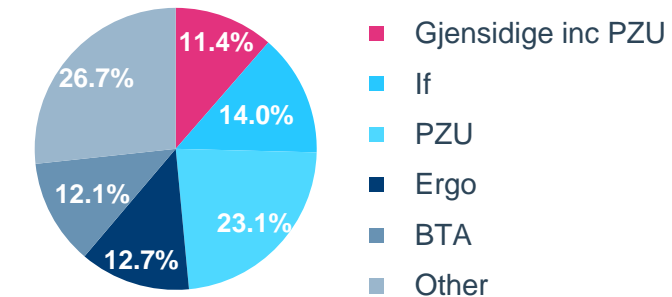
## Market shares Sweden



## Market shares Denmark



## Market shares Baltics



Sources: Finance Norway, 1<sup>st</sup> quarter 2016. Insurance Sweden, 4<sup>th</sup> quarter 2015 (Gjensidige including Vardia), The Danish Insurance Association 2<sup>nd</sup> quarter 2015. Baltics Insurance Supervisory Authorities of Latvia and Lithuania, Estonia Statistics, competitor reports, and manual calculations, 1<sup>st</sup> quarter 2016

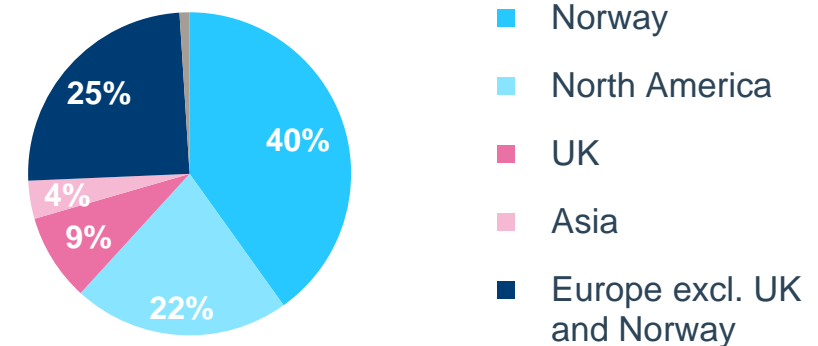


# Ownership

## 10 largest shareholders\*

No	Shareholder	Stake (%)
1	Gjensidigestiftelsen	62.2
2	Folketrygdfondet	4.6
3	Deutsche Bank	4.2
4	Danske Bank	3.1
5	Caisse de Depot et Placement du Quebec	2.5
6	BlackRock	1.5
7	State Street Corporation	0.8
8	DNB	0.8
9	The Vanguard Group	0.7
10	Safe Investment Company	0.7
<b>Total 10 largest</b>		<b>81.1</b>

## Geographical distribution of 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

\* 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 June 2016. This analysis provides a survey of the shareholders who are behind the nominee accounts. There is no guarantee that the list is complete. \*\* Distribution of shares excluding share held by the Gjensidige Foundation (Gjensidigestiftelsen).



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# Notes



# Notes



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