

# Q1 2023 Interim results

Investor Presentation

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**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

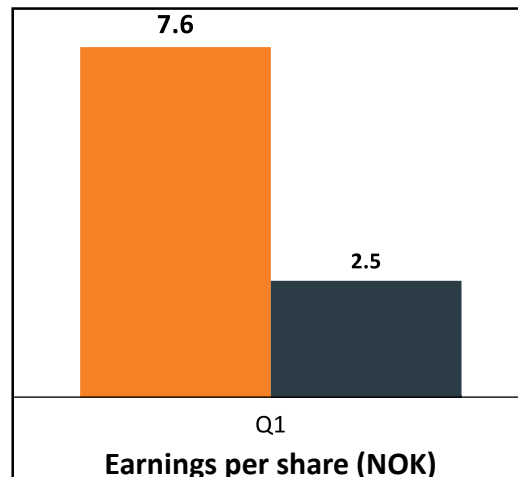
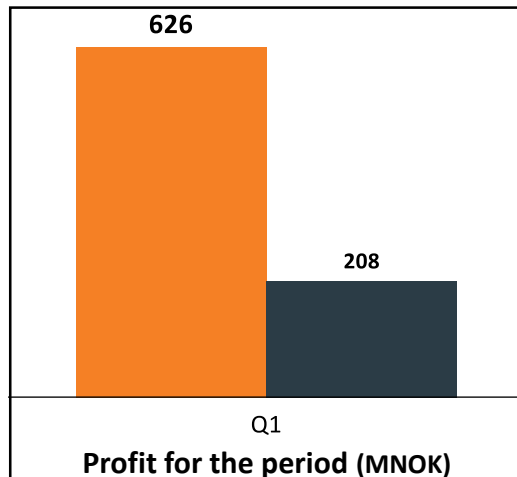
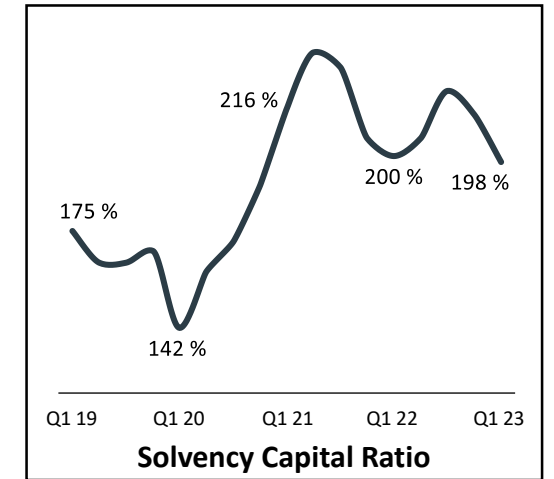
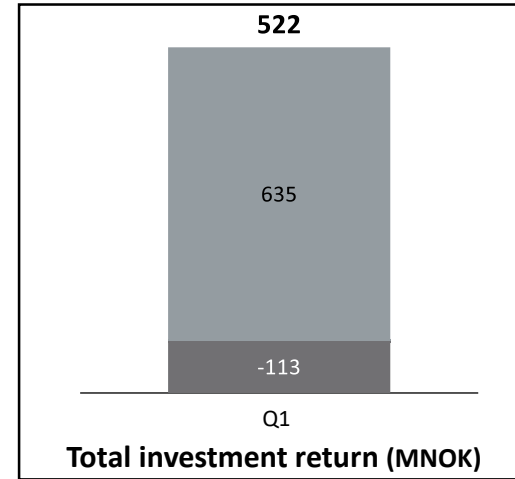
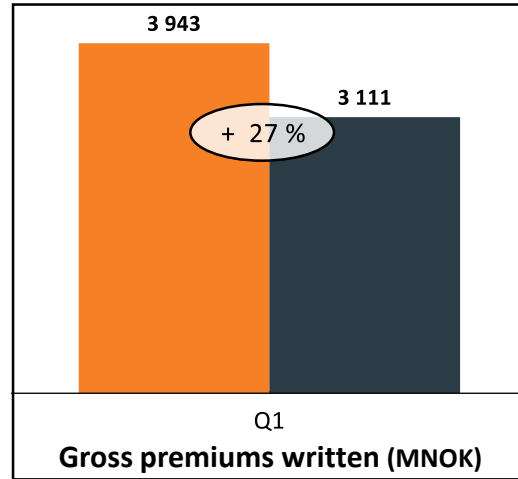
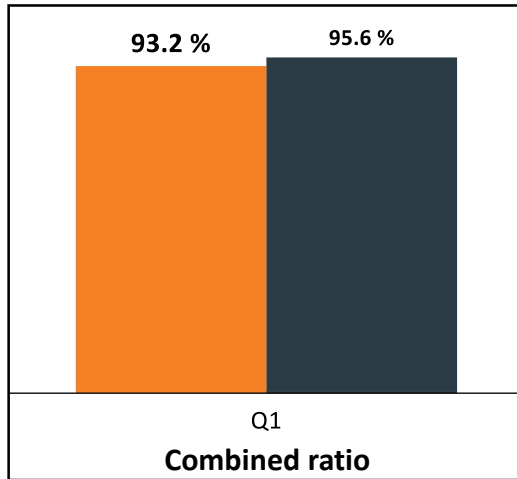
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# Highlights Q1 2023

Combined ratio at 93.2 % | Total investment return of 522 | EPS at NOK 7.6



## Other highlights:

- MNOK 661, or 4.3 % return on assets under management (AUM)
- April 1<sup>st</sup> 2023 gross premiums written growth in UK Public Sector and Housing Associations of MGBP 72
  - Consistent underwriting approach and risk appetite
- Full IFRS accounting implemented this quarter
  - No solvency effect
- Special dividend of MNOK 165 or NOK 2 per share

# Claims update

**Q1: Net loss ratio at 82.8 %, gross loss ratio at 92.2 %**

- Result driven by strong property results, partially offset by weak motor in the Nordics
- Denmark negatively impacted by WC gross and net
- Large loss impact on gross loss ratio UK
- Large losses<sup>1</sup> at 1.0 % (9.1 %)
- Run-off losses at 3.5 % (gain of 2.7 %)
  - Mainly due to run-off losses in Sweden & Denmark
  - 1.6 % loss linked to large claims from 2022 & 2021

Loss ratios

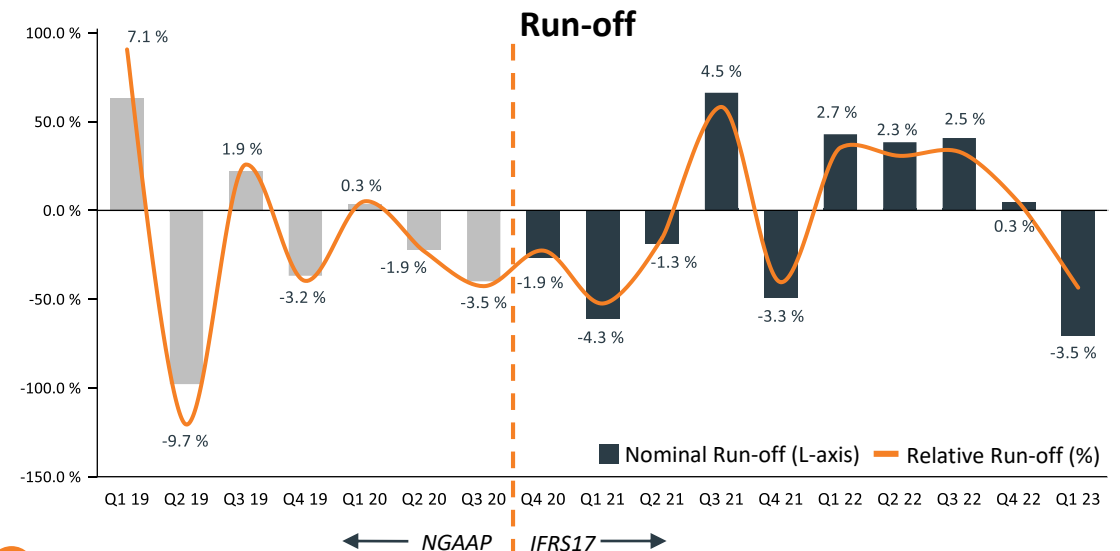
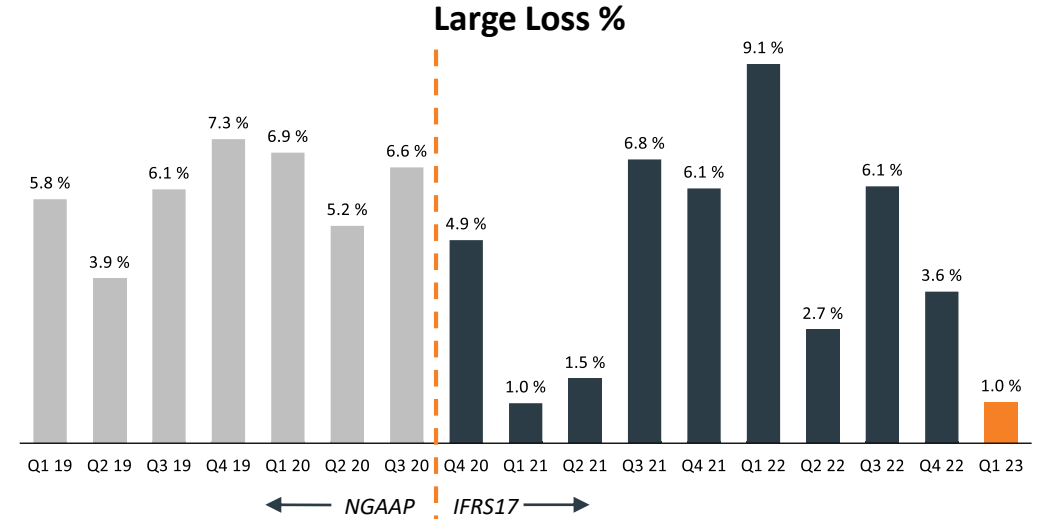
Business unit	Q1 23 Gross	Q1 23 Net	Q1 22 Gross	Q1 22 Net
Norway	82 %	86 %	83 %	87 %
Sweden	84 %	88 %	84 %	84 %
Denmark	120 %	100 %	91 %	99 %
UK	96 %	67 %	66 %	78 %
Finland	80 %	100 %	71 %	72 %
<b>Protector</b>	<b>92.2 %</b>	<b>82.8 %</b>	<b>79.6 %</b>	<b>84.8 %</b>

<sup>1</sup> Large losses defined as absolute net losses > MNOK 10

# Large losses<sup>1</sup> and run-off

Q1: Large losses of MNOK 19.5 or 1.0 %, run-off losses at 3.5 %

- Large loss of MNOK 19.5 or 1.0 % (143.5 or 9.1%)
  - One Liability claim
  
- Run-off losses at 3.5 % (gain of 2.7 %)
  - Losses on Motor & Workers compensation
  
- Some volatility in reserves & large losses must be expected



<sup>1</sup> Large losses defined as absolute net losses > MNOK 10

# Volume update

**Q1: Gross premiums written growth of 27 % (21 % in local currencies (LCY))**

- Q1 is the largest inception quarter in Scandinavia
  - Gross premiums written MNOK 3 943, up 27 % from Q1 22 (21 % LCY)
  - Renewal rate 102 %, supported by price increases to counter claims inflation
  - Continued low churn in Scandinavia and in the UK
  
- April 1st is the largest inception date in the UK
  - MGBP 72 growth in Public Sector and Housing Associations
  - Further details in following slides

MNOK, Gross premiums written

Business unit	Q1 23	Q1 22	Growth	...NOK %	...LCY %
Norway	1 167	955	211	22 %	22 %
Sweden	1 191	943	248	26 %	22 %
Denmark	980	812	168	21 %	9 %
UK	369	196	174	89 %	80 %
Finland	236	204	32	16 %	4 %
<b>Protector</b>	<b>3 943</b>	<b>3 111</b>	<b>833</b>	<b>27 %</b>	<b>21 %</b>

# UK growth April 1<sup>st</sup> | Public Sector & Housing

Extraordinary high new sales and renewal rate above 100 %

- Renewal rate above 100 %
  - Low churn
  - Inflationary adjustments
  - Targeted rate adjustment for poor performers
- All time high new sales
  - Hardening market (change in competitor behaviour) allowing higher hit rates
  - Underwriting new sales with stabile margin expectations
- High property share driven by market conditions
  - Stabile and consistent risk appetite
- Growth volatility should be expected
  - 1.4.23 is a combination of 'Long term agreements' and 'one year deals'

MGBP, Gross premiums written, April 1st

Product	2023	2022	Growth	...LCY%
Property	90	24	66	273%
Liability	12	7	4	60%
Motor	5	4	1	28%
<b>Public &amp; Housing, UK</b>	<b>107</b>	<b>35</b>	<b>72</b>	<b>202%</b>

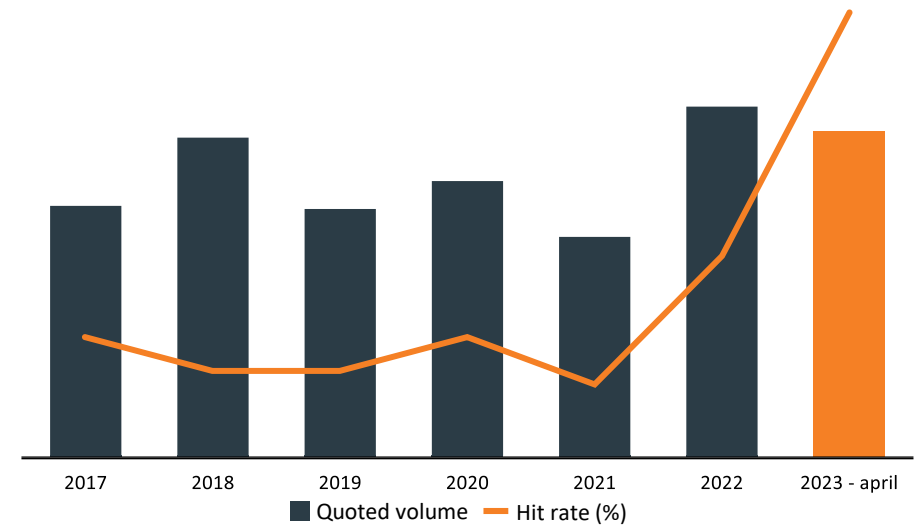


# Public Sector & Housing | Large Core Segments

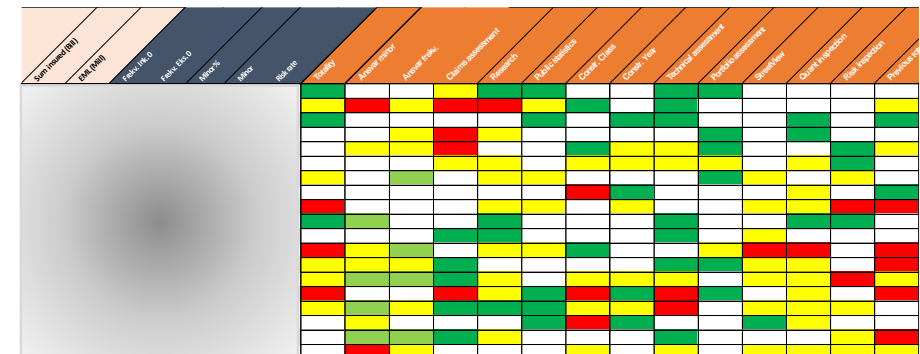
Cyclical market, high level of expertise

- ≈ MGBP 90 p.a. quoted in the segments
  - 1<sup>st</sup> of April is a significant renewal date in the UK
- Hardening market since 2021
  - Consistent underwriting approach and risk appetite
- Prepared for strong growth in 2023
  - Margin expectations remain stable and in line with long term targets
  - Short term outsourcing of claims handling
  - High recruitment activity
  - New clients with similar risk profile as portfolio
- Our long term ambition of ‘top 3’ in our segments remains the same

Hit rates



Consistent Underwriting methodology



Historical profitability in line with or better than company average

# Country-by-country key metrics

Quarterly volatility must be expected, especially by country

MNOK	Norway		Sweden		Denmark		UK		Finland		Protector	
	Q1 23	Q1 22	Q1 23	Q1 22	Q1 23	Q1 22	Q1 23	Q1 22	Q1 23	Q1 22	Q1 23	Q1 22
Gross premium written	1 167	955	1 191	943	980	812	369	196	236	204	3 943	3 111
Insurance revenues	463	395	580	468	292	245	581	391	71	84	1 986	1 584
Insurance service result	38	26	-5	21	-19	-16	115	28	7	10	136	69
Loss ratio, gross	82.1 %	82.8 %	84.0 %	83.9 %	120.2 %	91.3 %	95.8 %	65.9 %	79.6 %	71.1 %	92.2 %	79.6 %
Net reinsurance ratio	3.4 %	3.7 %	4.1 %	-0.3 %	-20.5 %	7.6 %	-28.7 %	12.5 %	0.4 %	0.5 %	-9.4 %	5.1 %
Loss ratio, net of reinsurance	85.6 %	86.5 %	88.1 %	83.6 %	99.7 %	98.9 %	67.1 %	78.5 %	80.0 %	71.6 %	82.8 %	84.8 %
Cost ratio	6.3 %	6.9 %	12.7 %	11.9 %	6.8 %	7.7 %	13.1 %	14.3 %	10.2 %	16.6 %	10.4 %	10.8 %
Combined ratio	91.9 %	93.4 %	100.8 %	95.5 %	106.6 %	106.5 %	80.2 %	92.8 %	90.2 %	88.2 %	93.2 %	95.6 %

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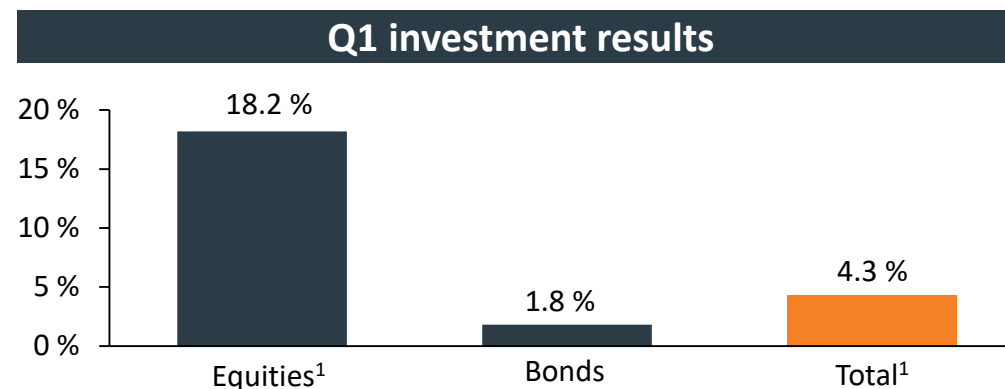
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# Investment performance and statistics Q1 2023

4.3 % return | Bond portfolio yield at 5.6 %, before cost of risk

- MNOK 661, or 4.3 % return on AUM
  - Equities: MNOK 445, or 18.2 %
  - *Put options: MNOK -18*
  - Bonds: MNOK 234, or 1.8 %
- Slightly reduced risk in bonds
  - HY portfolio totalling BNOK ≈ 3.5 vs. BNOK 4.1 YE22
  - Credit duration decreased to 1.8, from 2.2 YE22
  - A- average rating and stable
- Equity share at **17.4 %**, **down** from 17.9 % by YE22
- Strong quarter for Nordic HY bonds, despite bank turmoil
  - DNB Nordic HY index return 3.0%



Investment portfolio data <sup>2</sup>		31.03.23	31.03.22	31.12.22
<b>Bonds</b>	Size bond & cash eq. (MNOK) <sup>3</sup>	13 965	12 368	12 249
	Avg. ref. rate (NIBOR, STIBOR, etc.)	3.5 %	0.9 %	3.3 %
	Avg. spread/risk premium (bps)	215	152	273
	Yield <sup>4</sup>	5.6 %	2.4 %	6.0 %
	Duration <sup>4</sup>	2.3	0.4	2.5
	Credit duration	1.8	1.1	2.2
	Avg. rating <sup>5</sup>	A-	A	A-
<b>Equities</b>	Portfolio size <sup>6</sup>	2 944	2 400	2 648
	Estimated intrinsic value discount	24 %	33 %	30 %
	No. of companies	23	32	28

<sup>1</sup> Put option included in total return and excluded in equity return

<sup>2</sup> Bank deposits included

<sup>3</sup> Size excludes currency swaps

<sup>4</sup> Interest rate swap effect included

<sup>5</sup> Avg. linear rating based on official rating (>50 %) and 'Protector rating' (<50 %)

<sup>6</sup> Size excludes currency swaps and put options

# Profit and loss Q1 23

Profit of MNOK 626 | EPS at NOK 7.6

NOKm	Q1 2023	Q1 2022	FY 2022
Insurance revenue	1 986	1 584	6 619
Insurance claims expenses	(1 831)	(1 262)	(5 045)
Insurance operating expenses	(206)	(172)	(734)
<b>Insurance service result before reinsurance contracts held</b>	<b>(51)</b>	<b>151</b>	<b>840</b>
Reinsurance premium	(119)	(192)	(826)
Amounts recovered from reinsurance	306	110	687
<b>Net result from reinsurance contracts held</b>	<b>187</b>	<b>(81)</b>	<b>(139)</b>
<b>Insurance service result</b>	<b>136</b>	<b>69</b>	<b>701</b>
Net income from investments	635	(9)	477
Net insurance finance income or expenses	(113)	258	607
Other income/expenses	(16)	(16)	(74)
<b>Profit before tax</b>	<b>642</b>	<b>302</b>	<b>1 711</b>
Tax	(31)	(99)	(341)
Discontinued operations	16	5	10
<b>Profit for the period</b>	<b>626</b>	<b>208</b>	<b>1 379</b>
Run-off gains/losses, net of reinsurance	(70.4)	42.9	126.7
Change in risk adjustment, net of reinsurance	(15.3)	-19.3	(79.6)
Discounting effect, net of reinsurance	59.0	12.6	154.5
Loss ratio	92.2 %	79.6 %	76.2 %
Net reinsurance ratio	-9.4 %	5.1 %	2.1 %
Loss ratio, net of reinsurance	82.8 %	84.8 %	78.3 %
Cost ratio	10.4 %	10.8 %	11.1 %
<b>Combined ratio</b>	<b>93.2 %</b>	<b>95.6 %</b>	<b>89.4 %</b>
Earnings per share	7.6	2.5	1.9

# Balance Sheet

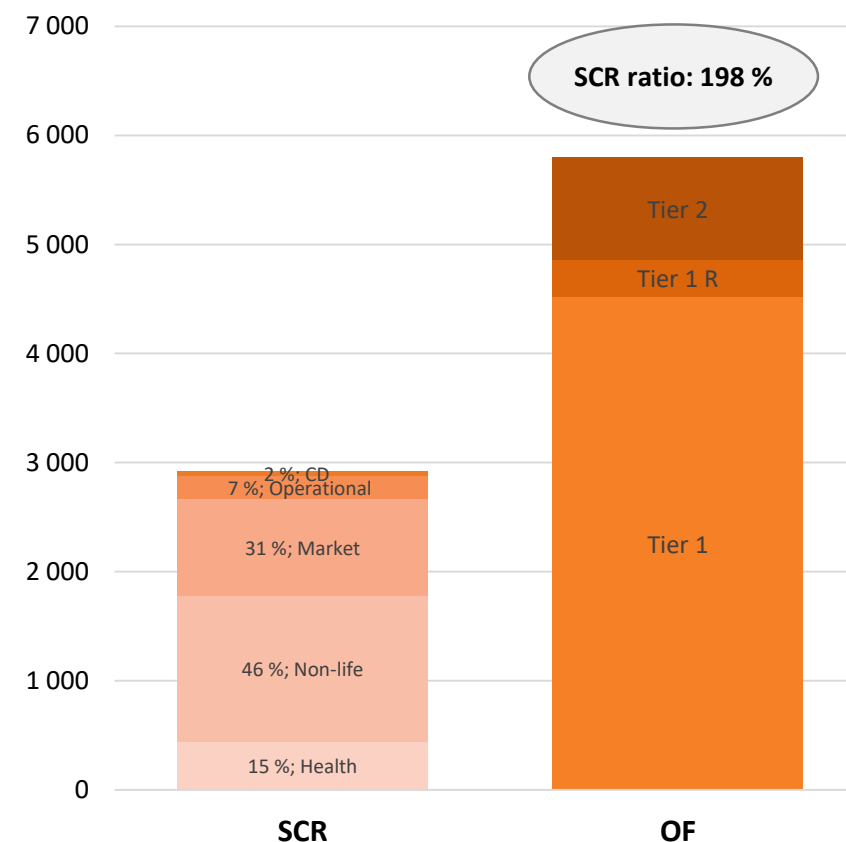
SCR ratio<sup>1</sup> at 198 %

In millions	31.03.2023	31.03.2022	31.12.2022
Financial assets	16 524	13 840	14 195
Derivatives	235	92	66
Bank deposits	195	166	198
Other assets	2 052	2 061	1 971
Discontinued operations	745	1 259	888
<b>Total assets</b>	<b>19 750</b>	<b>17 418</b>	<b>17 318</b>
Total equity	3 984	3 299	3 761
Subordinated loan capital	1 245	1 245	1 245
Insurance contract liabilities	12 477	10 995	10 430
Derivatives	130	117	55
Other liabilities	1 533	1 048	1 305
Discontinued operations	381	715	522
<b>Total equity and liabilities</b>	<b>19 750</b>	<b>17 418</b>	<b>17 318</b>

\*Numbers may not add up due to rounding

- Increase in own funds driven by positive technical and investment result
- Own funds reduced with proposed dividend
- Increased solvency capital requirement:
  - Volume and investment portfolio growth

SCR ratio composition



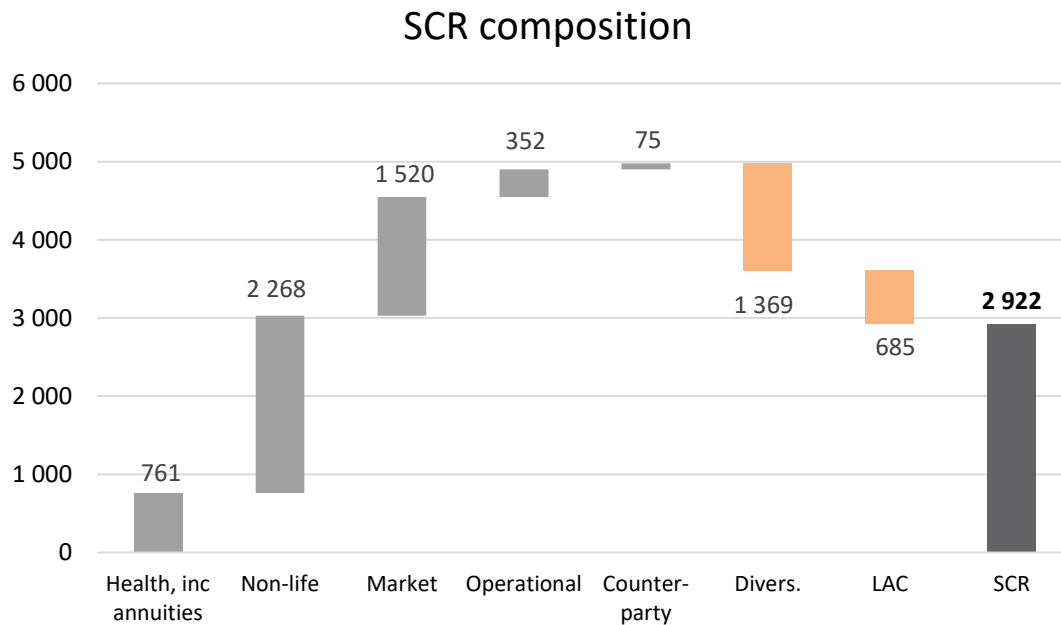
<sup>1</sup> Solvency Capital Requirement (SCR) ratio =  $\frac{\text{Eligible own funds (OF)}}{\text{SCR}}$

# Solvency II

SCR ratio at 198 %

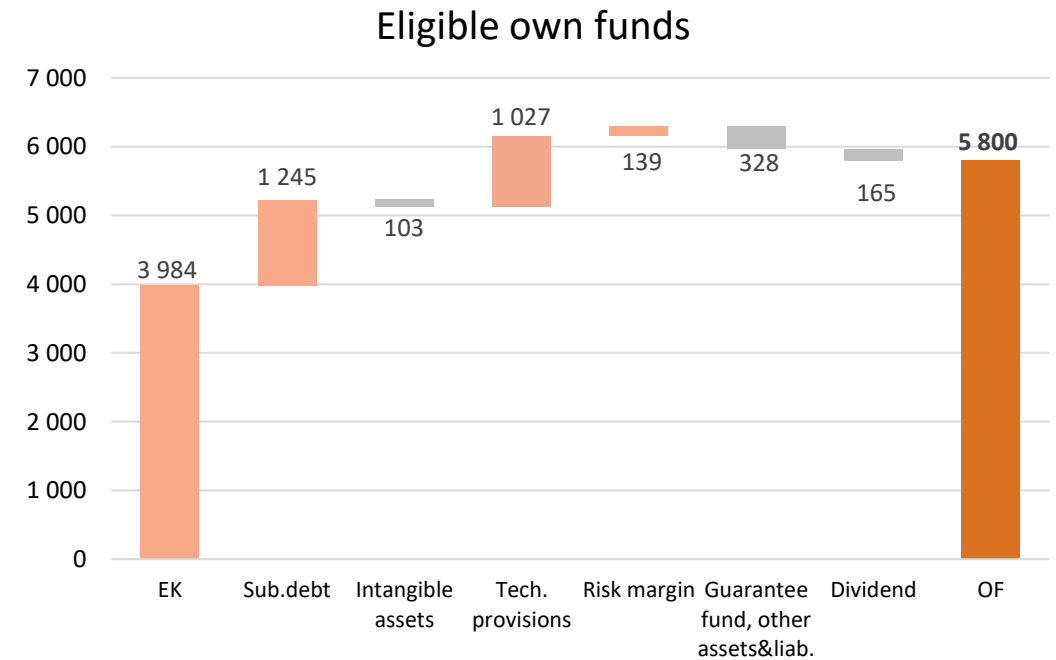
## Composition of SCR:

- Net insurance risk 61 %
- Net market risk 31 %
- Other risks 8 %



## Eligible solvency capital:

- Guarantee provision and proposed dividend subtracted from own funds



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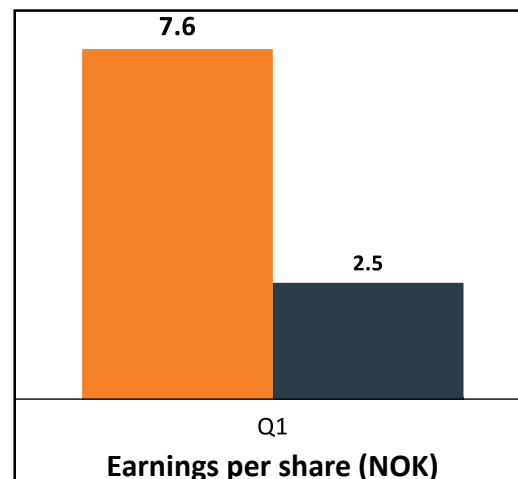
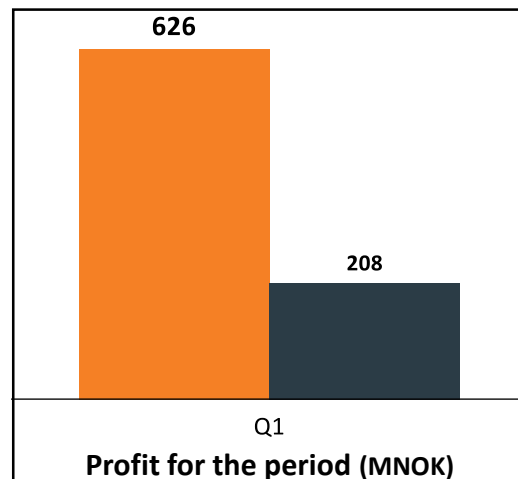
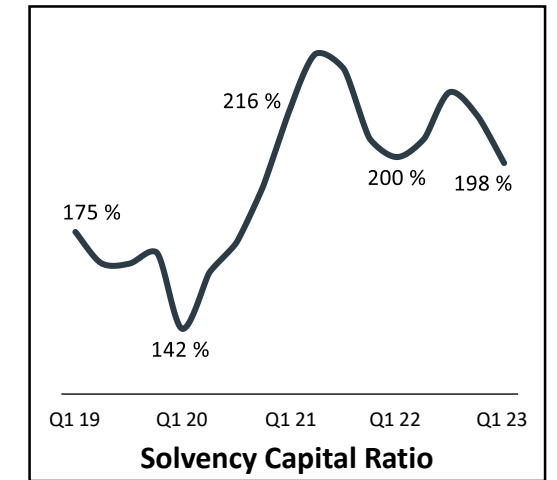
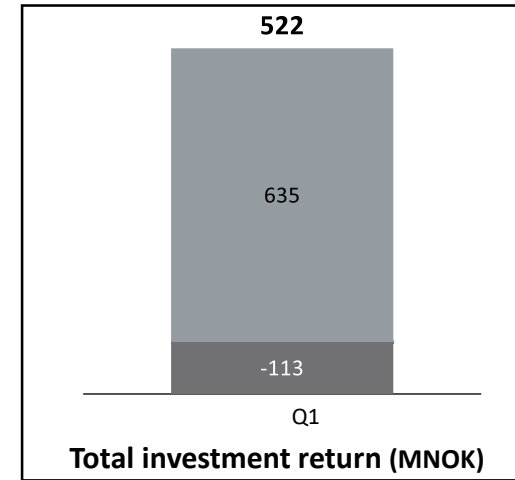
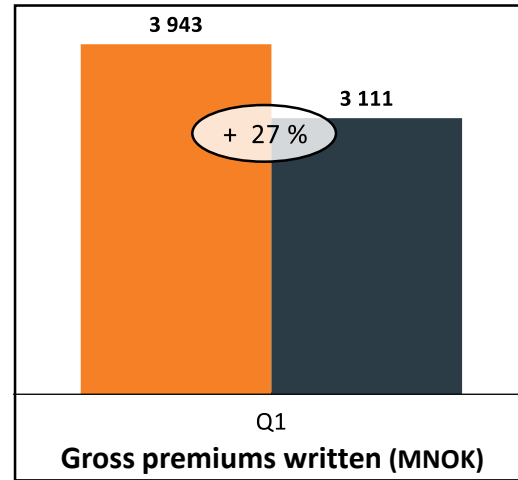
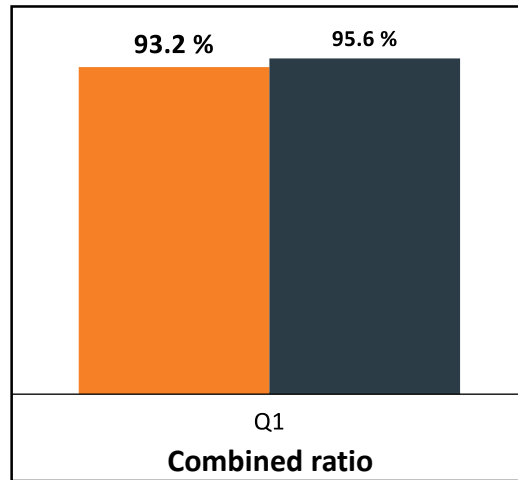
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# Summary Q1 2023

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