

## Q1 2018 Interim Results

Investor presentation

Oslo, 27.04.2017



## 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

Open

Bold

Committed



# Highlights Q1 2018

17,9 % growth, poor claims quarter



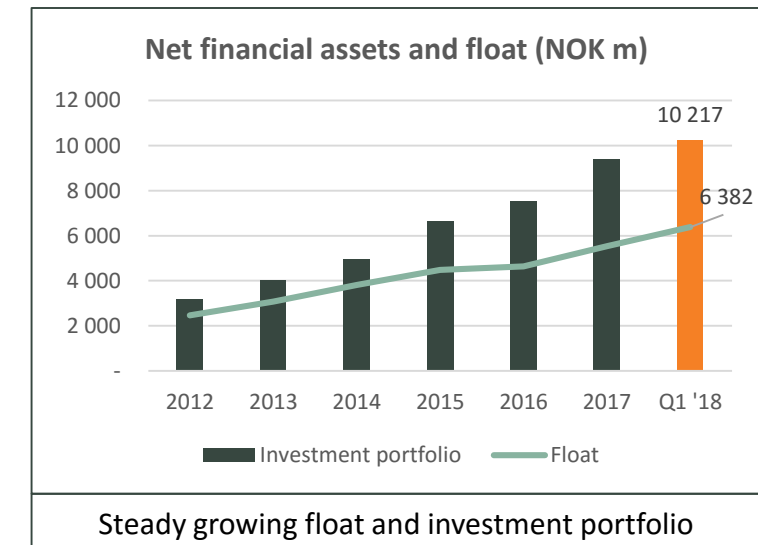
- Growth of 17,9% (15,2 % local currency)
- Gross cost ratio 8,3% up from 7,1%
  - Underlying cost ratio better
- Net Combined ratio 95,1% up from 87,0%
- Profit after tax of NOK 1,8m down from NOK 69,8m
  - Profit before tax NOK 24,6m
- Investment return 0,0 %, NOK 2,5m
- AUM NOK 10,2 bn, float NOK 6,4 bn.
- Solvency ratio of 194,7 %

## New Guiding 2018

Net combined ratio **>94 %** (92-94 %)

Volume growth **20 %**

Cost ratio **≈7,5 %**

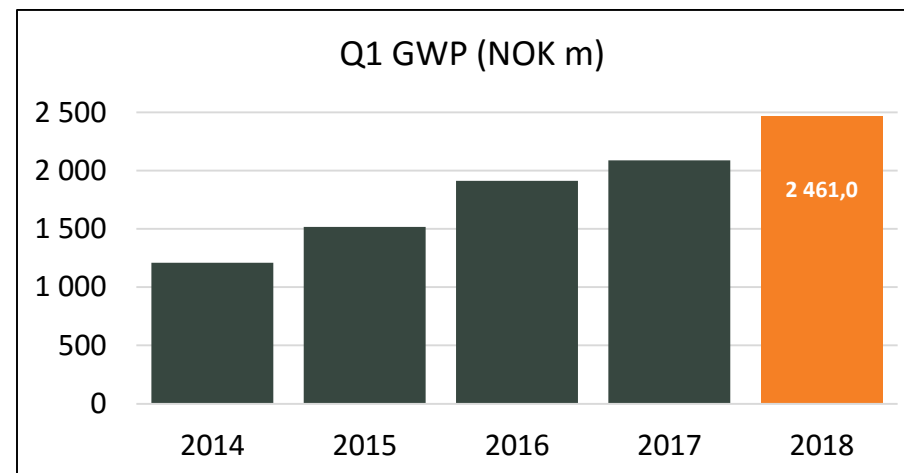


# Gross written premiums Q1 2018

Strong growth of 17,9 %



- GWP total NOK 2461,0m up 17,9%
- Strong growth in Sweden, high hit rates
- Single digit Com. & Publ. Norway growth, COI in line with market
- Good growth in Finland
- Lower growth expected in Q2, picking up in Q3/Q4



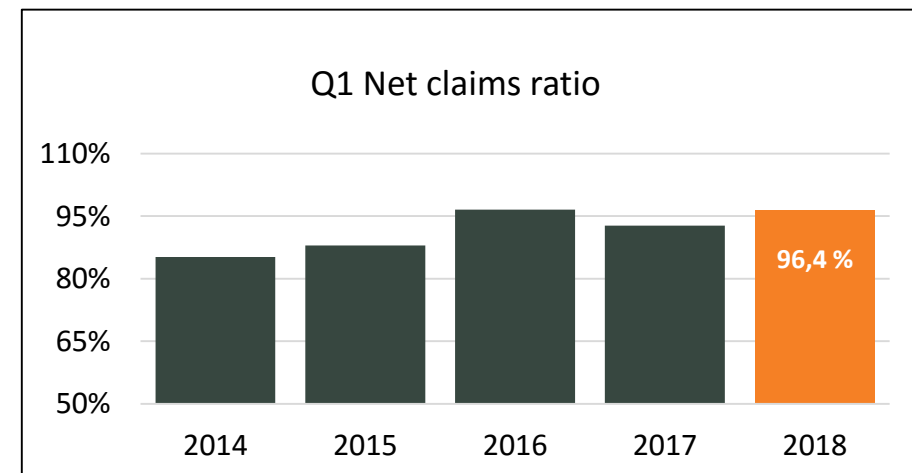
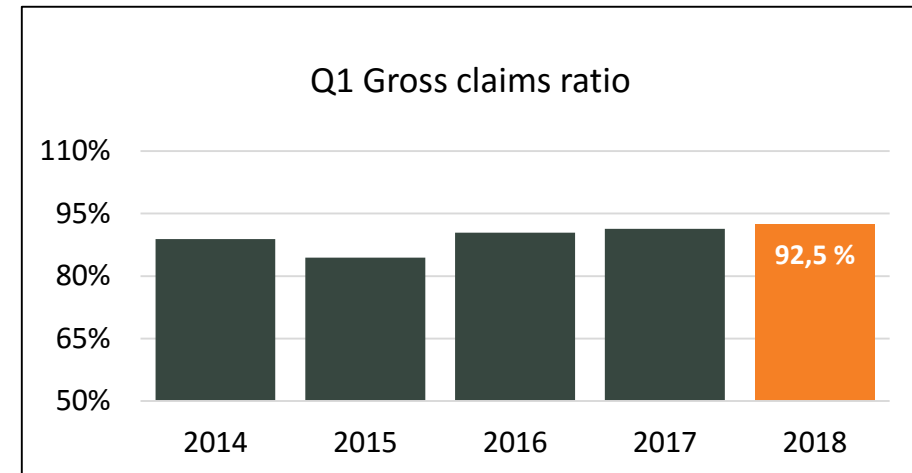
Business unit	Q1 18 NOK m	Q1 17 NOK m	NOK % growth	LCY % growth
Norway Commercial & Public sector	766,0	730,3	4,9 %	4,9 %
Change of Ownership (COI)	116,4	124,4	-6,4 %	-6,4 %
Sweden	702,9	569,6	23,4 %	23,2 %
Denmark	694,0	609,3	13,9 %	7,3 %
UK	60,1	16,3	268,4 %	249,3 %
Finland	121,6	37,6	223,5 %	194,9 %
<b>Group</b>	<b>2461,0</b>	<b>2087,4</b>	<b>17,9 %</b>	<b>15,2 %</b>

# Claims development Q1 2018

Poor claims quarter – driven by a poor P&C result mainly in Norway



- Gross claims ratio 92,5%, up from 91,4 %
  - Slightly influenced by weather claims
  - Seasonality gradually changes towards a less favourable Q1
    - Relative share of motor business increases
    - Net commission in Q1 moves downwards
- Net claims ratio 96,4%, up from 92,7 %
- Run-off losses f.o.a amounted to NOK 21,6m or 2,8%
  - Change of Ownership Norway
- Poor Claims ratio in Norway
  - Motor, Liability, Health and Loss of License
  - To early to say how much is underlying reality or just a poor quarter
- Good Claims quarter in Sweden (all lines), and poor claims ratio Denmark (property, WC)
- UK and Finland too early to say



# How do we improve our poor claims ratio in Q1

Keep up the good work – cost and quality leadership is maintained



## Actions already taken

- **Rolls Royce**
  - Culture of thoroughly searching for cost Reductions and Recourses in every single claim
    - Well established – good results
- Individual and general price increases
- Improved UW-methodology
- Lost 10 biggest quotations 1<sup>st</sup> Feb.-1<sup>st</sup> Apr. in Norway
  - Non-prudent unsustainable rates
- Non-renewal of biggest Norwegian client ever 1<sup>st</sup> Apr.
  - Unsustainable rates
- Increased usage of automatic price increasing clauses
  - Contractually stated that if loss ratio > threshold, the renewal increases with x%

## Further actions to take

- Stronger UW discipline in some markets and/or product and segments
  - Continued UW discipline might lead to reduced volume (negative volume development in Norway expected in Q2)
- Capital allocation per product will be more closely monitored since margins are under pressure and interest free rate is historically low
- Higher renewal prices in certain segments
  - Will take time since main renewal date is 1<sup>st</sup> Jan.
- Internal project called Falcon will gradually reduce claims handling expenses

# Cost ratio Q1 2018

## World Cost leadership maintained



- Gross cost ratio 8,3%, up from 7,1%
  - Driven by some technical changes and minor one-offs
- Net cost ratio -1,2%, up from -5,7%
  - Lower reinsurance commissions and higher commission to brokers
- Underlying trend stable

# Business unit update Q1 2018

GDPR Compliant per 25.05.2018



## Public & Commercial sector

- Volume up 4,9 %, high hit ratios in SME/affinity
- Poor claims quarter
- Mostly strong KPIs in Claims Handling
- 69 full time employees

## Sweden

- Volume up 23,4 %, very good hit ratios
- Profitable growth continues
- Good claims efficiency KPIs – 12 % increase, in line with 2020 ambition
- 80 full time employees

## Finland

- Volume up 223,5 %, driven by WC
- Profitability too early to say
- Very good claims service with CleanDesk 96 %
- 18 full time employees

## Change of Ownership Insurance

- Volume down -6,4 % - in line with market
- Increased focus on Margin Management
- Claims handling KPIs mostly good
- 62 full time employees

## Denmark

- Volume up 13,9 %, motor up 45 %, portfolio clean up still in progress
- Poor claims quarter for property (3 large claims) and WC  
Several profitability projects launched during 2017
- 35 full time employees

## UK

- Volume up 268,4 %, few but good renewals
- Profitability too early to say
- Implementing CleanDesk and Rolls-Royce KPIs in Q2
- 31 full time employees



# Equity portfolio statistics

18,4 % of total investment portfolio

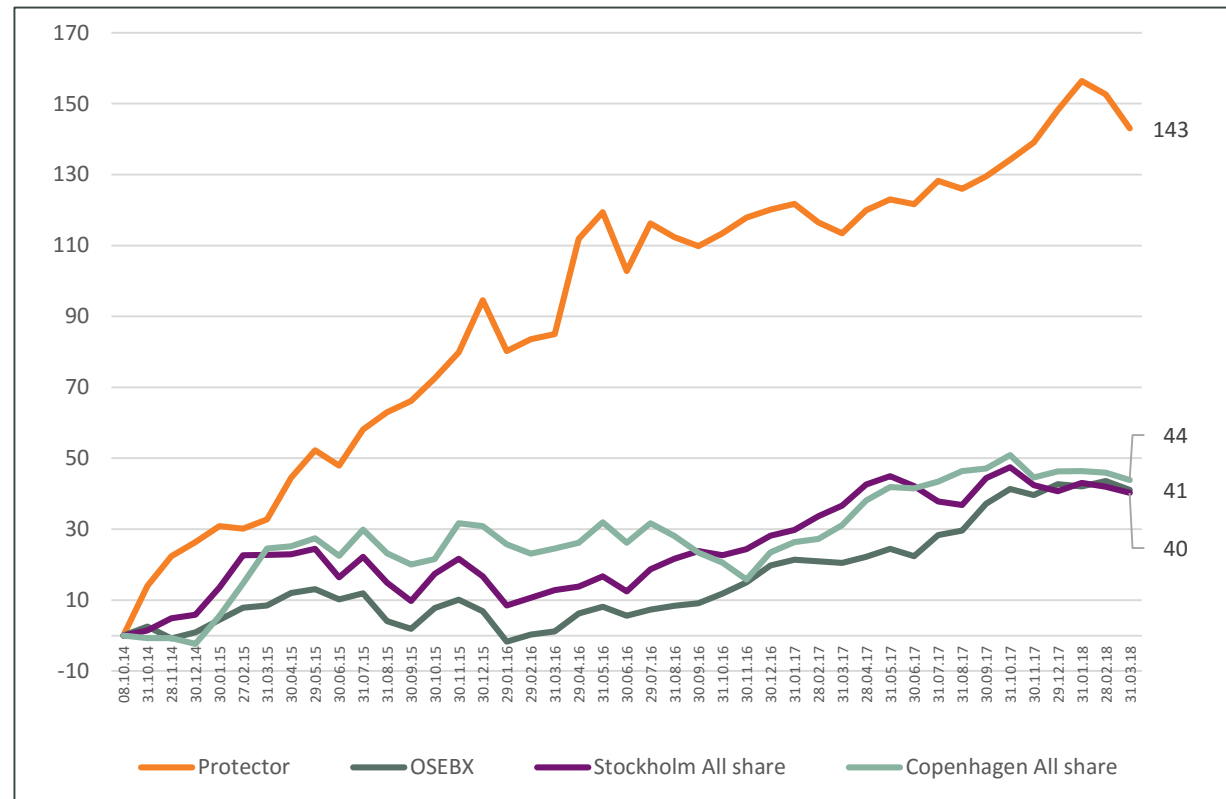


Key Figures	In-house Managed Portfolio	OSEBX
Performance	143,0%	41,1%
Dividend yield	2,3%	3,3%
P/E NTM*	18,9	15,6
3 yr sales CAGR	21,4%	3%
3 yr EPS CAGR	23,3%	0%

\*Factset estimates except for one company not listed where own estimates are used

- Strong portfolio company development
- Comfortable with periods of underperformance as long as underlying performance is good
- Goal to beat market over time

Performance – In-house managed equity portfolio vs. benchmarks(08.10.2014 – 31.03.2018)



Investment performance evaluated over the long term

# In-House bond portfolio statistics

81,6 % of total investment portfolio

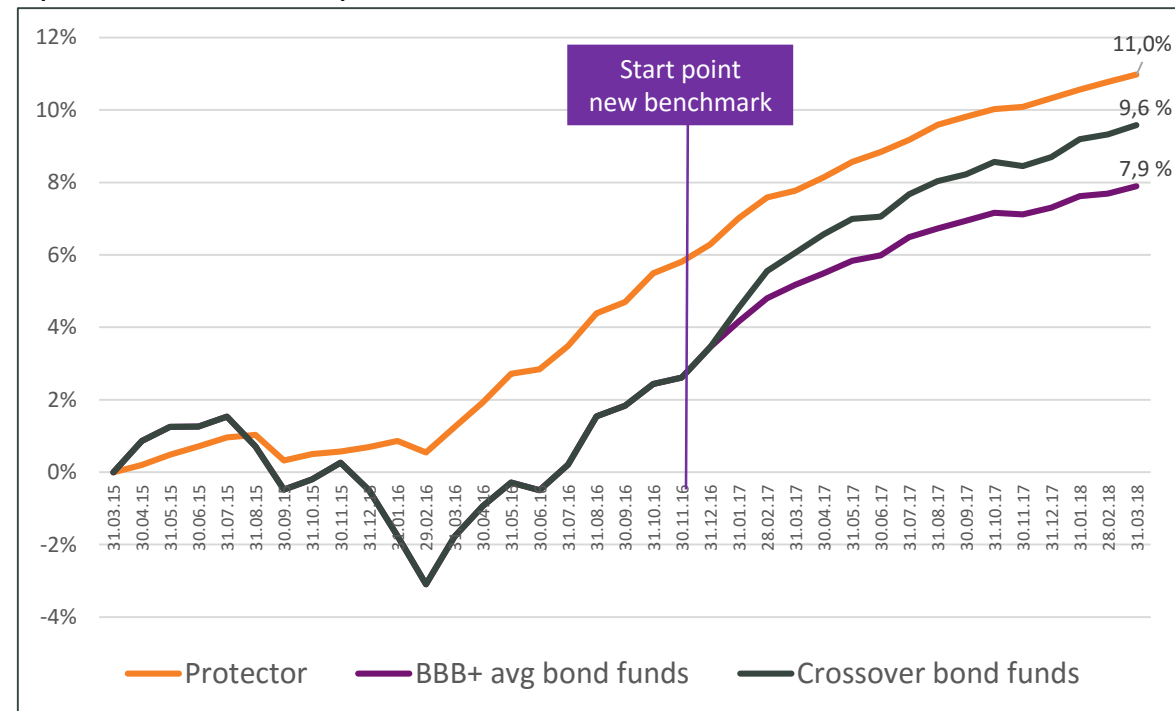


Portfolio data 31.03.2017	
Size NOK m	8 380
Yield	1,8%
Duration	0,3
Credit duration	2,5
Average rating	A+

<sup>1</sup> Average based on official rating (>65%) and Protector rating (<35%)

- Navigating in a low yielding market
- Not expecting further yield reduction or risk reduction going forward
- Goal to beat benchmark over time

Performance – In-house managed bond portfolio vs. benchmarks  
(31.03.2015 – 31.03.2018)<sup>1,2,3</sup>



<sup>1</sup> Crossover fund benchmark consist of: Storebrand Rente +, Arctic Return Class I, Carnegie Corp. Bond, Handelsbanken Høyrente, Holberg Kredit, Pareto Høyrente, Alfred Berg Income, Eika Kredit, Landkredit Høyrente

<sup>2</sup> BBB+ rating benchmark consist of: Storebrand Rente +, Arctic Return Class I, Carnegie Corp. Bond, Handelsbanken Høyrente, Pareto Høyrente, Alfred Berg Income, Nordea OMF likviditet

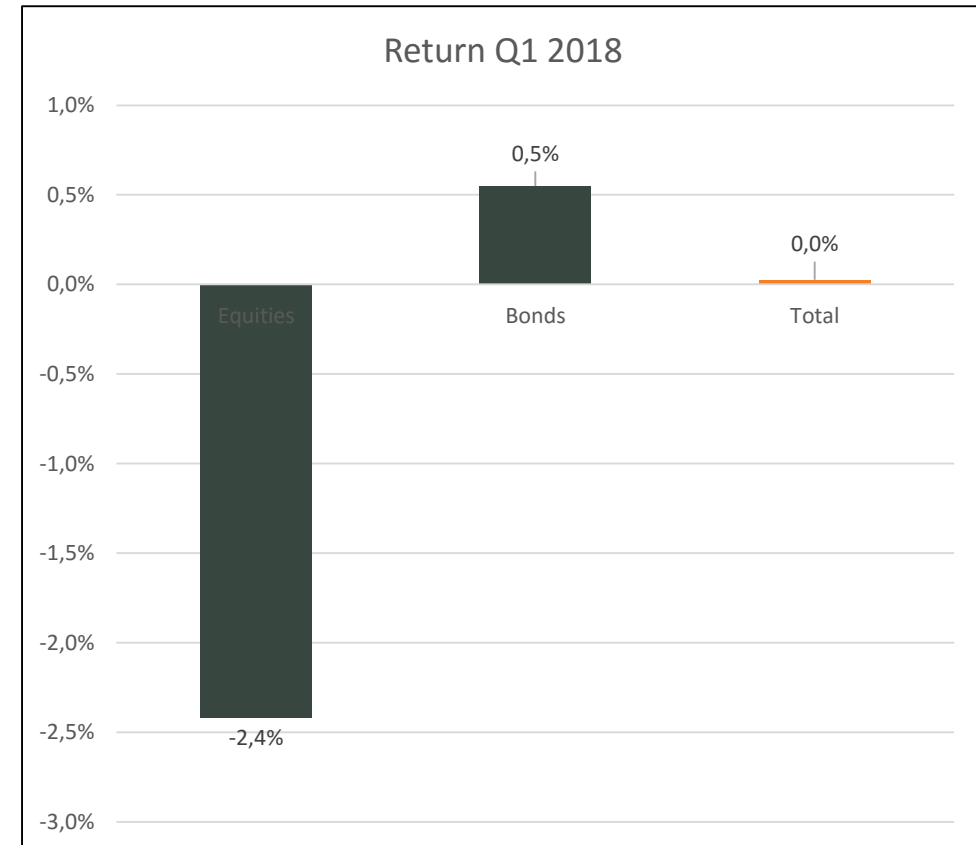
<sup>3</sup> Protector graph adjusted for the difference between NIBOR, STIBOR and CIBOR from February and March '17 when portfolios were created in Sweden and Denmark, respectively

# Investment performance Q1 2018

Stable spread levels, NIBOR picking up



- 0,0% return on investment portfolio, net investment result of NOK 2,5m
- Equities; return of -2,4%
  - Oslo Stock Exchange -1,1 %
  - Portfolio consist of 17 companies
- Bond portfolio; return of 0,5%
  - Overall relatively stable spread levels in our main markets
  - Status now: some benefit from +36bp Q1 jump in NIBOR going forward



# Profit & loss Q1 2018

## 17,9 % growth, poor bottom line



[1.000.000 NOK]	Q1 2018	Q1 2017	FY 2017	
Gross premiums written	2 461,0	2 087,4	4 163,2	Growth 17,9 % (15,2 % LCY)
Gross premiums earned	1 070,9	858,6	3 805,5	
Gross claims incurred	(990,6)	(784,4)	(4 054,2)	
Earned premiums, net of reinsurance	770,7	710,2	2 925,9	
Claims incurred, net of reinsurance	(742,7)	(658,3)	(2 647,5)	
Net commission income	67,9	86,6	116,9	
Operating expenses	(35,8)	(29,5)	(122,5)	
Other income/costs	(15,3)	(11,4)	(59,2)	
Net financial income	2,5	26,6	419,5	
<b>Profit before tax</b>	<b>24,6</b>	<b>107,3</b>	<b>562,2</b>	Poor result
Tax	(22,8)	(37,5)	(85,5)	
<b>Profit before components of comprehensive income</b>	<b>1,8</b>	<b>69,8</b>	<b>476,7</b>	
Comprehensive income incl. tax	(4,2)	11,2	39,8	
<b>Profit for the period</b>	<b>(2,4)</b>	<b>81,0</b>	<b>516,5</b>	
Claims ratio, net of ceded business	(1) <b>96,4%</b>	92,7 %	90,5 %	Poor claims ratio
Expense ratio, net of ceded business	(2) <b>-1,2%</b>	-5,7 %	2,6 %	
<b>Combined ratio, net of ceded business</b>	(3) <b>95,1%</b>	<b>87,0 %</b>	<b>93,1 %</b>	
Gross claims ratio	(4) <b>92,5%</b>	91,4 %	106,5 %	
Gross expense ratio	(5) <b>8,3%</b>	7,1 %	7,4 %	
<b>Gross combined ratio</b>	(6) <b>100,8%</b>	<b>98,5 %</b>	<b>113,9 %</b>	
Retention rate	(7) <b>72,0%</b>	82,7 %	76,9 %	
Earnings per share	(8) <b>0,02</b>	0,81	5,53	

# Balance sheet Q1 2018

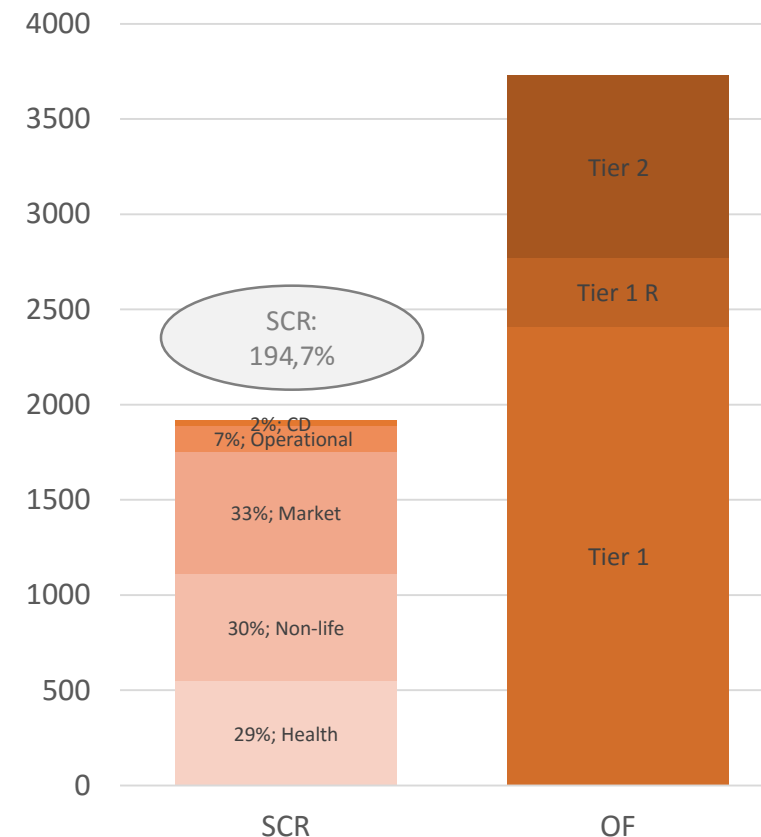
SCR 194,7 % based on standard formula



[1.000.000 NOK]	31.03.2018	31.12.2017
Owner-occupied property	13,8	13,5
Financial assets	10.208,7	9.379,4
Derivatives	22,0	2,5
Bank deposits	246,0	327,5
Other assets	3.500,7	2.549,3
<b>Total assets</b>	<b>13.991,2</b>	<b>12.272,1</b>
Total equity	2.573,3	2.591,3
Subordinated loan capital	1.243,3	1.243,3
Total reserves	8.540,7	7.049,4
Derivatives	14,0	9,2
Other liabilities	1.620,0	1.379,0
<b>Total equity and liabilities</b>	<b>13.991,2</b>	<b>12.272,1</b>

- SCR coverage ratio 194,7% pr. 31.03
- SCR fully covered by Tier 1 capital only
- Full Tier 2 utilization; some Tier 1 restricted capacity
- No dividends paid out decided at the AGM due to strong growth expectations the coming years

SCR ratio composition



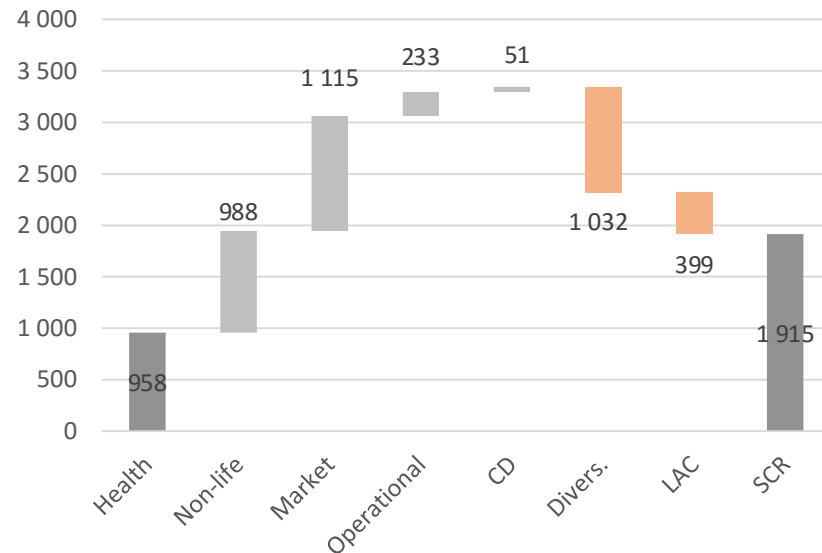
# Solvency II



## Composition of SCR:

- Net insurance risk 58%
- Net market risk 33%
- Other risks 9%

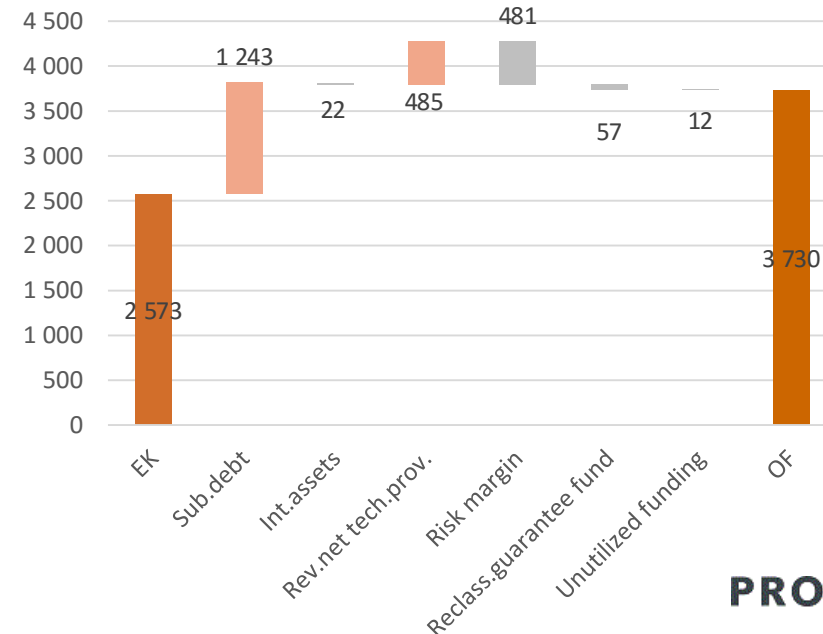
SCR composition



## Eligible SII capital:

- Assumed no dividend
- Guarantee provision subtracted from own funds

Eligible SII capital



# Shareholder's matters

Per 31.03.2018

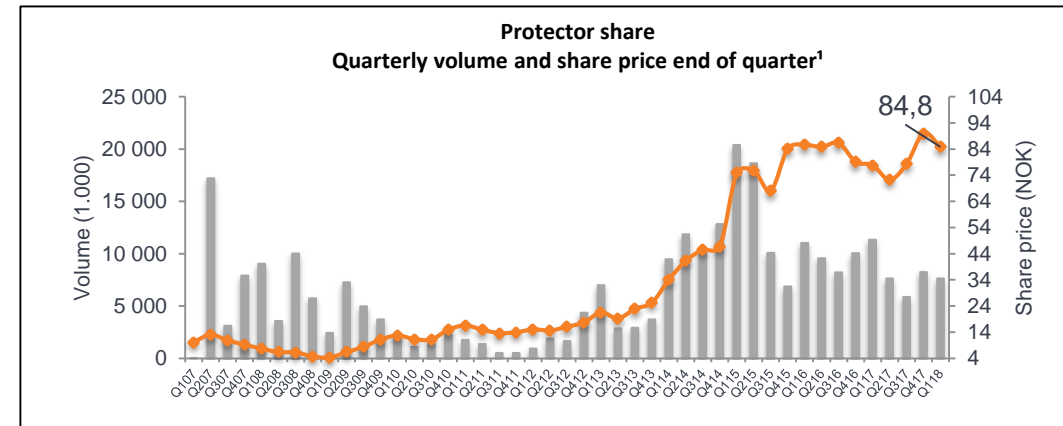


Shareholder	# shares	Percent
STENSHAGEN INVEST AS	6 550 000	7,60 %
ODIN NORDEN	4 485 857	5,21 %
SWEDBANK ROBUR SMABOLAGSFOND	3 963 756	4,60 %
OJADA AS	3 563 116	4,14 %
HVALER INVEST AS*	3 186 809	3,70 %
CITIBANK, N.A.	2 481 341	2,88 %
STATE STREET BANK AND TRUST COMP	1 867 833	2,17 %
AWILHELMOSEN CAPITAL HOLDINGS AS	1 824 461	2,12 %
ARTEL AS	1 802 293	2,09 %
MP PENSJON PK	1 720 379	2,00 %
VERDIPAPIRFONDET DNB NORGE (IV)	1 650 000	1,92 %
STATE STREET BANK AND TRUST COMP	1 499 916	1,74 %
FROGNES AS	1 484 268	1,72 %
GENERALI PANEUROPE LTD -GP11940006	1 450 000	1,68 %
NORDNET BANK AB	1 413 350	1,64 %
GLOBAL PORTFOLIO INVESTMENTS, S.L.	1 400 000	1,62 %
SKANDINAVISKA ENSKILDA BANKEN AB	1 378 171	1,60 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 187 841	1,38 %
SWEDBANK ROBUR NORDENFON	1 182 567	1,37 %
JOHAN VINJE AS	1 182 535	1,37 %
20 LARGEST	44 855 965	52,06 %
OTHERS	41 299 640	47,94 %
TOTAL SHARES	86 155 605	100,00 %

\*CEO Sverre Bjerkeli

## Related parties shareholding

- Management's direct and indirect shareholding totals 3,5m shares or 4,0% of current outstanding shares
- Board members directly own a total of 11,1m shares or 12,9% of current outstanding shares
- Director Commercial Norway, Lars Ola Rambøl, acquires 2000 shares
- Protector owns a total of 9651 own shares
- As of 13<sup>th</sup> April Indumenta Pueri, S.L. reached a qualifying holding of 5 %



<sup>1</sup> Share price adjusted for dividends, no reinvestment of dividends  
Data pr. 31.03.2017



## 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**

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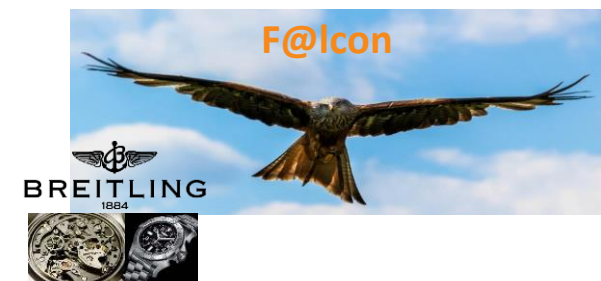
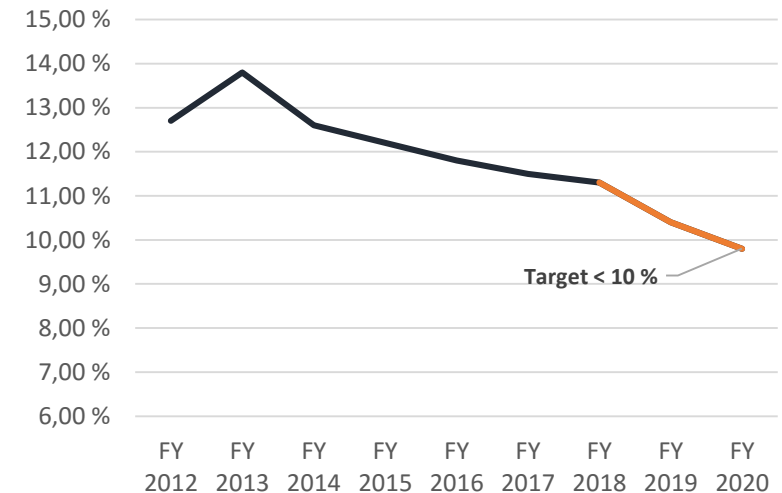
# World leader on cost

Stable development at the moment, will improve towards 2020

- Gross cost incl. claims handling ex. Commission steadily decreased the last couple of years
- Cost scalability is strengthening the coming years
  - UK and Finland volumes materializing
- Improved value chains (Breitling)
- Increasing IT development capacity leads to improved innovation (efficiency and quality)
- Efficiency increases in claims handling (Falcon) and reduced overhead expenses
- Remember; commission cost will increase, but they are neutral seen from a competitive and earnings point of view



Gross Cost incl. Claims handling cost, ex. broker commission on a good trend

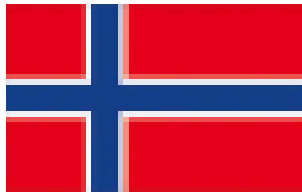


# Protector - quality leader in all markets

Humble and proud



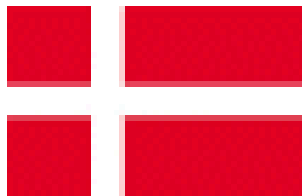
12 years in a row



6 years in a row



Back on top 2018



Far ahead of number two



Straight to the top



We are very good at quality – but we will be better

# Q&A

Preliminary 2017 Results

# Key ratio description



## Ratio

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

## Ratio calculation

- (1) Claims incurred, net of reinsurance 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