Gjensidige

Dear GJF-analyst,
It is time to start preparing for Gjensidige's Q2'23 reporting.

<u>Key dates</u>

- **Q2'23 reporting:** 14 July 2023
- **Silent period:** starts on 1 July 2023
- **Availability for responding to questions:** Until 30 June. 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:** 5 July 2023
- **Re-distribution of consensus:** We will publish consensus in the morning on 10 July 2023

<u>Reminders</u>

- **Weather**:
  - Due to seasonality, the summer quarters **Q2** and Q3 normally have lower claims ratios than Q1 and Q4.
  - As communicated in the stock exchange release on 21 June, Gjensidige will incur a loss of approximately NOK 240 million in the second quarter related to a natural peril event which occurred in Norway during the quarter. The loss reflects Gjensidige's market share for fire insurance in Norway. The total loss is estimated to approximately NOK 900 million and will be settled in accordance with the terms set by the Norwegian Natural Perils Pool. The loss estimate is highly uncertain and may be adjusted in the future. The loss of approximately NOK 240 million will be recognised as a large loss for Gjensidige Group, with NOK 30 million pertaining to Commercial and Private, and the remaining approximately NOK 210 million to the Corporate Center.
- **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 a <u>nominal</u> figure. Large losses in our IFRS 17 accounts are recognised as <u>discounted</u> figures.
- **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 <u>planned</u> 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 Q2'23 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 Q1'23 results presentation on 28 April:

- Claims inflation so far has been in line with our expectations. And we continue to be able to pass on necessary price increases to stay ahead of the inflation curve.

- 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 still expect claims inflation in the range of 4 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. And we are confident that we will be able to pass this through.

- **Solvency II (SII) calculations:**

  - Transition to IFRS 9 and 17 does not affect the solvency position

  - As stated earlier, the acquisition of the commercial portfolio from Sønderjysk Forsikring in Denmark, with premiums of approximately MDKK 200, is expected to close in Q3. The agreed price for the portfolio is MDKK 200. The acquisition will reduce the Group solvency ratio (approved PIM) by approximately 4 percentage points when completed.

  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.

  Relevant benchmarks (as listed in the appendix section of the quarterly presentations):

Asset class	Benchmark
Match portfolio	
Fixed-income NOK	NBP Norwegian RM1-RM3 Duration 3Y IndexNORM123D3
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
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
Listed equities	MSCI World – Local Currency NDDLWI Index
Private Equity funds	Oslo Børs OSEBX index
Other	NBP Norwegian Government Duration 0.25 Index NOGOVD3M

- **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 discounting effect of rolling forward liabilities for incurred claims (LIC). Rule of thumb for calculation: LIC at end of previous quarter x (swap rates at end of previous quarter matching currency and duration of LIC/4).

- Change in financial assumptions is the impact of changes of financial assumptions on LIC, herein mainly interest rates. Rule of thumb for calculation: LIC at end of previous quarter x change since previous quarter in swap rates matching currency x duration of LIC.

- Duration of total general insurance liabilities at 31.03.2023: 3.1 years.

- Swap rates:

Currency	31.03.2023	19.06.2023
NOK	3.36%	4.23%
DKK	3.45%	3.70%
SEK	3.27%	3.60%
EUR	3.25%	3.57%

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/