Gjensidige

Dear GJF-analyst,
It is time to start preparing for Gjensidige's Q3'23 reporting.

<u>Key dates</u>

- **Q3'23 reporting:** 20 October 2023
- **Silent period:** starts on 1 October 2023
- **Availability for responding to questions:** Until 30 September. Please send us an email to schedule a call.

<u>Consensus estimates</u>

As always, we kindly ask you to forward to us your estimates, using the attached template. To be able to return to you and publish a consistent consensus for all lines, we kindly ask you to fill in all open (light blue) cells in the sheet. Please fill inn your estimates according to the new reporting standards IFRS 9 and 17.

- **Deadline for submitting your estimates to us:** 6 October 2023
- **Re-distribution of consensus:** We will publish consensus in the morning on 16 October 2023
- **Changes in financial report due to new Group structure:** Following the new Group structure announced in April, starting from Q3'23 the results from our Danish operations will be split between Private and Commercial, together with our Norwegian operations. Pending the first financial report with the new structure, we will ask you to fill in your estimates for Denmark in total, as you have done in the past. The Q3'23 report will include relevant details for results in Denmark, as well as total results for Denmark, making it possible for you to easily compare consensus estimates with the reported figures.

<u>Reminders</u>

- **Weather**: Due to seasonality, the summer quarters Q2 and **Q3** normally have lower claims ratios than Q1 and Q4. There have been several weather events during Q3:

  - The storm "Hans": The latest published estimate issued by the Norwegian Natural Perils Pool for the Norwegian insurance industry as a whole is NOK 1.8 bn, of which 1.1 bn related to natural perils (to be settled in accordance with the terms set by the Norwegian Natural Perils Pool) and NOK 0.7 bn related to claims to be covered outside the pool. See the press release here: <u>Rundt 10 000 innmeldte skader etter ekstremværet «Hans» (naturskade.no)</u>. Hans also hit Denmark, Sweden and the Baltics.

    Net of reinsurance our retention in respect of Hans is NOK 250 million plus reinstatement cost. The reinstatement cost will be recognised in the P&L item "Amounts recovered from reinsurance", in the Corporate Center segment, as a negative number.

  - Torrential rain 26-27 August in Oslo and the surroundings: See our latest press release here: <u>https://www.gjensidige.com/presse/presse#/pressreleases/over-500-skader-i-oslo-og-viken-etter-styrtregn-3269103</u>, stating that the number of claims, although sizeable, was significantly lower than for Hans. In terms of reinsurance, this is a separate event from Hans.

  - In terms of recognition of large losses per segment, please note our practice as described in our quarterly reports on page 2: Large losses (single losses or events like Hans) in excess of NOK 30 million are charged to the Corporate Centre segment, while claims of less than NOK 30 million are charged to the segment or segments in which the large losses occur. As a main rule, the Baltics segment has a retention level of EUR 0.5 million, while the Swedish segment has a retention level of NOK 10 million.

- **Large losses:** Our general expectation for normalised large losses, defined as losses above NOK 10 million, is approximately NOK 388 million per quarter (NOK 1.55 billion per year). Please note that this estimate is an undiscounted figure. Large losses in our IFRS 17 accounts are recognised at their discounted values.

- **Excess reserves**: Bear in mind our communication on the release of excess reserves - according to IFRS 17, it is not possible to retain identified excess reserves on the balance sheet. Our release of excess reserves related to the specific vintages between 2008 and 2014 (appx. BNOK 1 per year) were completed by the end of 2022. These were our planned releases. Going forward we will continue to set reserves according to our best estimate. However, bearing history in mind, we do expect run-off gains and losses also in the future.

- **Inflation**: We will provide an update at our Q3'23 earnings call, as we have done over the past quarters. These are the key points in our latest communication on the topic as explained at our Q2'23 results presentation on 14 July:

  - Claims inflation so far has been in line with our expectations. Based on our analysis, we expect claims inflation for private property in Norway in the 4 to 6 per cent range going forward. For motor in Norway, we expect claims inflation in the range of 5 to 7 per cent, at the higher end in the short term. For all products, we will continue to put through price increases at least in line with expected claims inflation.

  - The increase in claims frequency for several product lines in Norway is being closely monitored. Gjensidige has strengthened pricing measures and will adjust terms and conditions, including deductibles both in the Private and Commercial portfolios, to ensure that we over time mitigate the increase in claims frequency.

  - We are confident that we will be able to get through the necessary price increases. And we will continue to prioritise profitability over growth.

- **Acquisitions of commercial portfolio from Sønderjysk Forsikring and Pensam Forsikring:**

  - Sønderjysk Forsikring: Transaction completed on 1 September as per stock exchange release published on 1 September. Purchase price appx. DKK 200 million, premiums appx. DKK 200 million.

  - Pensam Forsikring: Closing expected in Q4'23 as announced in stock exchange release on 26. June and confirmed in Q2'23 presentation on 14 July. Price not disclosed. Gross earned premiums of DKK 118 million and combined ratio 110 per cent in 2022. Gjensidige sees significant potential to improve cost efficiency for the portfolio.

  - Solvency impact: As stated in the Q2'23 presentation, the solvency ratio as of 30.6.23 was 180%. The solvency ratio at that date would have been 173% if we had included the Sønderjysk Forsikring and PenSam Forsikring transactions. The Sønderjysk Forsikring transaction will impact the reported solvency ratio for Q3'23, while the Pensam Forsikring transaction is expected to impact the reported solvency ratio in Q4'23.

- **Pension**: As mentioned at the Q2'23 presentation, due to IFRS 17 and the process of refining our models, we still expect some volatility in the third quarter results and then a more stable development from the fourth quarter this year.

- **Tier 2 capital issue:** Reference is made to the stock exchange releases on 18, 19 and 20 September regarding the Tier 2 capital issue of MNOK 1,200, and the buy-back of MNOK 696 in the listed T2 bond GJF01 issued in 2014 (with the first call in 2024). The remaining outstanding amount in GJF01 is MNOK 504. Please see the stock exchange releases here for more details: NewsWeb (oslobors.no)

- **Solvency II (SII) calculations:**
  - Transition to IFRS 9 and 17 does not affect the solvency position
  - For impacts from the acquisitions of the commercial portfolio from Sønderjysk Forsikring and Pensam Forsikring, in addition to the most recent issue of tier 2 capital, please see above.

  In general, the main items that explain quarterly changes in **eligible own funds** are as follows:
  - Capital generation through SII operating earnings and return on the free portfolio. Usually more or less equivalent to profit after tax based on IFRS accounts. However, differences in valuation of assets and liabilities between IFRS accounts and SII calculations (although less after IFRS 17), mainly related to intangible assets and technical provisions, and the subsequent tax effects realised in the P&L.
  - Subtraction of formulaic dividend (80 per cent of profit after tax – in accordance with our dividend policy). Replaced by actual proposed or declared dividend upon proposal/declaration.
  - Regulatory/model changes, for example approval of internal model changes by the Norwegian FSA.
  - Capital actions such as new loans or M&A-transactions (impact on eligible own funds dependent on intangible assets).

  The main items that explain the quarterly changes in **solvency capital requirement** are as follows:
  - Growth - the components are non-life and health UW risk, life UW risk, market risk, counter-party risk, diversification, operational risk, adjustments related to loss-absorbing capacity of deferred tax and regulatory changes.
  - Non-life and health underwriting risks are generally relatively stable over time, increasing with growth in exposure and may change if there are significant changes in product composition.
  - Life underwriting risk primarily reflects lapse risk for unit-linked products. Lapse risk depends on the size of the unit-linked portfolio as it is related to loss of expected future profit. Risk depends on growth in exposure and capital market developments, impacting assets under management.
  - Market risk variations are driven by changes in asset allocation and asset values.
  - Counterparty risk is limited as we have limited exposure to counterparties.
  - Diversification depends on the development in the risks above.
  - Operational risk is calculated as a percentage of the size of the business, and it is expected to increase gradually with growth in business volume.
  - Loss-absorbing capacity of deferred tax reduces capital requirement. It represents the tax relief that will occur after a loss. The development is quite stable measured in percentage of the sum of basic capital requirement and operational risk.
  - Regulatory changes and management actions such as changing reinsurance program, issuing new loans or M&A-transactions may affect own funds and capital requirement from time to time.

- **Investment portfolio:**
  - Bear in mind that all bonds are recognised at fair value from 1.1.2023, due to IFRS 9. While rising interest rates generate higher interest income over time, it is important to remember that rising rates have an immediate negative impact on the valuation of fixed-income assets. And of course, the impacts are opposite when interest rates decrease.

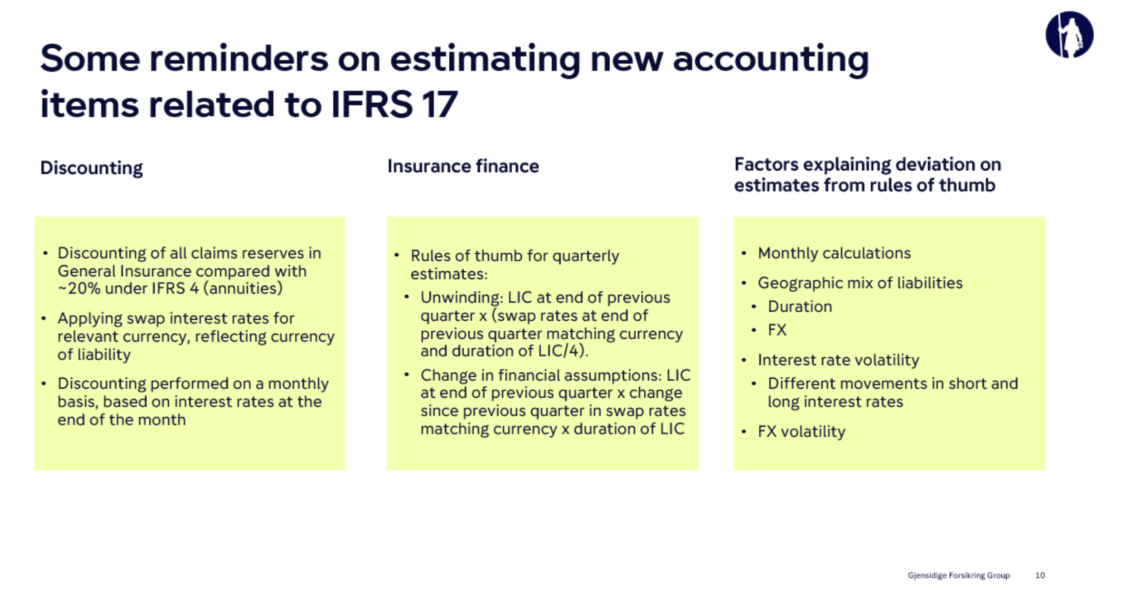
    Likewise, an increase in credit spreads has an immediate negative impact on the value of bonds with credit exposure, while a decrease in credit spreads will have a positive impact on bonds with a credit exposure. So far in the third quarter (by mid-September), credit spreads in the Nordics are unchanged to slightly tighter compared with the average spreads in the second quarter.

  - As a reminder, please note that the net financial result for the Match portfolio consists of the return on the Match portfolio, minus unwinding and change in financial assumptions. The interest income from the Match portfolio is intended to equal interest expenses on liabilities over time. Hence, the net result on the Match portfolio, given a perfect match, should over time be zero, except for returns on credit exposure held in the Match portfolio.

  - For details on relevant benchmarks for the Match and Free portfolios, please see list below (as listed in the appendix section of the quarterly presentations):

Asset class	Benchmark
Match portfolio	
Fixed-income NOK	NBP Norwegian RM1-RM3 Duration 3Y index - NORM123D3 (Alternatively: a Norwegian IG fund with 3 year duration)
Fixed-income DKK	Nykredit Constant Maturity Index Bullet Covered Bonds 5Y - NYKRCMB5 index
Fixed-income other currencies	Bloomberg Euro Agg Treasury 3-5Y - LET3TREU index
Free portfolio	
Fixed-income – short duration	NBP Norwegian Government Duration 0.25 index - NOGOVD3M (Alternatively: I36032NO index Bloomberg Barclays Norway T-Bills)
Global investment grade bonds	Bloomberg Global Agg Corp - Hedged to NOK - H09805NO index
Global high yield bonds	Bloomberg Global HY- Hedged to NOK - H00039NO index
Other bonds	NBP Norwegian Government Duration 0.25 index - NOGOVD3M (Alternatively: I36032NO index Bloomberg Barclays Norway T-Bills)
Listed equities	MSCI World – local currency - NDDLWI index
Private Equity funds	Oslo Børs - OSEBX index
Other	NBP Norwegian Government Duration 0.25 index - NOGOVD3M (Alternatively: I36032NO Index Bloomberg Barclays Norway T-Bills)

- **IFRS 9 & 17:** Bear in mind the Q1-Q4 2022 figures for the Group stated according to IFRS 9 and 17 and other relevant material published on our web site here. A few reminders on some of the new items:
  - Unwinding is the expense arising from release of discount as time passes on liabilities for incurred claims (LIC).
  - Change in financial assumptions is the impact of changes of financial assumptions on LIC, herein mainly interest rates.
  - For rules of thumb and other reminders on estimating discounting and the insurance finance items, please see the slide from our 2023 Analyst Day below:



  - Duration of total general insurance liabilities (LIC) at 30.06.2023: 3.1 years (page 12 in the Q2'23 financial report).
  - LIC distribution per currency: insurance revenue for each geographic region can serve as a proxy for insurance liabilities for the respective currencies. Also, bear in mind that workers compensation in Denmark and motor third party liability in Sweden call for a higher share of reserves in these countries than insurance revenue indicates.

Swap rates:

Swap rate currency	Swap rate maturity	Swap rates			
		30.06.23	31.07.23	31.08.23	20.09.23
NOK	2 years	4.68%	4.80%	4.70%	4.73%
DKK	5 years	3.39%	3.33%	3.27%	3.48%
SEK	4 years	3.52%	3.39%	3.51%	3.63%
EUR	3 years	3.61%	3.46%	3.39%	3.56%

General information

Weather is one of the most important indicators for understanding the seasonality in our insurance service result. Below are misc. sources for weather data and information in Norway. Bear in mind the complexity of several factors including duration and levels of precipitation, intra-quarter temperature variations, wind, geographical variations etc.

- https://www.met.no/en and https://www.met.no/publikasjoner/met-info
- www.varsom.no/en
- https://www.senorge.no/map

- Press releases from Finance Norway can be found here (in Norwegian only):

https://www.finansnorge.no/aktuelt/nyheter/