



Q1 presentation 2016

11 May 2016



Espen Husstad, CEO



Bård Standal, CFO

Agenda



- Introduction – Espen Husstad
- Q1 financial highlights – Bård Standal
- Strategic update – Espen Husstad
- Operational improvements – Bård Standal
- Summary and questions – Espen Husstad

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Executive summary

- Q1 performance impacted by winter season, distribution- and one-off costs
- Strategic review successfully completed
 - Solvency situation resolved by sale of Swedish portfolio
 - Regained full operational control by buy-back of Norwegian distribution company
 - Both transactions expected to be closed in Q2 2016
- Now: Operational focus in order to enhance shareholder value



Update on background and strategic review



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GROSS WRITTEN
PREMIUM (NOKm)

400



Q1 2016

GROSS LOSS RATIO (%)

87%



Q1 2016

GROSS COST RATIO (%)

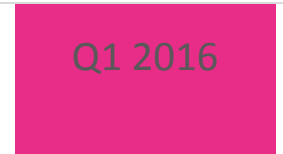
35
%



Q1 2016

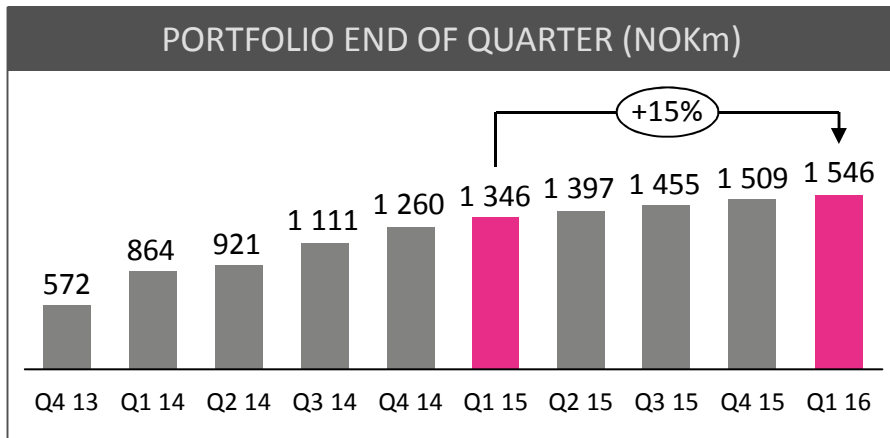
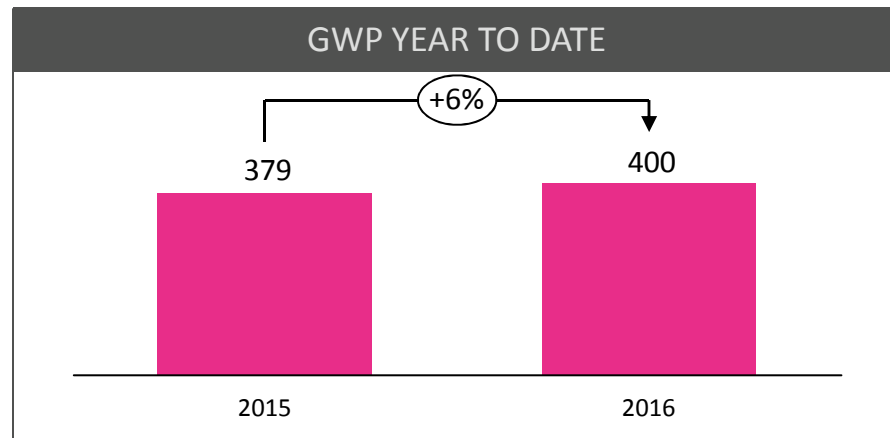
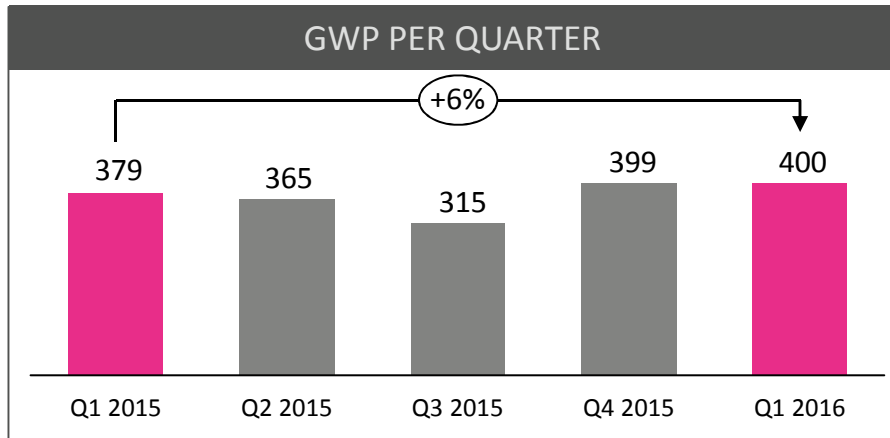
NET PROFIT
(NOKm)

-70



Q1 2016

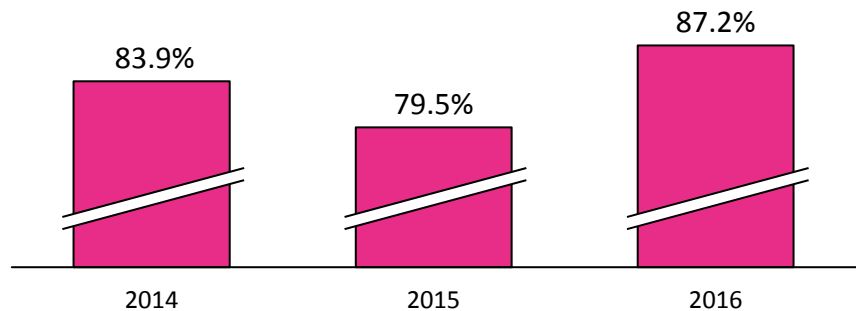
Financial highlights Q1 – controlled premium growth



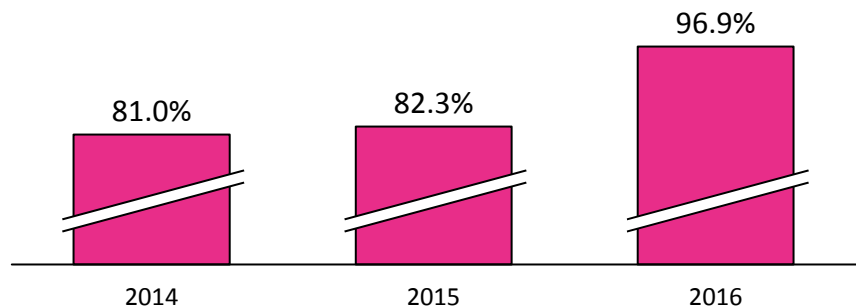
- ### TOP LINE TAKEAWAY
- Continued top-line growth in Q1 2016
 - Lower trajectory than earlier, growing 6% Y-o-Y
 - Portfolio growth of NOK 200m from Q1 2015
 - Norway NOK 70m
 - Sweden NOK 99m
 - Denmark NOK 32m

Loss ratio development – Q1 driven by large losses & winter season

Q1 GROSS LOSS RATIO



Q1 NET LOSS RATIO



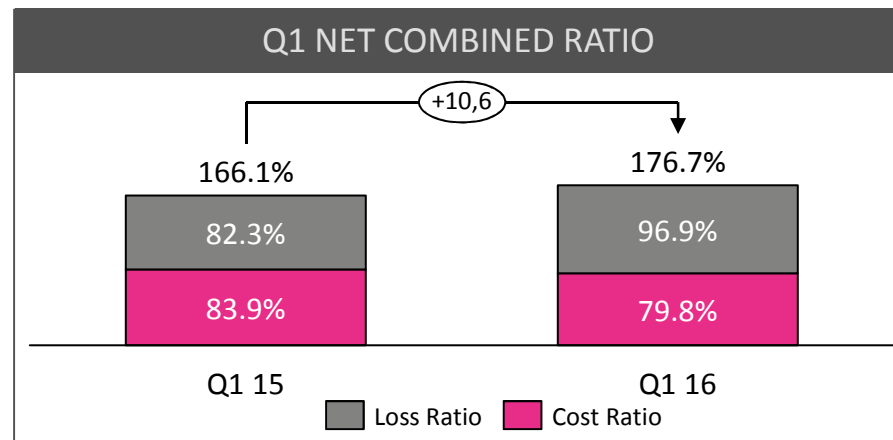
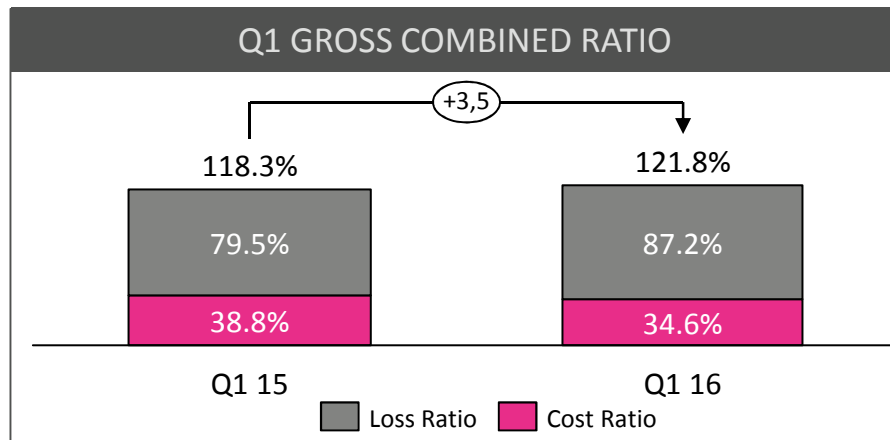
Q1 LOSS RATIO TAKEAWAY

GROSS LOSSES

- 7.7%-points increase from Q1 2015
- Claims handling expense (CHE) was at 7.8%-points
- Large losses* amounted to of NOK 23m, equal to a 6.3%-points effect on gross loss margin
- Negative seasonal impact especially in Sweden due to cold January
- Negative effect vs. Q1 2015 mainly seen in the Swedish portfolio

* Large losses: losses > NOK 5 million

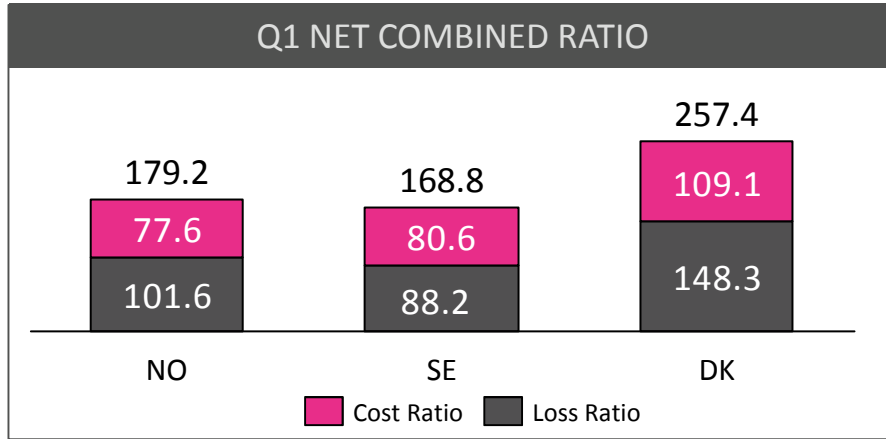
Combined ratio – adverse vs 2015 due to loss ratio



TAKEAWAY

- Q1 2016 costs impacted negatively by about NOK 50m
 - Off-market commission levels related to the new distribution agreements from Q3 2015
 - One-off costs related to the strategic review
- Cost ratio improved despite significant one-off items

Country results – cost level the main issue



Q1 TECHNICAL RESULT

NOKm	31.03.2016
Norway	-37.8
Sweden	-28.7
Denmark	-4.1
Total	-70.6

TAKEAWAY

- Profitability still challenging in all markets
- Main issue is unsustainable cost level
- Also need for operational improvements

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Capital position restored by divesting Swedish portfolio

As at Q1 2016

- In breach of the solvency margin requirement as of 31 March

SOLVENCY 2 PER 31.03.2016

86%

Vardia post transaction

- Sale of Swedish portfolio for SEK 200m in cash
- Closing estimated at 30 June
- The Norwegian Financial Supervisory Authority has granted a dispensation from the solvency margin requirement until closing of the divestment

POST TRANSACTION ESTIMATED SOLVENCY THROUGHOUT 2017

>130%

Regained control of the value chain by reacquiring Norwegian distribution



As at Q1 2016

- Distribution set-up with significant negative implications
 - Fee levels too high
 - Suboptimal fee structure
 - Tied to portfolio size and not profitability, misalignment of interest
 - Fixed fee with no control over cost base
 - Scope of distribution agreement limits strategic opportunities

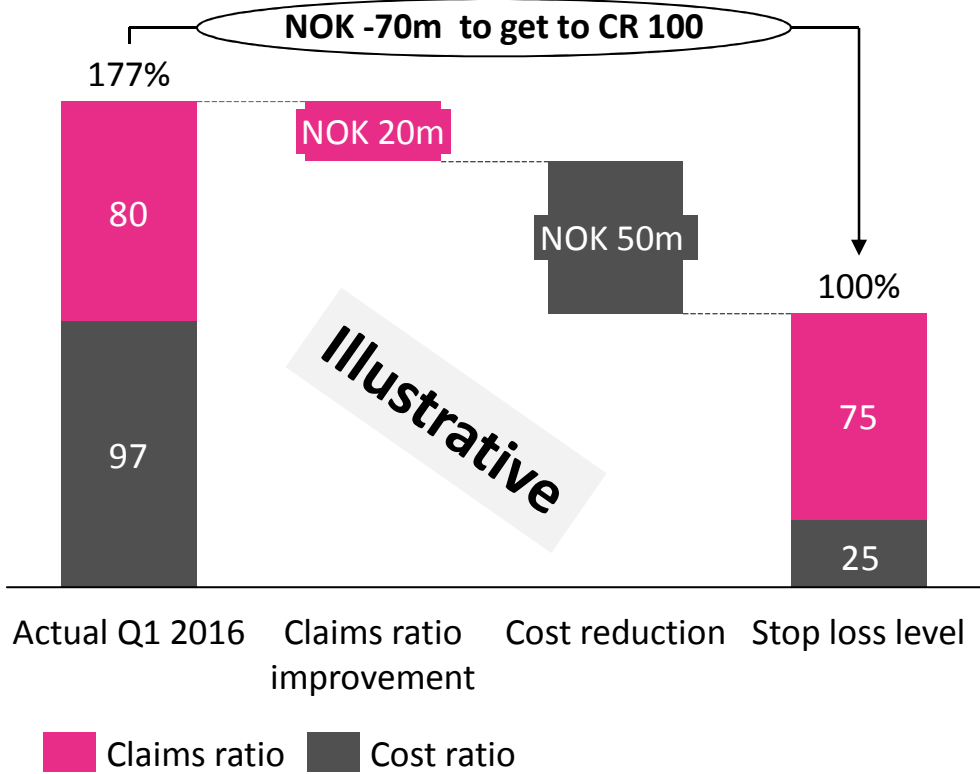
Vardia post transaction

- Regains full control of the value chain and cost base

Taking Vardia to the next level



- Strong foundation established by sale of Swedish portfolio and taking control of distribution in Norway
- Enables increased focus on cost reduction and operational improvements



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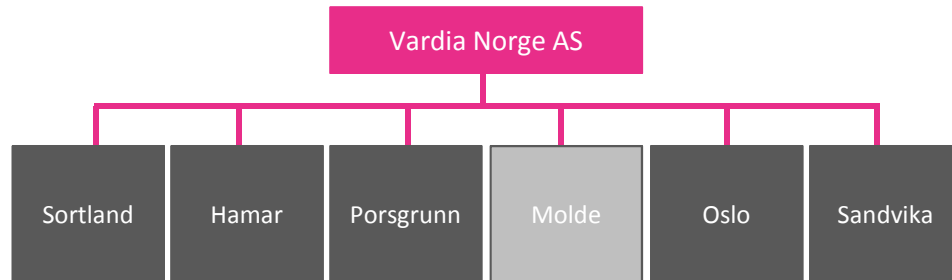


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Realising benefits from already planned cost measures

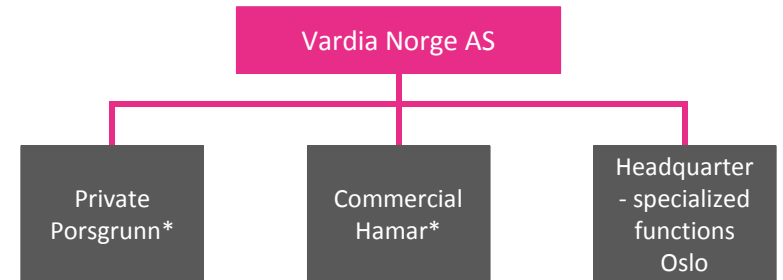
Efficiency measures Q1

- Efficiency measures completed Feb 2016 with full effect from 1 June
 - Molde office closed - 10 FTE
 - 2 outbound sales teams closed - 20 FTE – 1 team Hamar and 1 team Sortland
 - Reduced 15 FTEs in customer service Sortland
 - Reduced 3 team leaders
 - Other staff 4 FTE`s



Efficiency measures Q2

- Close down of Sortland site suggested with final decision during Q2
- Further efficiency measures targeting central staff
- Co-location of Sandvika and Oslo
- Implementing operational improvements



*) Current plan, subject to final decision

Realizing additional cost benefits

- To initiate a full review of existing organisation at closing of transactions
- Aim to identify additional cost synergies within the new structure
- Potential for significant cost savings within
 - Information technology
 - Staff

RESULTING IN...

- Significant reduction in cost level down towards industry average over time

Key operational areas targeted for efficiency- and quality gains

- Pricing and portfolio pruning
 - Enhanced diversified pricing
 - Pruning of bad risks
 - High retention of good risks
- Claims handling process
 - Utilise digital potential
 - Secure low claims cost through improved purchasing of external services
- Sales & service processes
 - Utilise digital potential
 - Secure top-notch availability planning and competence routing
 - Use mandates and incentives to be fully aligned with customer targeting to optimise hit rates and risk selection

RESULTING IN...

- Improved claims ratio
- Enhanced customer experience

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Summary

- Solvency and strategic initiative restored by sale of Swedish portfolio and reacquisition of Norwegian distribution
- Vardia now positioned to execute and benefit from identified measures to reduce cost base and improve operational efficiency
- Provides foundation for long-term profitable development
- Q2 numbers to reflect transition to new structure and transaction related items

Appendix

Results



NOK thousands	Q1 2016	Q1 2015	2015
Gross premiums written	400 311	378 639	1 458 269
Gross premiums earned	363 571	301 995	1 315 881
Premiums earned f.o.a.	93 168	82 554	349 113
Gross incurred claims	-316 956	-240 063	-1 261 900
Incurred claims f.o.a.	-90 269	-67 906	-314 381
Sales costs and adm.costs	-125 908	-117 117	-469 396
Commission from reinsurers	51 554	47 888	227 136
Operating expenses for own account	-74 354	-69 229	-242 260
Other income/expenses	863	3 544	12 165
Techn. result before changes in sec.reserves**	-70 592	-51 037	-195 363
Net financial income	622	-2 623	-2 953
Operating result	-69 970	-53 660	-198 316
Changes in security reserves etc.	0	-2 000	-14 755
Profit/Loss before tax	-69 970	-55 660	-213 071
Profit/Loss after tax	-69 999	-55 611	-212 094
<i>Gross loss ratio</i>	87.2	79.5	95.9
<i>Gross cost ratio</i>	34.6	38.8	35.7
<i>Gross combined ratio</i>	121.8	118.3	131.6
<i>Loss ratio f.o.a.</i>	96.9	82.3	90.1
<i>Cost ratio f.o.a.</i>	79.8	83.9	69.4
<i>Combined ratio f.o.a.</i>	176.7	166.1	159.4

* Figures are restated to reflect decreased deferral of incremental acquisition costs

** Figures are ex. allocated return on investment transferred from the non-technical account

Balance sheet



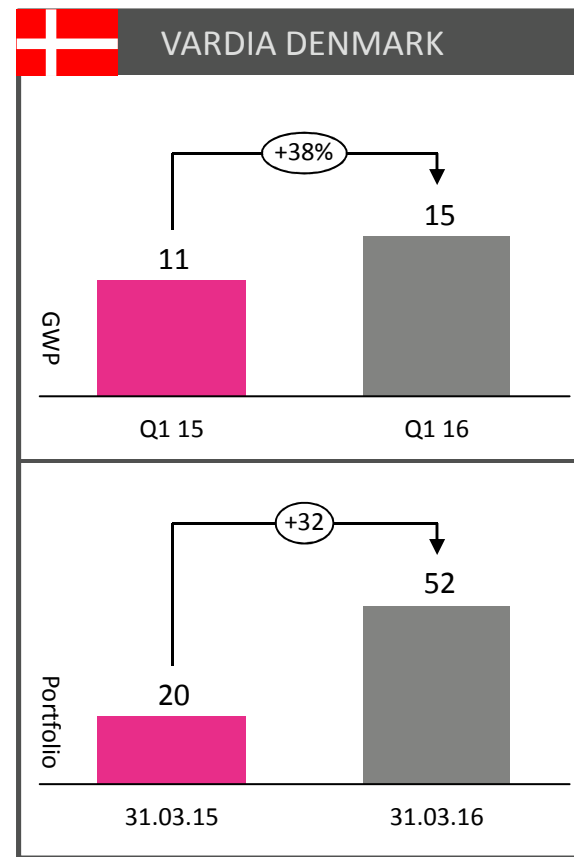
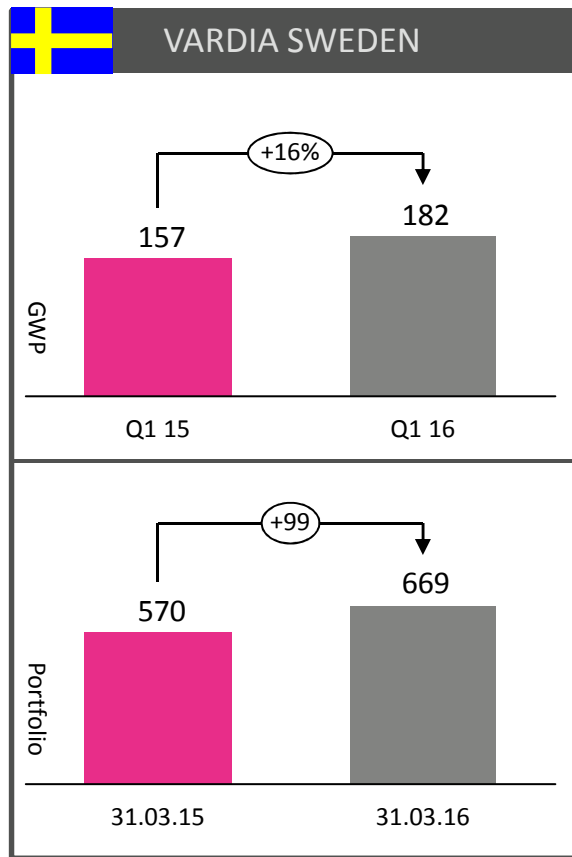
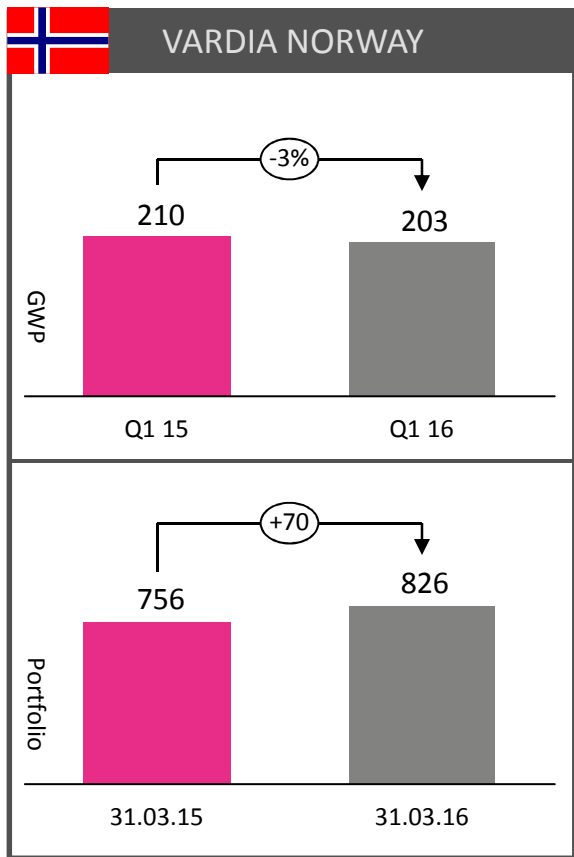
NOKm	31.03.2016	31.03.2015	31.12.2015
Various assets	130	137	131
Bank deposits/Money market funds	307	103	317
Reinsurers share of gross technical reserves	1 150	846	1 111
Receivables direct insurance and reinsurance	551	435	526
Other assets	257	141	256
Total Assets	2 395	1 662	2 341
Total Equity	181	-28	204
Subordinated loan	74	0	74
Gross premium reserve	781	680	753
Gross claims reserve	751	447	705
Other technical provisions	0	34	47
Pension liabilities	0	8	0
Financial liabilities	608	521	558
Total liabilities	2 214	1 690	2 136
Total equity and liabilities	2 395	1 662	2 341

Top 20 shareholders – 3 May 2016

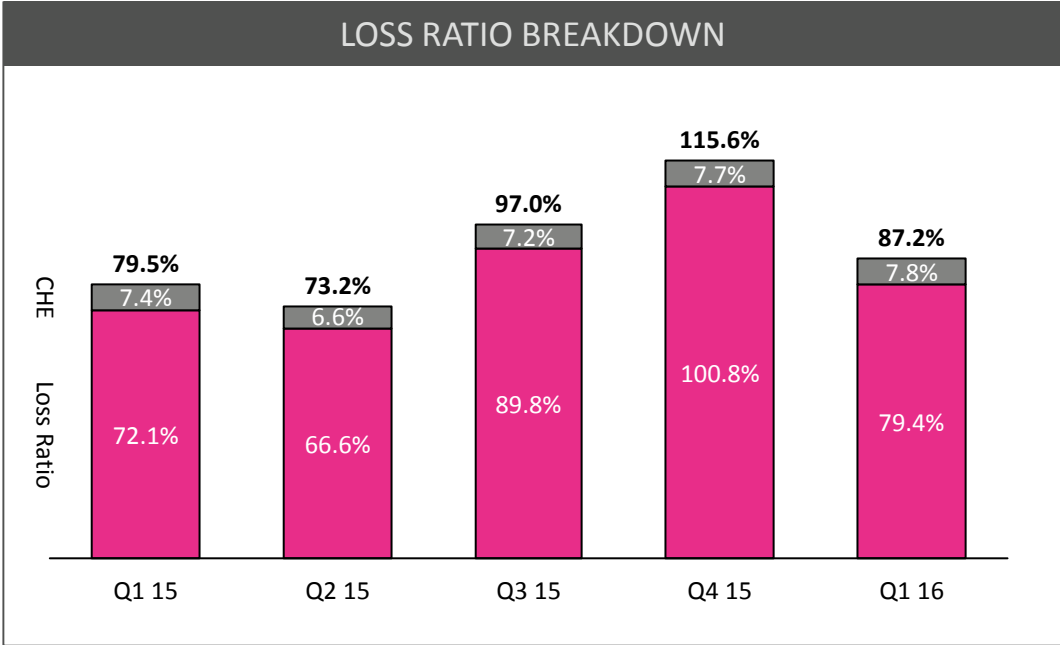


Shareholder's name	No. of Shares	Percent	Nationality
Avanza Bank AB (Broker account)	44 162 617	9.86 %	SWE
Skandinaviska Enskilda Banken AB (Nominee)	28 368 728	6.33 %	SWE
D. Carnegie AB	25 486 615	5.69 %	SWE
Canica AS	18 515 666	4.13 %	NOR
Skandinaviska Enskilda Banken AB (Nominee)	15 821 039	3.53 %	SWE
Norway Marine Insurance AS	13 863 342	3.10 %	NOR
Nordnet Bank AB (Nominee)	13 525 704	3.02 %	SWE
Nordnet Bank AB (Nominee)	13 150 065	2.94 %	SWE
Nilvama AS	11 775 529	2.63 %	NOR
Aakvik Holding AS	11 775 427	2.63 %	NOR
Saxo Bank (Nominee)	11 238 293	2.51 %	DNK
Busebakk AS	8 533 124	1.91 %	NOR
Gyljandi AS	7 759 776	1.73 %	NOR
Hetlands Gecco Management AS	7 527 964	1.68 %	NOR
Vikna Eiendom AS	7 168 955	1.60 %	NOR
AHJ Holdings Ltd	6 315 413	1.41 %	GBR
Høie, Karl	6 016 832	1.34 %	NOR
Euroclear Bank S.A. (Nominee)	5 955 738	1.33 %	BEL
Slethei AS	5 557 563	1.24 %	NOR
Mays Holding II AS	4 950 000	1.11 %	NOR
Sum of all other shareholders	180 398 598	40.28 %	
Total	447 866 988	100.00 %	

Markets at a glance – Sweden and Denmark driving growth



Gross loss ratio breakdown – quarterly



Markets at a glance – Loss development

