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# Q1 2020 Interim results

## Investor Presentation

Oslo, 29 April 2021



Sverre Bjerkeli  
Chief Executive Officer



## Our DNA

### Vision

The Challenger

### Business Idea

This will happen through unique relationships, best in class decision-making and cost effective solutions

### Main targets

Cost and quality leadership

Profitable growth

Top 3

### Values

Credible

Innovative/Open

Bold

Committed



# Result highlight Q1 2021

**Combined ratio at 91.1% | Investment return at 4% | EPS at NOK 7**

- Net combined ratio at 91.1% (98.3% in Q1 '20)
- GWP growth at 1.8% (1.5% in local currencies)
  - Exit Workers' Compensation business Denmark and Norway, MNOK 188 (6.5 %)
- Investment return of MNOK 581, or 4%
- Profit after tax of MNOK 573 (MNOK -385) – EPS at NOK 7
- Special dividend of NOK 1.67 per share
- Solvency Capital Ratio at 216% post special dividend

# Volume update

Volume up 1.8%, renewal rate in the Nordics is back on a good level

- GWP of MNOK 2 880 in Q1 2021 (MNOK 2 828)
  - MNOK 52 (1.8%) growth (1.5% in LCY)
  - Supported by price increases (8.9%)
- Exit of WC in Denmark (risk and capital reasons) and from WC Health and Welfare segments in Norway (Covid-19). MNOK 188 (6.5%)
- Strong new sales Sweden
- Small UK quarter, new sales slowing down
- Behind full year guiding
  - WC exit is history, all clients with renewal date in January
  - Volume will be on a higher level the coming quarters

in MNOK

Business unit	Q1 '21	Q1 '20	Growth
Norway	856	820	36
Sweden	895	789	106
Denmark	727	813	- 86
UK	238	192	45
Finland	164	213	- 49
<b>Protector</b>	<b>2 880</b>	<b>2 828</b>	<b>52</b>
COI	47	63	- 16
<b>Protector incl. COI</b>	<b>2 927</b>	<b>2 891</b>	<b>36</b>

# Claims update

Claims ratio at 78.5%, 11% down from last year

- Net claims ratio at 78.5% (89.7%)
- Run-off gains at 0.1% (0.3%)
  - Gains on WC Norway, losses on WC Denmark
- Large losses<sup>1</sup> at 1.9% (4.6%), 5.1%-points lower than normalized
  - Gross claims ratio 4%-points better than net claims ratio
- COVID-19 effects on the positive side in total – 2.0%-point effect on net combined ratio
- Ahead of full-year guiding, as Q1 seasonality-wise is normally worst.

Business unit	Q1 '21 Gross	Q1 '21 Net	Q1 '20 Gross	Q1 '20 Net
Norway	68 %	84 %	94 %	96 %
Sweden	61 %	65 %	80 %	79 %
Denmark	104 %	84 %	105 %	113 %
UK	75 %	83 %	66 %	80 %
Finland	102 %	98 %	68 %	69 %
<b>Protector</b>	<b>75 %</b>	<b>79 %</b>	<b>86 %</b>	<b>90 %</b>

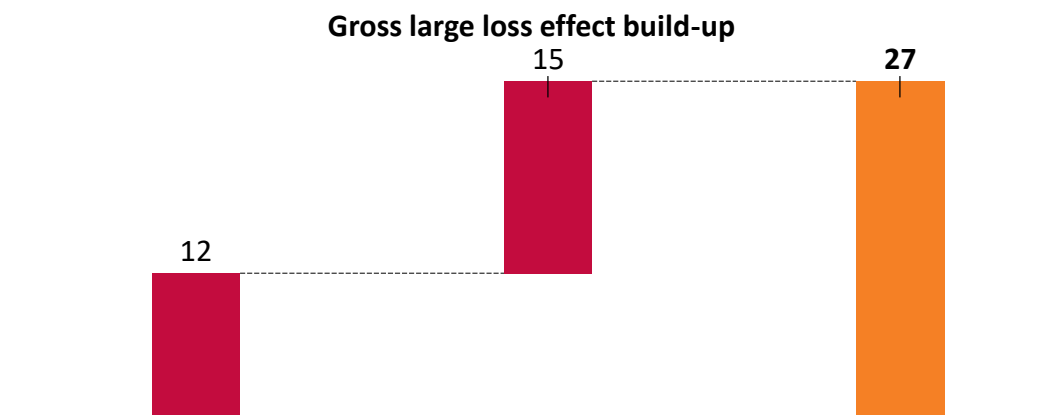
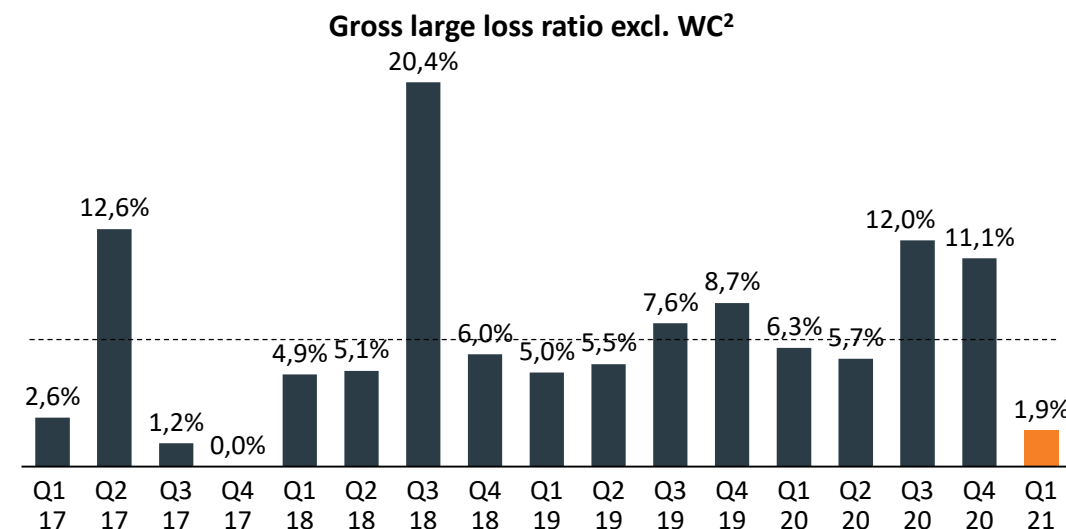


<sup>1</sup> Net effect of large losses defined as gross losses or gross absolute loss adjustments > MNOK 10

# Large losses

## Gross large losses<sup>1</sup> of MNOK 27 (1.9%)

- Gross large losses of MNOK 27, or 1.9% in Q1
- Volatility must be expected
- Reinsurance will sometimes influence on net claims ratio
  - When gross large losses are high, net losses are often lower
  - When gross large losses are low, net losses are often higher
    - In Q1, net losses is 4%-points higher than gross



<sup>1</sup> Large losses defined as gross losses or gross absolute loss adjustments > MNOK 10

<sup>2</sup> Two very large claims capped at MNOK 100

# Protector Combined Ratio

Net CR at 91.1%

Q1 2021

	Norway		Sweden		Denmark		UK		Finland		Protector	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Gross premium written	856	820	895	789	727	813	238	192	164	213	2 880	2 828
Gross premium earned	343	367	434	397	207	234	334	227	70	68	1 388	1 293
Net premium earned	305	328	373	349	180	204	254	181	62	61	1 175	1 122
Gross claims ratio	68.1 %	94.3 %	61.1 %	80.3 %	103.6 %	105.0 %	75.2 %	65.7 %	101.6 %	67.6 %	74.6 %	85.5 %
Gross cost ratio	8.9 %	7.6 %	14.7 %	12.1 %	10.4 %	5.7 %	18.5 %	12.4 %	8.2 %	3.9 %	13.2 %	9.3 %
<b>Gross combined ratio</b>	<b>77.0 %</b>	<b>101.9 %</b>	<b>75.7 %</b>	<b>92.3 %</b>	<b>114.0 %</b>	<b>110.8 %</b>	<b>93.7 %</b>	<b>78.1 %</b>	<b>109.8 %</b>	<b>71.5 %</b>	<b>87.8 %</b>	<b>94.8 %</b>
Net claims ratio	83.7 %	96.1 %	65.1 %	78.8 %	84.1 %	112.7 %	83.2 %	80.1 %	98.3 %	69.0 %	78.5 %	89.7 %
Net cost ratio	10.5 %	4.8 %	13.3 %	11.3 %	6.5 %	8.3 %	19.0 %	13.5 %	9.2 %	1.0 %	12.6 %	8.6 %
<b>Net combined ratio</b>	<b>94.2 %</b>	<b>100.8 %</b>	<b>78.4 %</b>	<b>90.1 %</b>	<b>90.6 %</b>	<b>121.0 %</b>	<b>102.2 %</b>	<b>93.5 %</b>	<b>107.5 %</b>	<b>70.0 %</b>	<b>91.1 %</b>	<b>98.3 %</b>

- Quarterly volatility on country level must be expected.
- Gross and net CR in Norway and Denmark deviate significantly due to reserve changes following the Darag-deal.
- Cost is significantly elevated in Q1 due to (i) 'long-term bonus plan' linked to share price development (3%-points), and (ii) growth stemming from UK/Sweden, where commissions are driving cost ratio upward (neutral from a competitive point of view).



# Country specific comments

Very good start on the year – price increases still on the agenda



Gross vs. net CR: “Darag result effect in Q1 ’21” of MNOK -53.8.  
GWP effect of WC exit of MNOK 31. Underlying growth and profitability looks good.  
Price increases on EB products still necessary.



Good figures. New sales stronger than anticipated and will probably continue going forward.  
Some price increases still necessary on Property products.



Gross vs. net CR: “Darag result effect in Q1 ’21” of MNOK 53.9.  
GWP effect of WC exit of MNOK 159 – now history. Renewal rate on a high level on all other products.  
Price increases on Motor still necessary.



“Money sent to reinsurers”. Small volume quarter and low new sales, also slowing down going forward.  
Covid-19 continues to influence growth negatively, but UK is gradually opening up now.



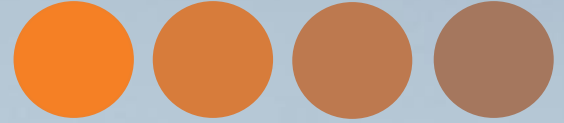
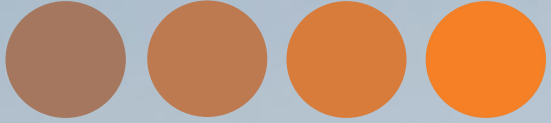
No critical mass – small figures – high volatility

Accumulated Darag effect is close to zero on company level; in line with expectations

# Status vs. 2021 guiding

Profitability and solidity ahead of guiding, growth lagging behind

	Guiding 2021	Result Q1	Status
Net Combined Ratio:	90-92%	91.1%	Ahead
Return on Equity (ROE):	>20%	17.5%*	Ahead
Gross Written Premium (GWP) growth:	10% (LCY)	1.5% (LCY)	Behind
Solvency II Capital Ratio (SCR):	> 150%	216%	Very solid



# Investments

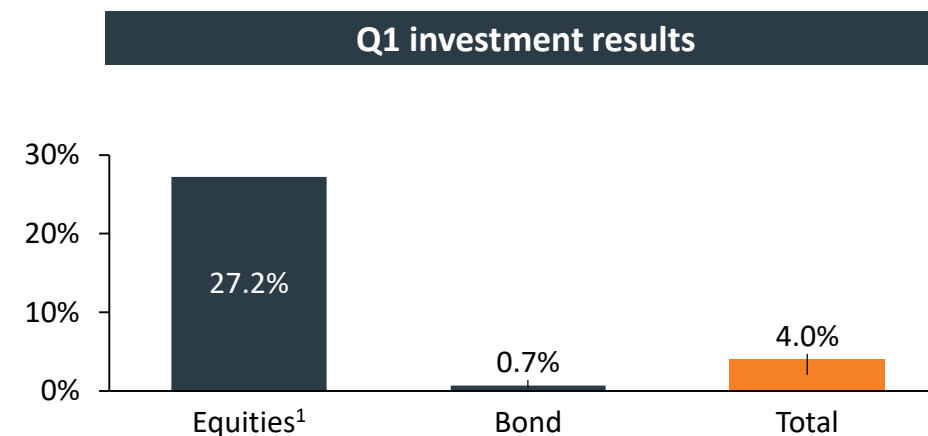
Investment is core

**PROTECTOR**

# Investment performance

Gain of MNOK 581 (4.0%)

- Q1 return on investment portfolio at 4.0%, or MNOK 581
  - Equity portfolio returning 27.2%, ex. put options
  - Bond portfolio has gained 0.7%



- Remember that we invest for the long run; quarterly gains or losses will to a great extent be unrealized.

<sup>1</sup> Equity return excludes results from put options

# Bond portfolio statistics

0.7% return in Q1, running yield at 2.0% before cost of risk

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insurance

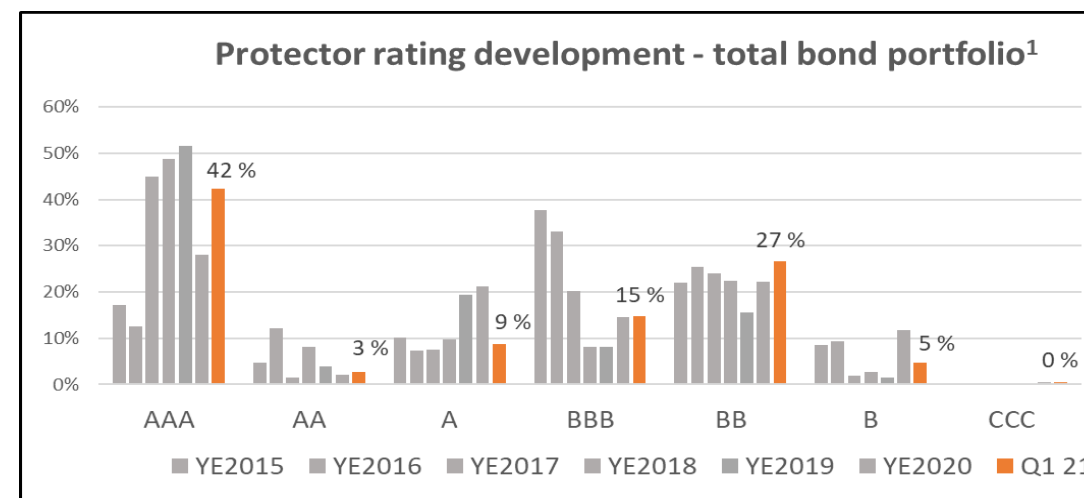
- Bond portfolio returning 0.7%, or MNOK 92
  - Significant administrative cost effect in Q1 due to long term bonus agreements
- Running yield at 2.0%, before cost of risk
  - Avg. spread down 31 bps and avg. ref. rate down 8 bps relative to YE2020
- HY portfolio totalling BNOK 4.2
  - HY fund investments totalling MNOK 1.4bn
- Very strong Nordic HY market in Q121
  - DNB Markets Nordic HY index yielding +3.6%
- One very positive outcome on a high-risk position in quarter

Portfolio data	31.03.21	31.12.20	31.03.20
Size bond & cash eq. (MNOK) <sup>1</sup>	12 472	11 603	10 151
Avg. ref. rate (NIBOR, STIBOR, etc.)	0.1%	0.2%	0.5%
Avg. spread/risk premium (bps)	179	210	320
Yield	2.0%	2.3%	2.1%
Duration	0.4	0.4	0.4
Credit duration <sup>2</sup>	1.4	1.4	2.2
Avg. rating <sup>3</sup>	A-	A-	A

<sup>1</sup> Size excludes forward foreign currency contracts

<sup>2</sup> Avg. includes bank deposits

<sup>3</sup> Avg. based on official rating (>60%) and 'Protector rating' (<40%) & is based on linear rating (as usual). WARF methodology would give a somewhat lower IG-rating



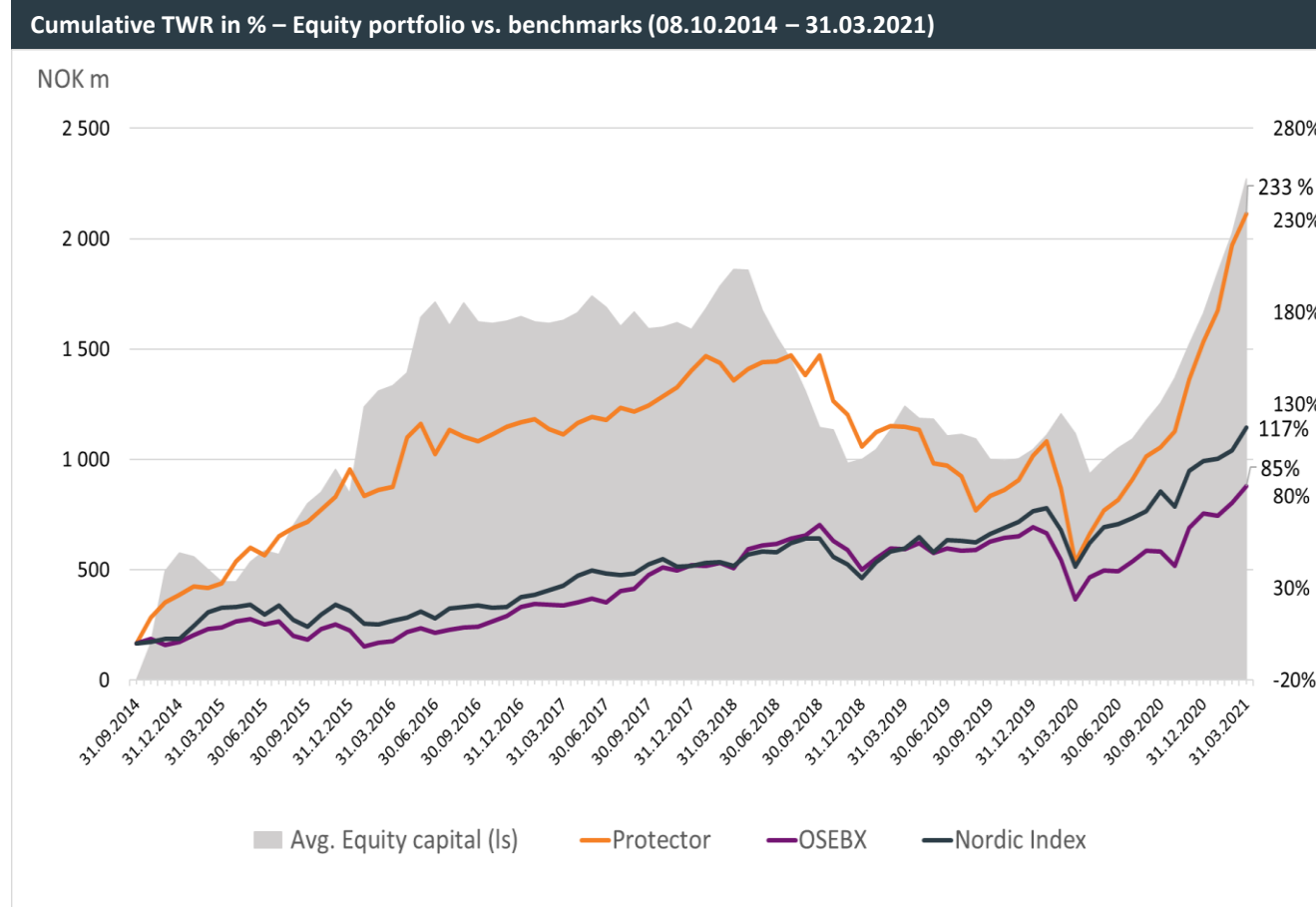
<sup>1</sup> Avg. based on official rating (>60%) and 'Protector rating' (<40%) & is based on linear rating (as usual). WARF methodology would give a somewhat lower IG-rating

# Equity portfolio statistics

Portfolio returning 27.2%

- Equities gaining 27.2% in Q1, or 508 MNOK
- Equity share at 16.2% (13.5% YE2020).
- Discount to estimated intrinsic value at 15%
- Currently 20 companies in the portfolio

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insurance



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This will happen through unique relationships, best in class decision-making and cost effective solutions

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# Profit and loss

## Profit of MNOK 573 – EPS at NOK 7

NOKm	Q1 2021	Q1 2020	FY 2020
Gross premiums written	2 880.2	2 828.0	5 516.3
Gross premiums earned	1 387.9	1 293.2	5 379.6
Gross claims incurred	(1 035.2)	(1 105.8)	(4 424.6)
Earned premiums, net of reinsurance	1 175.2	1 122.3	4 613.5
Other insurance related income	2.9	4.2	19.5
Claims incurred, net of reinsurance	(922.8)	(1 006.4)	(3 901.4)
Sales cost	(101.5)	(71.7)	(331.3)
Administration cost	(81.8)	(48.3)	(221.3)
Commission from reinsurer	35.6	23.0	81.6
Other insurance related income/expenses	(12.8)	(0.1)	5.5
<b>Technical result</b>	<b>92.0</b>	<b>18.8</b>	<b>246.6</b>
Other income/costs	(17.2)	(16.3)	(67.0)
Net financial income	523.0	(322.8)	865.2
<b>Profit before tax</b>	<b>597.8</b>	<b>(320.3)</b>	<b>1 044.8</b>
Tax	(71.0)	39.7	(160.0)
<b>Discontinued operations</b>	<b>50.6</b>	<b>(114.7)</b>	<b>94.3</b>
Net comprehensive income	(4.7)	10.4	2.4
<b>Profit for the period</b>	<b>572.8</b>	<b>(384.9)</b>	<b>981.6</b>
Claims ratio, net of reinsurance	78.5 %	89.7 %	84.6 %
Expense ratio, net of reinsurance	12.6 %	8.6 %	10.2 %
<b>Combined ratio, net of reinsurance</b>	<b>91.1 %</b>	<b>98.3 %</b>	<b>94.8 %</b>
Gross claims ratio	74.6 %	85.5 %	82.2 %
Gross expense ratio	13.2 %	9.3 %	10.3 %
<b>Gross combined ratio</b>	<b>87.8 %</b>	<b>94.8 %</b>	<b>92.5 %</b>
Retention rate	84.7 %	86.8 %	85.8 %
Earnings per share	7.0	(4.8)	12.0

- GWP growth at 1.8% (1.5% in LCY)
- High cost due to long-term bonus plan (linked to share price development)
- 4% return on investments; 27.2% on equities and 0.7% on fixed income securities
- 3.3%-points lower than net CR; meaning money “is sent” to reinsurers
- Earnings per share at NOK 7



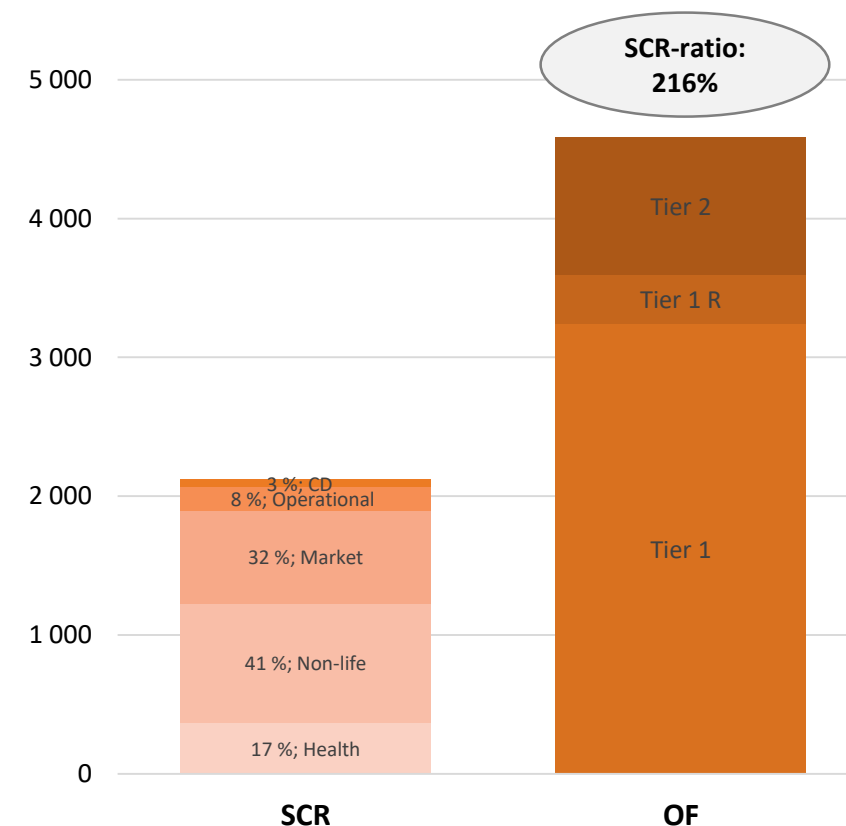
# Balance Sheet

SCR-ratio at 216% post special dividend

In millions	31.03.2021	31.03.2020	31.12.2020
Owner-occupied property	0.0	12.7	0.0
Financial assets	13 400.5	10 337.6	11 988.6
Derivatives	73.0	300.9	47.9
Bank deposits	165.5	182.9	263.2
Other assets	4 495.1	3 480.4	2 554.9
Discontinued operations	1 876.4	2 301.9	1 895.7
<b>Total assets</b>	<b>20 010.5</b>	<b>16 616.4</b>	<b>16 750.3</b>
Total equity	3 584.5	1 630.4	3 030.5
Subordinated loan capital	1 472.9	1 243.3	1 473.0
Total reserves	10 520.2	10 662.0	9 185.1
Derivatives	59.7	150.6	61.4
Other liabilities	3 349.4	1 414.4	1 888.7
Discontinued operations	1 023.7	1 515.7	1 111.6
<b>Total equity and liabilities</b>	<b>20 010.5</b>	<b>16 616.4</b>	<b>16 750.3</b>

- Change in SCR-ratio driven by WC Darag-deal, investment result and improved technical profitability
  - Own funds are adjusted for dividend
- Downside still protected by financial options and a solvency-based reinsurance agreement

SCR-ratio composition

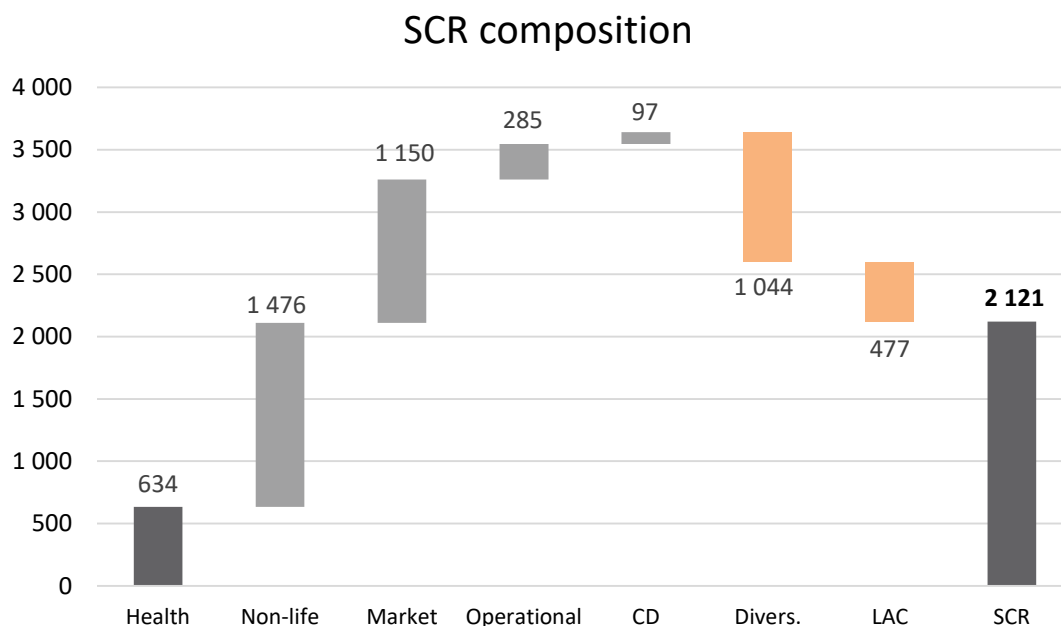


# Solvency II

SCR-ratio at 216%

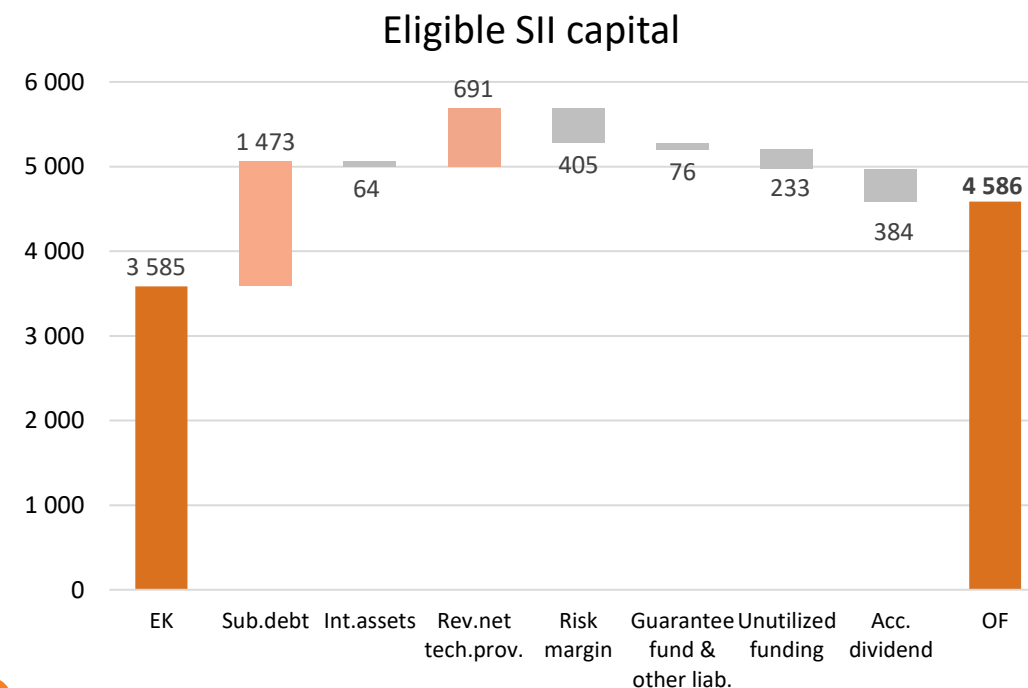
## Composition of SCR:

- Net insurance risk 58%
- Net market risk 32%
- Other risks 10%



## Eligible SII capital:

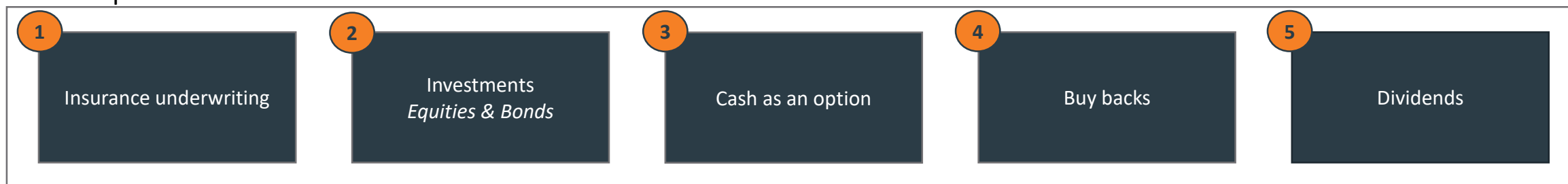
- Accumulated dividend subtracted from eligible capital
- Guarantee provision subtracted from own funds
- Unutilized funding will go to zero following Q2 (bond renewal)



# Capital allocation – maximize shareholder return

Priority 1: Always profitable growth in insurance, if possible

Main capital allocation alternatives:

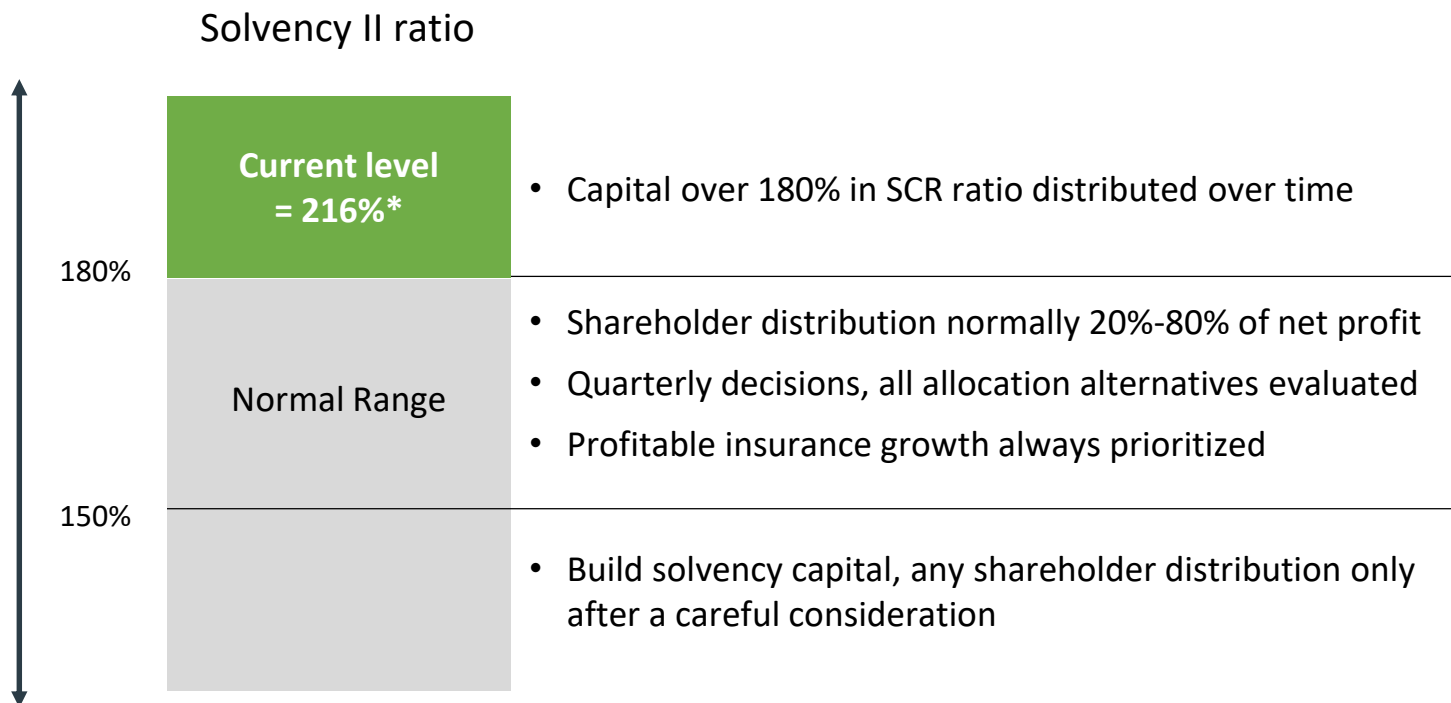


- 1 Allocation towards profitable growth is preferred; stay disciplined
- 2 Challenging to allocate capital in times of low credit spreads and all-time-high stock markets
- 3 How much capital should be kept for future financial market crises?
- 4 An attractive alternative if meeting hurdle; will normally have to bid with significant premium
- 5 Capital base discipline; flexible distribution of excess capital if allocation cannot be made elsewhere

Capital allocation approach	<ul style="list-style-type: none"><li>• Determine minimum hurdle rate (RoE&gt;20%)</li><li>• Calculate returns for all internal and external allocation alternatives available, by return and risk</li><li>• Deploy capital in the most attractive alternatives above hurdle.</li><li>• Release underperforming capital (COI, Price increases, WC Denmark and Norway as example)</li></ul>
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# Dividend policy

Special dividend of NOK 1.67 per share – Flexible shareholder distribution policy



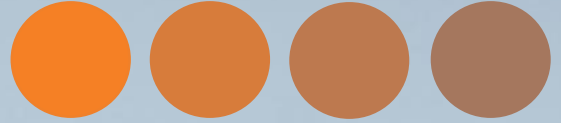
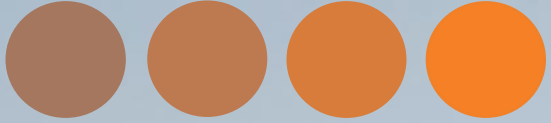
- Special dividend of MNOK 137.5 (NOK 1.67 per share); to be paid out around 12 May (ex. dividend 4 May)
- Quarterly assessment going forward

# Result highlight Q1 2021

**Combined ratio at 91.1% | Investment return at 4% | EPS at NOK 7**

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- GWP growth at 1.8% (1.5% in local currencies)
  - Exit Workers' Compensation business Denmark and Norway, MNOK 188 (6.5%)
- Investment return of MNOK 581, or 4%
- Profit after tax of MNOK 573 (MNOK -385) – EPS at NOK 7
- Special dividend of NOK 1.67 per share
- Solvency Capital Ratio at 216% post special dividend





## Appendix

**PROTECTOR**

# Key ratio description

## Ratio

- (1) Claims ratio, net of reinsurance
- (2) Expense ratio, net of reinsurance
- (3) Combined ratio, net of reinsurance
- (4) Gross claims ratio
- (5) Gross expense ratio
- (6) Gross combined ratio
- (7) Retention rate
- (8) Earning per share

## Ratio calculation

- (1) Claims incurred in % of earned premiums, net of reinsurance
- (2) Operating expenses in % of earned premiums, net of reinsurance
- (3) Net claims ratio + net expense ratio
- (4) Gross claims incurred in % of gross premiums earned
- (5) Sales and administration costs in % of gross premiums earned
- (6) Gross claims ratio + gross expense ratio
- (7) Earned premiums, net of reinsurance in % of gross earned premiums
- (8) Profit before other comprehensive income divided by weighted number of shares