



## Q2 Presentation 2015

11 August 2015

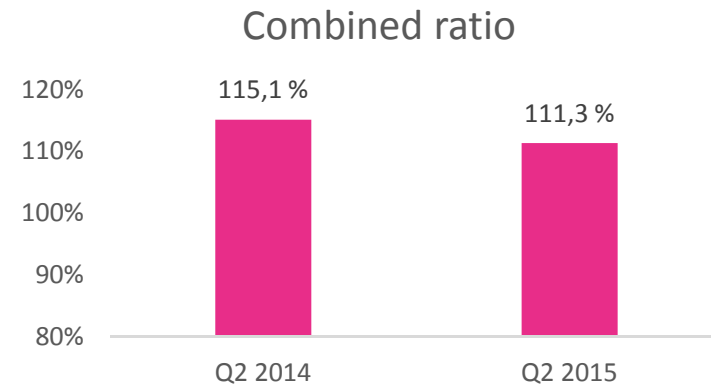
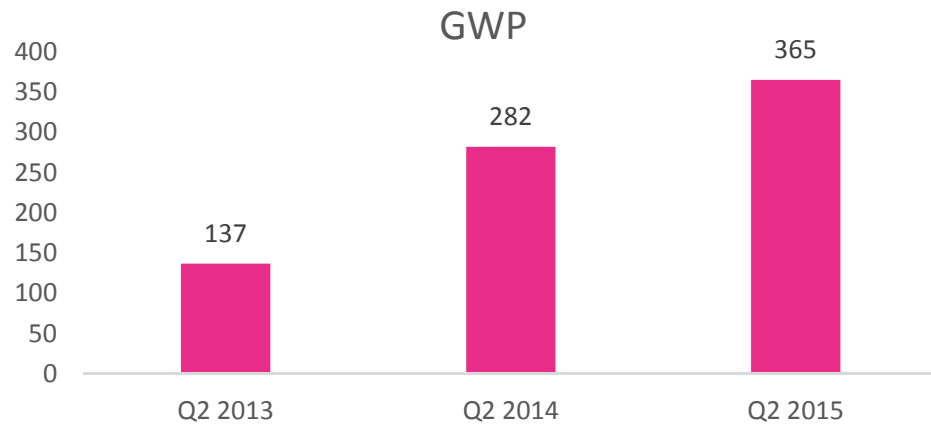
# Vardia – Highlights



- The business continues to perform in accordance to plan
  - All time low loss ratio 66.8% ex claims handling cost
  - Among highest premium growths in market with 29.5%
  
- The cost reduction program is going according to plan
  
- Restructuring
  - Distribution channels will become independent companies
  - Vardia ASA will still own the customers
  - Sees a growth rate of 10-15% per year

# Q2 Highlights

# Financial highlights Q2 – Premium growth continues



**Gross written premiums of NOK 365.0 million, an increase of 29.5%**

- A total of NOK 743.7 million in 2015

**Gross earned premiums of NOK 324.6 million, an increase of 52.8%**

- A total of NOK 626.6 million in 2015

**Gross loss ratio of 73.2%, which is all time low for Vardia ASA**

- The loss ratio for own account was 78.2%

**Gross cost ratio of 38.1% in Q2 and 38.4% for 2015 in total**

**Gross combined ratio of 111.3% in Q2 and 114.7% for 2015 in total**

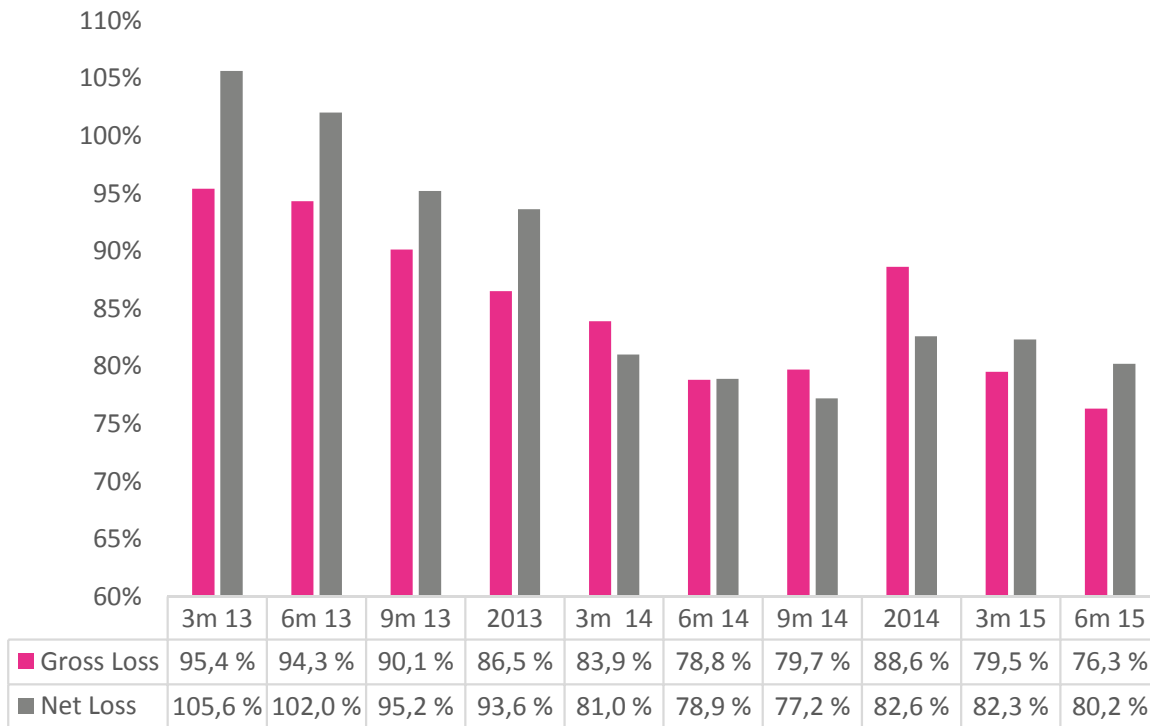
**Net loss for Q2 was NOK 43.3 million**

- Compared to a loss of NOK 42.9 million Q2 last year

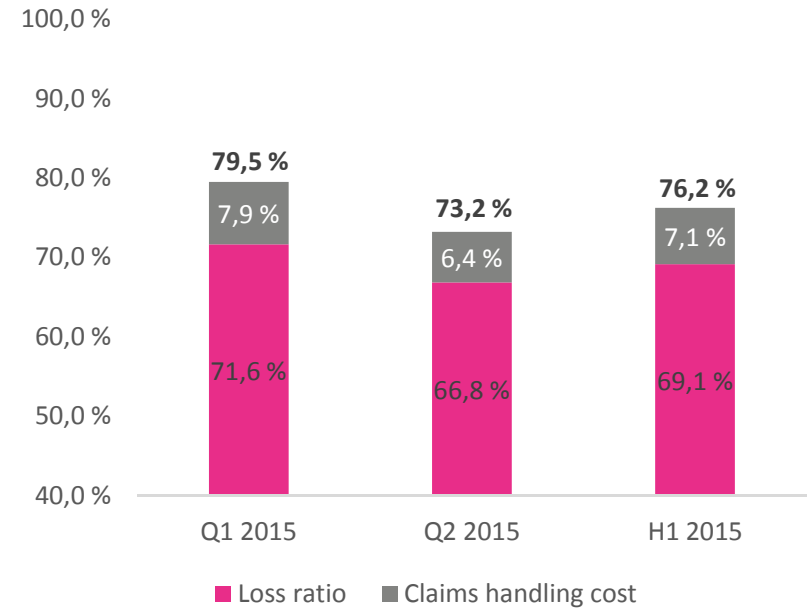
# Loss ratio – Loss ratio at all time low



Loss Ratio

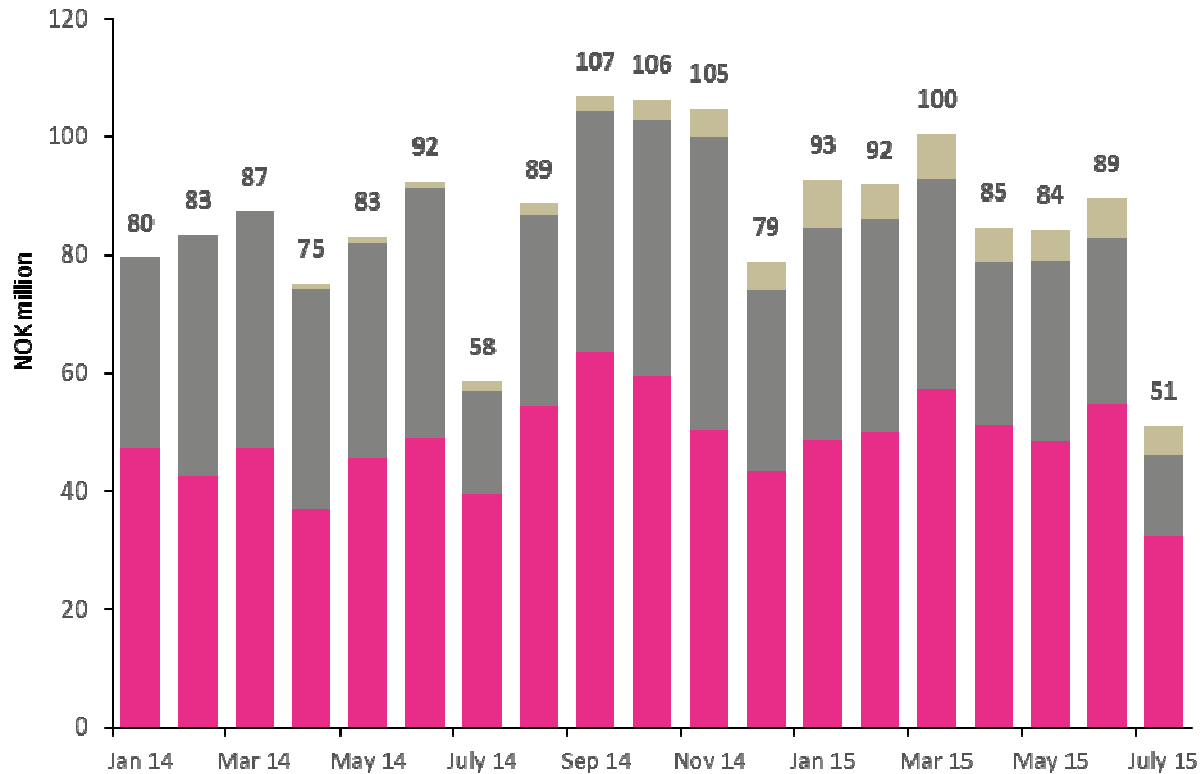


Accumulated figures



- Loss ratio ex claims handling cost in Q2 was 66.8%
- No large claims in Q2 2015

# New Sales – Steady momentum



## New sales in 2015 (Jan-July):

- Total 594.2 MNOK (559.1)
- Norway 342.1 MNOK (308.2)
- Sweden 208.0 MNOK (246.1)
- Denmark 44.1 MNOK (4.8)

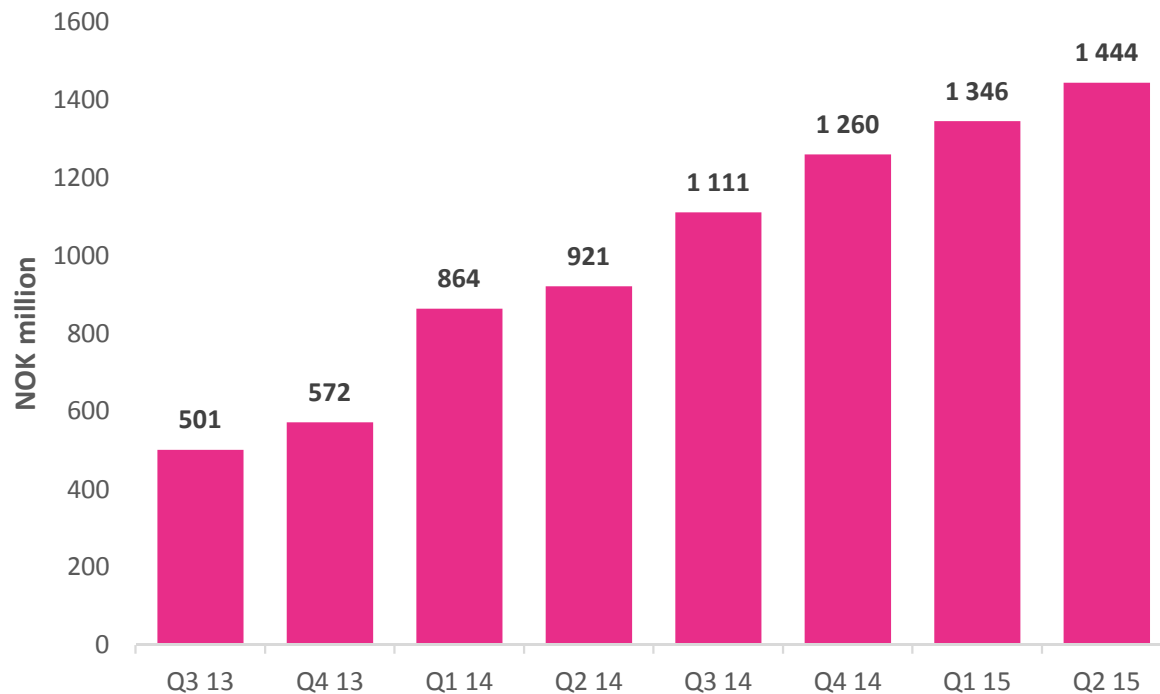
**New Sales in July 2015 at NOK 51.0 million**

**Total new sales in Q2 2015 NOK 258.3 million (250.7)**

**An average of NOK 84.9 million per month in 2015**

# Portfolio and market share – Strong portfolio growth

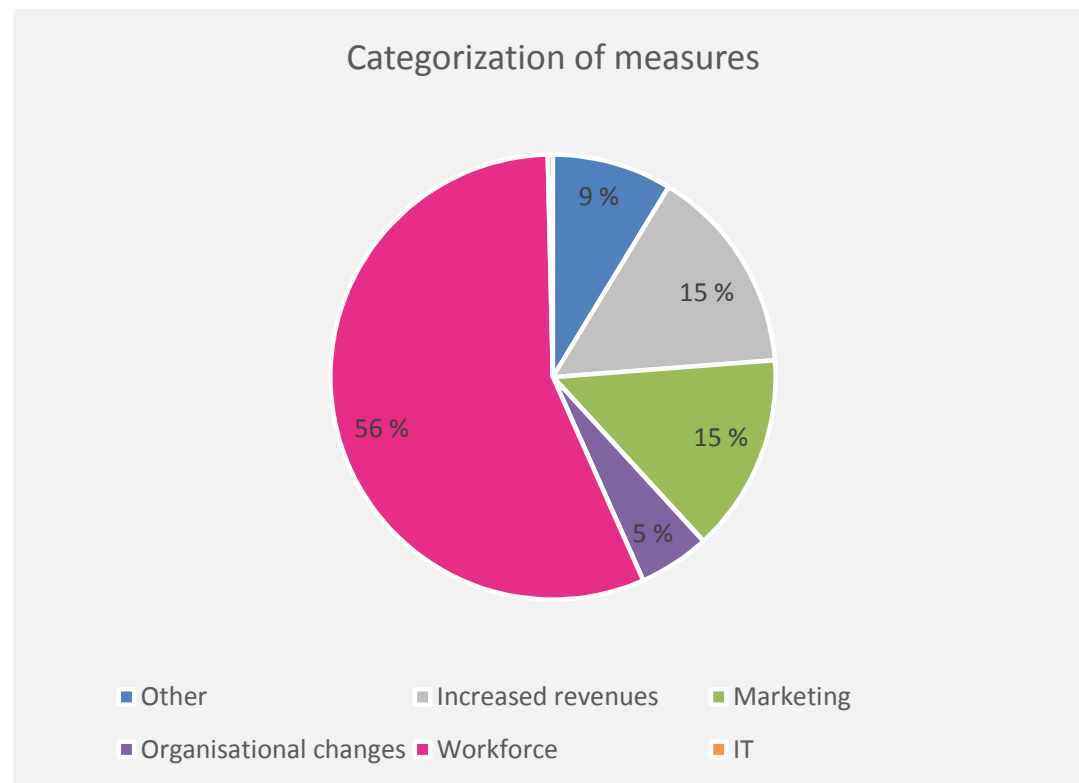
Portfolio development



- The portfolio increased with 56.8% from Q2 2014 to Q2 2015
- Vardia Norway has approximately 1.4% market share in the Norwegian non-life insurance market
- Vardia Sweden has a market share of approximately 1.3%

# Cost reduction program – Summary

- The cost reduction program will in the period of 2015-2016 reduce the Group's cost with NOK 100 million
- As of 30 June, costs have been reduced NOK 8.3 million which is 0.9 million above expectations.
- Significant reductions in workforce have been completed, however the effects from these are not yet fully achieved





## Segment information – Growth in all countries

### Vardia Norway

GWP of NOK 198.0 million

- An increase of 27.2%

Loss ratio of 66.6%

- 74.7% for H1 2015

Portfolio of NOK 795.9 million

### Vardia Sweden

GWP of NOK 154.5 million

- An increase of 23.4%

Loss ratio of 81.1%

- 78.1% for H1 2015

Portfolio of NOK 617.1 million

### Vardia Denmark

GWP of NOK 12.5 million

- Compared to NOK 1.2 million

Loss ratio of 95.5%

- 80.8% for H1 2015

Portfolio of NOK 31.2 million

# Restructuring

# Restructuring – Adapting to new framework



## Driver for restructuring:

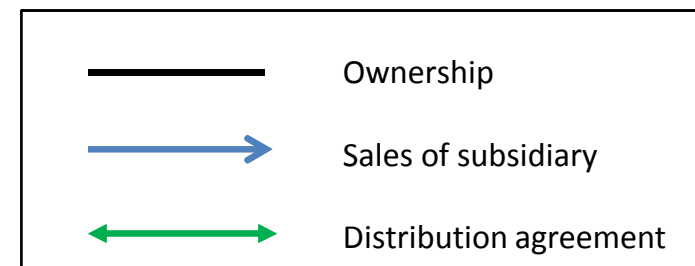
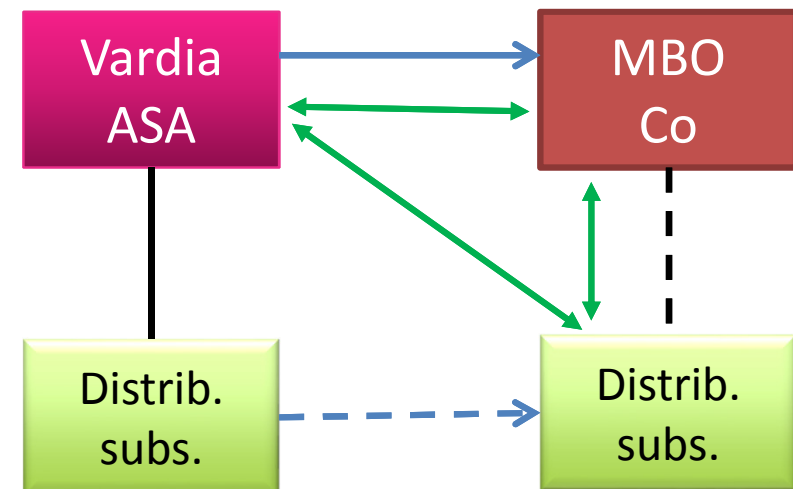
- New accounting principles announced in March
  - All internal direct sales cost must be expensed
  - Mismatch between booked sales cost and earned premium
  - Penalizes high growth insurance companies
- Need for additional equity capital of NOK 150 million to meet requirements in 2015

## Reviewed solutions:

- Accelerate cost reduction program significantly
- Change of domicile
- Sale of portfolio
- Sale of internal distribution to external parties
- Sale of internal distribution to local management (MBO)

# Restructuring – The Solution

- Sales of distribution in Norway and Sweden to local management (MBO)
  - NOK 15 million and SEK 15 million respectively
  - Mutually exclusive 4 years distribution agreements at market conditions
- Significantly reduction of personnel in Denmark and full focus on the OK agreement
- Sale of Vardia Agencies AS
- Merger of rest of subsidiaries into Vardia ASA



# Restructuring – Going forward

## Short term:

- Business as usual – ensure that the new structure works well
  - Changes in management team at Group level
  - Continued focus on UW quality and portfolio optimization
  - Strengthen financial control and ensure improved cost efficiency
- 
- Extraordinary General Meeting
    - Approve restructuring
    - Board composition
    - Board authorization to increase share capital by 10%

## Long term:

- Align the long term interest of Vardia and its independent distribution partners
- Keep ownership of customers and insurance systems
- Development of products and underwriting
- Reduce operational risk and increase in insurance risk in own books

# Strategy – Continue to be an innovative challenger

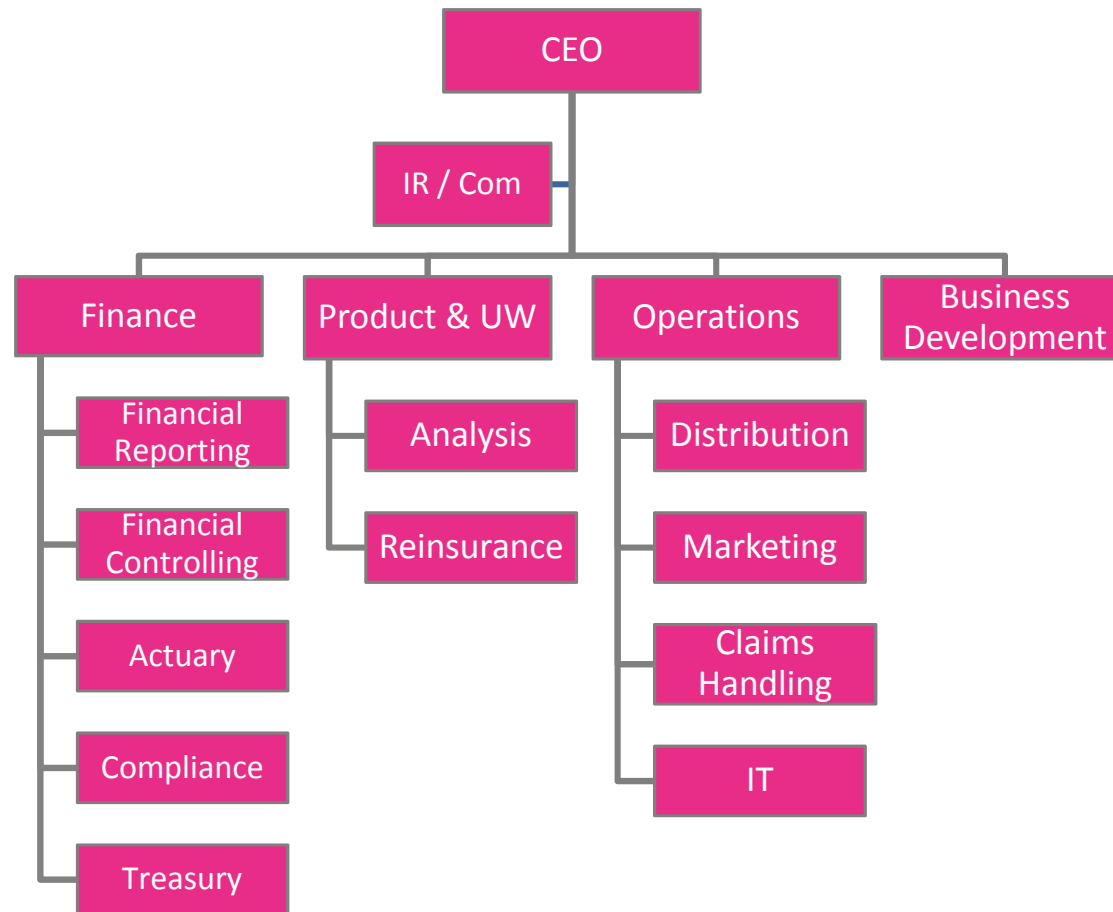


- Nordic presence is maintained
- Innovate with technology; products, customer service, claims handling and distribution
- Continue niche strategy
- Increase insurance risk on balance sheet
- Continued focus on cost efficiency and productivity

Make insurance easier through three main areas:

- Understandable and easy access (web)
- Transparency (pricing)
- Customer satisfaction (tailored solutions)

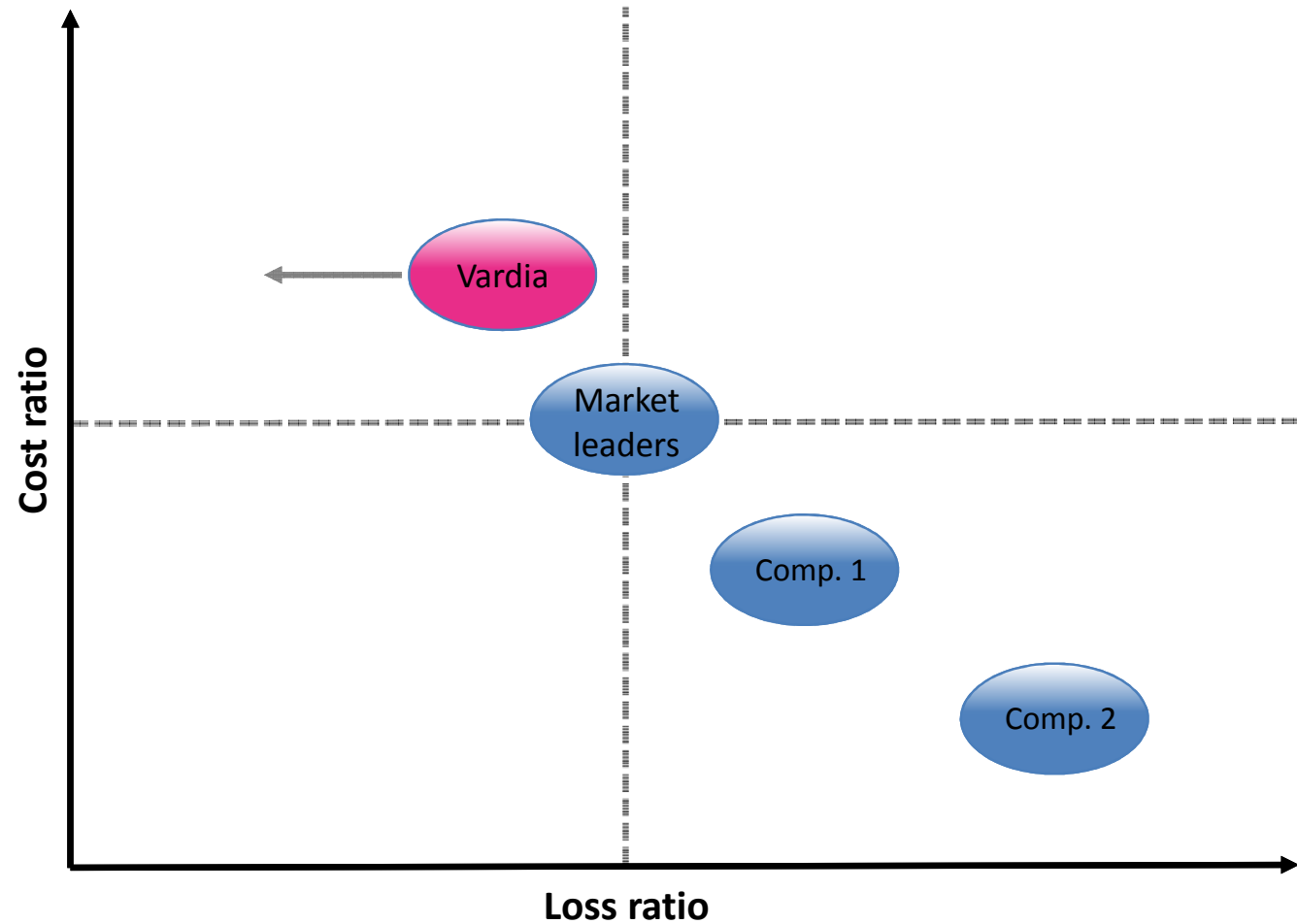
# Organizational structure – Future organization



# Financial Ambitions



<b>Premium Growth</b>
10-15% p.a.
<b>Combined Ratio</b>
<92%
<b>Return on Equity</b>
~15%





# Vardia – Key takeaways



- The business continues to perform in accordance to plan
  - All time low loss ratio
  - Among highest premium growths in market
- Established a stable capital efficient structure
  - Reduced operating risk
  - Reduced need for equity capital
- Increase insurance risk in the years to come

# Financials

# Results



NOK thousands	Q2 2015	Q2 2014*	30.06.2015
<b>Gross premiums written</b>	<b>365 015</b>	<b>281 938</b>	<b>743 654</b>
Gross premiums earned	324 569	212 438	626 564
Premiums earned f.o.a.	81 883	51 434	164 437
Gross Incurred claims	(237 720)	(157 920)	(477 783)
Incurred claims f.o.a.	(64 031)	(39 684)	(131 937)
Operating expenses for own account	(66 520)	(55 011)	(135 748)
Other income/expenses	4 942	4 692	8 486
<b>Techn. result before changes in sec.reserves**</b>	<b>(43 725)</b>	<b>(38 569)</b>	<b>(94 762)</b>
Net financial income	4 927	1 884	2 304
<b>Operating result</b>	<b>(38 798)</b>	<b>(36 686)</b>	<b>(92 458)</b>
Changes in security reserves etc.	(4 026)	(5 000)	(6 026)
<b>Profit/Loss before tax</b>	<b>(42 824)</b>	<b>(41 686)</b>	<b>(98 484)</b>
<b>Profit/Loss after tax</b>	<b>(43 300)</b>	<b>(42 879)</b>	<b>(98 911)</b>
<i>Gross loss ratio</i>	73,2	74,3	76,3
<i>Gross cost ratio</i>	38,1	40,8	38,4
<b><i>Gross Combined ratio</i></b>	<b>111,3</b>	<b>115,1</b>	<b>114,7</b>
<i>Loss ratio f.o.a.</i>	78,2	77,2	80,2
<i>Cost ratio f.o.a.</i>	81,2	107,0	82,6
<b><i>Combined ratio f.o.a.</i></b>	<b>159,4</b>	<b>184,1</b>	<b>162,8</b>

\* 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



NOK millions	31.06.2015	31.06.2014	31.12.2014
Various Assets	145.5	115.5	135.2
Bank deposits/Money market funds	377.9	218.9	185.0
Reinsurers share of gross technical reserves	871.6	600.0	792.0
Receivables direct insurance and reinsurance	473.5	404.4	399.7
Other Assets	142.3	86.5	120.8
<b>Total Assets</b>	<b>2,007.9</b>	<b>1,425.2</b>	<b>1,632.7</b>
Total Equity	269.8	126.0	26.7
Gross Premium Reserve	721.5	512.9	610.4
Gross claims reserve	437.4	269.1	431.4
Other technical provisions	38.0	25.0	32.0
Pension liabilities	8.0	4.2	8.0
Financial liabilities	533.2	488.1	524.2
Total liabilities	1,738.1	1,299.2	1,606.0
<b>Total equity and liabilities</b>	<b>2,007.9</b>	<b>1,425.2</b>	<b>1,632.7</b>

- The Group's total assets increased from NOK 1,661.6 million in Q1 to NOK 2,007.9 million in Q2. The increase is due to the recent capital issue and growth of the insurance portfolio
- Vardia pursues a conservative investment policy, with all liquid assets deposited in banks and money market fund

# Capital & Solvency II



Capitalization (Group)	30.06.2015	30.06.2014	31.12.2014
Solvency Capital (MNOK)	307.7	151.0	58.7
Primary Capital (MNOK)	100.9	(8.1)	(137.0)
Capital Ratio	16 %	(2 %)	(27 %)
Consolidated Solvency Margin	94 %	4 %	(107 %)

- Regarding Pillar 3, the ORSA report for 2015 will be adopted by the Board in Q3 2015
- Reinsurance is an important vehicle in order to reduce Vardia's own Solvency II requirement. Vardia has presently reinsurers with an average rating of S&P's AA-/A+.

## Top 20 shareholders – 10 August 2015



Sharholder's name	No. of Shares	Percent
Avanza Bank AB (Broker account)	31 570 147	7.75%
Carnegie Investment (Nominee)	26 248 496	6.45%
Skandinaviska Enskilda Banken A/C (Nominee)	22 118 620	5.43%
Skandinaviska Enskilda Banken A/C (Nominee)	20 873 418	5.13%
Canica AS	14 574 412	3.58%
Norway Marine Insurance AS	13 863 342	3.40%
Nordnet Bank AB (Nominee)	12 250 745	3.01%
Nilvama AS	11 775 529	2.89%
Busebakk AS	11 533 124	2.83%
Aakvik Holding AS	10 759 167	2.64%
Vikna Eiendom AS	7 168 955	1.76%
Toluma Norden AS	7 165 300	1.76%
BNP Paribas Sec. (Nominee)	6 966 702	1.71%
Gyljandi AS	6 946 766	1.71%
AHJ Holdings Ltd	6 315 413	1.55%
Hetlands Gecco Management AS	5 964 954	1.46%
Slethei AS	5 557 563	1.36%
Høie, Karl	5 529 027	1.36%
Morten Werrings Rederi AS	4 433 242	1.09%
Williksen Invest AS	4 316 470	1.06%
Others	171 310 596	42.07 %
<b>Total</b>	<b>407 241 988</b>	<b>100.0 %</b>

- Geographical split:
  - Norway 65.5 %
  - Sweden 30.0 %
  - Other 4.5%
  - A total of 17 countries are represented