

Dear GJF-analyst,
It is time to start preparing for Gjensidige's Q3'24 reporting.

Key dates

- **Q3'24 earnings release:** 22 October 2024
- **Start of silent period:** 1 October 2024
- **Pre-close call:** 27 September 2024, 13:30 CET

Consensus estimates

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.

- **Deadline for submitting your estimates to us:** 10 October 2024
- **Publication of consensus on Gjensidige's web site:** In the morning on 17 October 2024

Reminders

Weather: Due to seasonality, the summer quarters Q2 and Q3 normally have lower claims ratios than the winter quarters Q1 and Q4.

Norway has been very wet so far this quarter. We have been hit with several cloud bursts and a storm. Denmark has also had several cloud bursts. Below are a few examples of press releases from Gjensidige and media coverage on weather in Norway so far this quarter:

- [Styrtregn ga kraftig økning i skademeldinger - adressa.no](#)
- [Skademeldingene tikker inn etter uværet – Dagsavisen](#)
- [Allerede mange skademeldinger etter nedbøren | Gjensidige Forsikring ASA \(mynewsdesk.com\)](#)

For statistics and reports on weather, please refer to the links in the section General information at the very end of this document.

Q3 2023 results

Bear in mind the Q3 2023 results – below are extracts from the Q3 2023 report:

The insurance service result from general insurance operations in Q3 2023 was significantly impacted by weather-related claims and one-off expenses. Claims related to the storm 'Hans' in Scandinavia and the Baltics, as well as the torrential rain in Oslo and the surrounding regions during the quarter had a significant impact on large losses. Drought and the torrential rain also resulted in damages on crops in Norway during the quarter. The Group recognised total claims cost of NOK 559.2 million related to these events, net of reinsurance and including reinstatement premiums for claims related to 'Hans'.

'Operating expenses in Q3 2023 were significantly impacted by one-offs amounting to NOK 409.0 million, consisting of a NOK 310.0 million write-down of the accounting value of the new core IT-system in Denmark, NOK 49.0 million in provisions related to the announced restructuring of the Group and expenses of NOK 50.0 million related to the renewal of a distribution agreement in Denmark. The result for the pension segment was also impacted by the write down of the core IT system.'

Please refer to the Q3 2023 financial report for further details.

Please also bear in mind the following extract from our Q4 2023 report: *'The profitability for Norway was negatively impacted by a strengthening of reserves for claims incurred earlier in 2023.'*

Sale of ADB Gjensidige (Gjensidige's operations in the Baltics) in July 2024

- Stock exchange release 25 July 2024: [NewsWeb \(oslobors.no\)](https://www.oslobors.no)
 - Agreed purchase price EUR 80 million
 - Closing expected at the latest in the beginning of 2026
 - Minor impact on Group financials:
 - Loss of ~ NOK 120 million, to be recognised in Q3 2024, in the P&L line 'Other items'
 - From Q3'24 ADB Gjensidige will be classified as held for sale in Gjensidige Forsikring Group's accounts until closing of the transaction. The financial accounts for ADB Gjensidige will be presented separately in Gjensidige Forsikring Group's Consolidated income statement as 'Profit/loss from discontinued operations'. This line appears below 'Profit/loss from continuing operations' and includes the Baltic segment's insurance service result and net financial result from investments, net of tax (the corporate tax rate in the Baltics is 15%). ADB Gjensidige's assets and liabilities will be presented separately in Gjensidige Forsikring Group's Consolidated statement of financial position as 'Assets held for sale' and 'Liabilities held for sale'.
 - Positive solvency ratio impact of ~ 4pp (based on approved PIM as at 30 June 2024) **upon closing.**

Acquisitions in Denmark in 2023:

- PenSam Forsikring, completed and included in the private portfolio in Denmark on 31 October 2023 (stock exchange release: [NewsWeb \(oslobors.no\)](https://www.oslobors.no))
- Commercial portfolio from Sønderjysk Forsikring completed on 1 September 2023 (stock exchange release: [NewsWeb \(oslobors.no\)](https://www.oslobors.no))

Large losses: Our general expectation for normalised large losses in 2024, defined as losses above NOK 10 million, is approximately NOK 476 million per quarter (appx. NOK 1.9 billion FY2024). Please note that this estimate is an undiscounted figure. Large losses in our IFRS 17 accounts are recognised at discounted values.

Excess reserves: According to IFRS 17, it is not possible to retain identified excess reserves on the balance sheet. Going forward we will continue to set reserves according to our best estimate. However, bearing history in mind, we expect run-off gains and losses also in the future.

Inflation: We will provide an update at our Q3'24 earnings call. These are the key points in our communication on the topic conveyed in connection with our Q2'24 earnings release and presentation on 15 July 2024:

- Key comments made in connection with the Q2'24 presentation:
 - Private motor in Norway: We expect claims inflation to remain at around 7 per cent throughout 2024, gradually declining towards 4 per cent over the next 12 to 18 months. The implemented measures will increase average premiums by more than 13 per cent this year. This will increase further due to ongoing pricing measures, with the level of price changes being brought to 17.5 per cent from July. We will continue to strengthen pricing measures and adjust terms and conditions to ensure that the increase in claims is mitigated.

Private property in Norway: In terms of claims inflation, we expect to remain in the 5-7 per cent range for the next 12-18 months. We have increased prices over several years to take account of not only claims inflation but also more frequent weather events. The implemented measures so far will raise average prices by more than 9 per cent by year end. And this will increase further due to ongoing pricing measures, with the level of price changes being brought to 15.5 per cent from July.

Please see slides 3 and 4 in the Q2'24 presentation for further details.

- Extract from the Q2'24 report:
 - 'Staying ahead of claims inflation is key to maintaining good profitability and it has high priority in

Gjensidige. Gjensidige vigilantly monitors developments in the relevant markets and has put through planned price increases and increased deductibles. The Group will continue to strengthen pricing measures and adjust terms and conditions as deemed necessary to mitigate the increase in claims. The combined ratio for the Group and the underlying frequency loss ratio for Private and Commercial will improve over time due to the significant ongoing pricing measures and disciplined prioritisation of profits over volume. Quarterly comparisons may be impacted by volatility in claims frequency and severity. The focus on operational efficiency remains high, including measures to cut claims costs by realising scale advantages and improving processes through sharing best practices across borders.'

- Gjensidige published a press release regarding motor collisions in Norway on 4 September 2024: [Stadig flere kollisjoner – 51 000 skademeldinger | Gjensidige Forsikring ASA \(mynewsdesk.com\)](#)

Bonds - announced exercise of call option on T2 bond on 15 August 2024

- Stock exchange release: [NewsWeb \(oslobors.no\)](#)
 - Outstanding loan amount NOK 241 million, to be settled on 2 October 2024
- Reduces own funds in solvency calculation

Solvency II (SII) calculations:

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 Q3 (by mid-September), credit spreads in the Nordics are slightly tighter compared with the average spreads in the second quarter 2024.
- 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. As commented by our CFO at our CMD on 22 November 2023, the investments in the Match portfolio have an average credit spread of approximately 60 basis points.
- Bear in mind the presentation of the figures for ADB Gjensidige on a separate line as described above.

For running yields and duration, please see extract from the Q2'24 financial report, page 17:

	Yield and duration	
	Yield in per cent	Duration in years
	30.6.2024	30.6.2024
<i>Match portfolio</i>		
Fixed-income NOK	5.0	2.3
Fixed-income DKK	3.2	4.1
Fixed-income other currencies	3.7	3.2
Match portfolio	4.3	2.9
Free portfolio	4.6	2.5
Insurance liabilities general insurance		3.0

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, under Other documents for 2023 and 2024. A few reminders on some of the 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 an example spread sheet on our web site [here](#), under Other documents for 2024 (remember to make the necessary adjustments in the calculations due to the separate presentation of ADB Gjensidige’s figures as explained above) and the slide from our 2023 Analyst Day below.

Some reminders on estimating new accounting items related to IFRS 17

Discounting

- Discounting of all claims reserves in General Insurance compared with ~20% under IFRS 4 (annuities)
- Applying swap interest rates for relevant currency, reflecting currency of liability
- Discounting performed on a monthly basis, based on interest rates at the end of the month

Insurance finance

- Rules of thumb for quarterly estimates:
 - Unwinding: 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: LIC at end of previous quarter x change since previous quarter in swap rates matching currency x duration of LIC

Factors explaining deviation on estimates from rules of thumb

- Monthly calculations
- Geographic mix of liabilities
 - Duration
 - FX
- Interest rate volatility
 - Different movements in short and long interest rates
- FX volatility

- Duration of total general insurance liabilities (LIC) at 30.06.2024: 3.0 years (page 17 in the Q2’24 financial report and extract table inserted in section about investments above). Bear in mind the separate presentation of ADB Gjensidige’s figures as explained above.
- LIC distribution per currency: Please see the extract below, from page 185 in Gjensidige Forsikring ASA’s annual report for 2023:

Table 3 - Liabilities for incurred claims per country for general insurance

NOK millions	Liabilities for incurred claims	
	2023	2022
Norway	19,508.1	17,378.2
Denmark	8,701.3	7,609.2
Sweden	2,271.0	2,028.1
Baltic	749.2	598.4
Corporate Center/reinsurance	145.6	260.4
Total	31,375.2	27,874.4

Swap rate currency	Swap rate maturity	Swap rates			
		30.06.24	31.07.24	31.08.24	23.09.24
NOK	2 years	4.34%	4.09%	3.76%	3.88%
DKK	5 years	3.00%	2.71%	2.60%	2.44%
SEK	4 years	2.62%	2.31%	2.14%	2.00%
EUR	3 years	3.01%	2.68%	2.53%	2.33%

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/>