



## Q2 2016 presentation

10 August 2016



Espen Husstad, CEO



Bård Standal, CFO

# Agenda



- Introduction
- Q2 financials
- Operational improvements
- Strategic update

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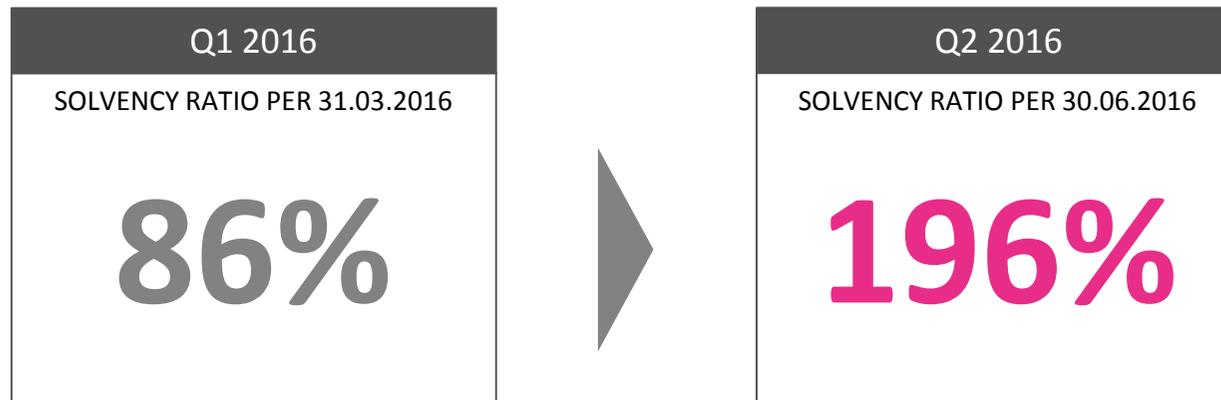
- Introduction – Espen Husstad (CEO)
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## Q2 – Restructuring completed - operational improvements well underway

- Q2 Financials strongly influenced by effect of restructuring and one-time effects
- Restructuring completed. Solvency ratio 196%
- Previous guiding on solvency ratio > 130% throughout 2017 is maintained
- Operational improvements focused on cost reductions and creating a profitable company
  - From two to one leadership teams
  - Simplified structure, Sortland site closed
  - Enhanced pricing actions



## Capital position – effect from divesting Swedish portfolio as planned

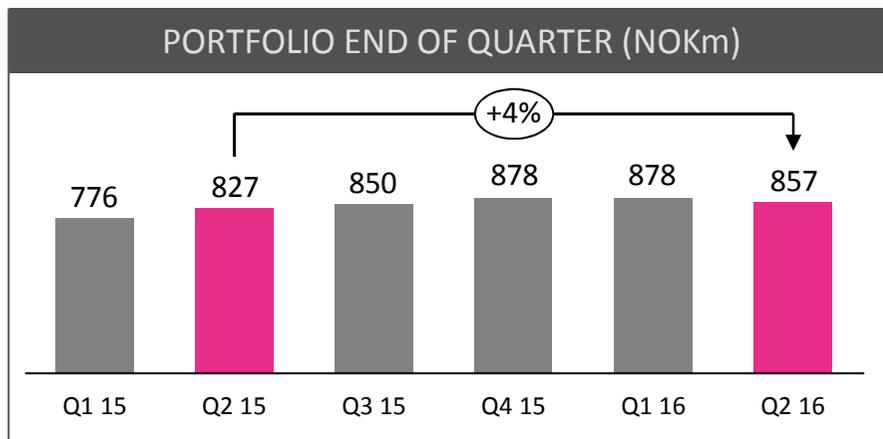
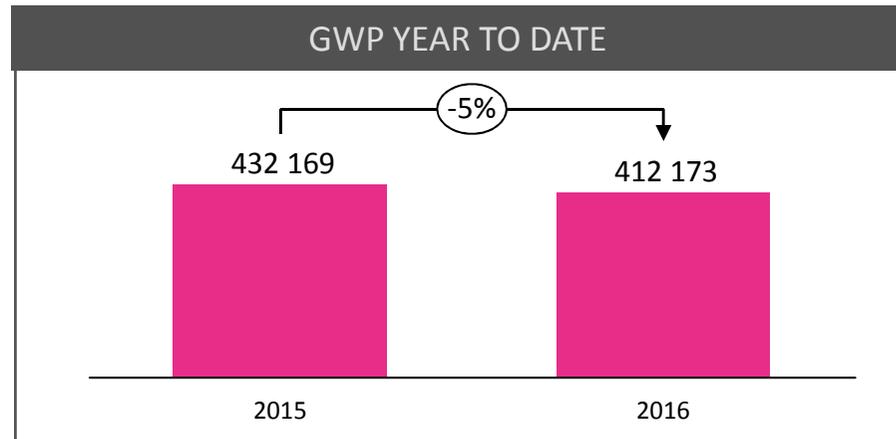
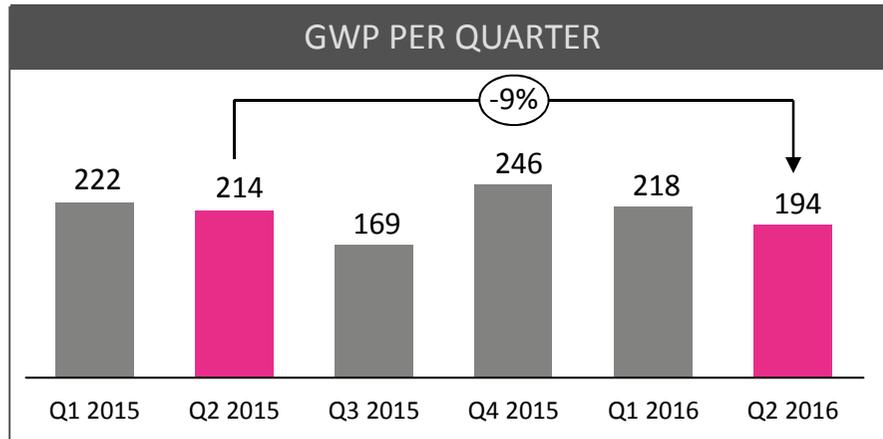


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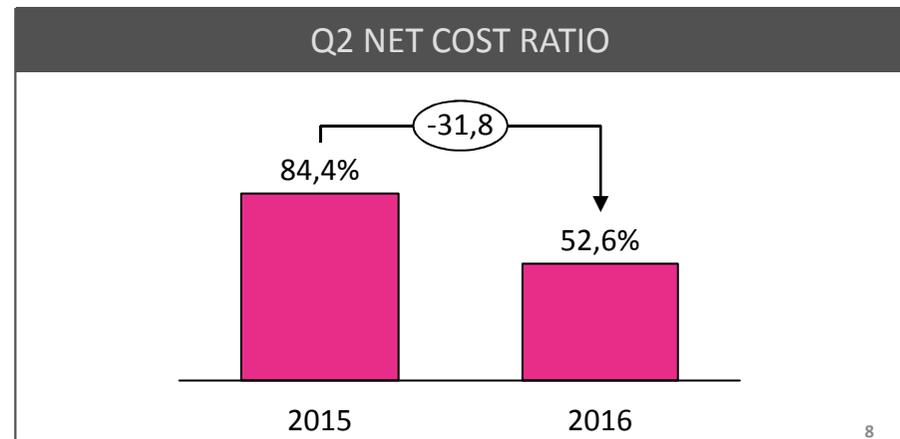
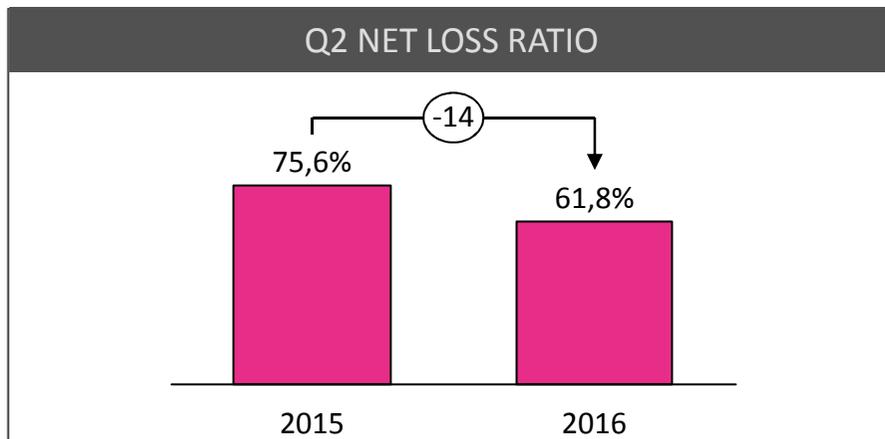
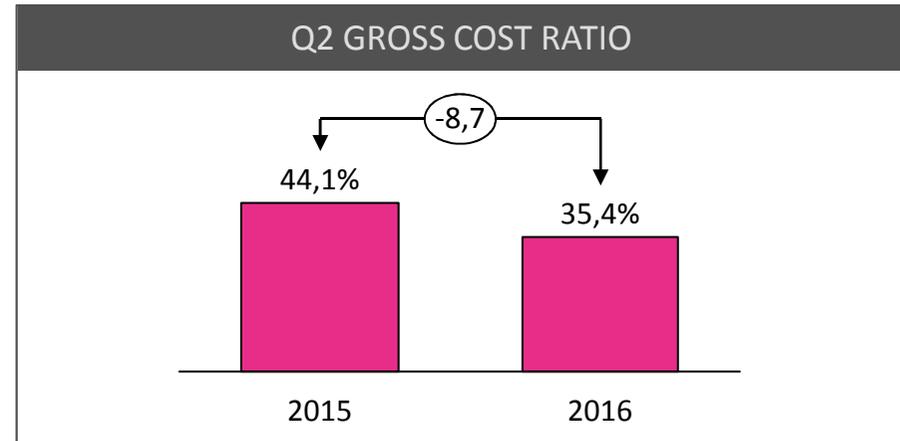
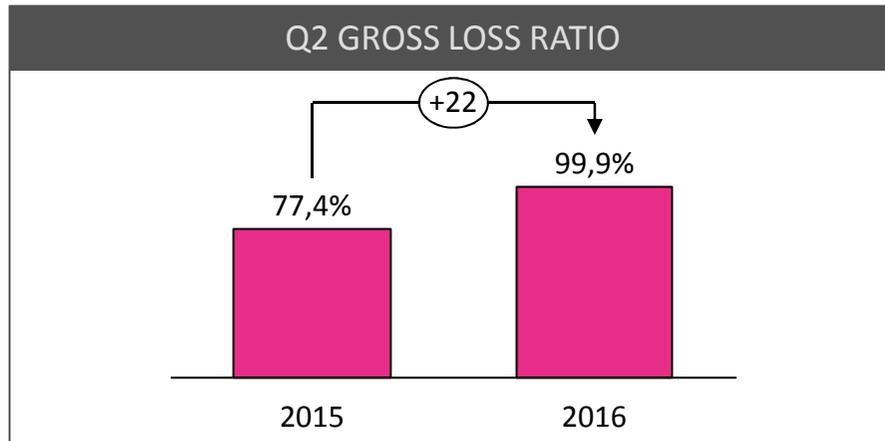
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## Financial highlights Q2 – Controlled premium decline to improve profitability

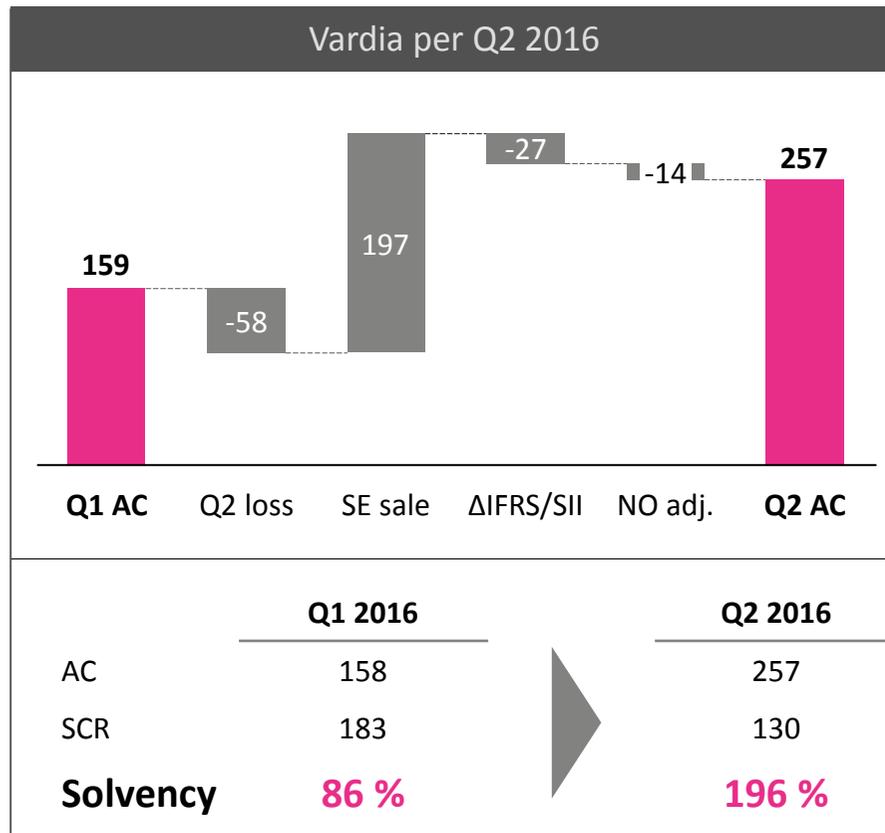


- TOP LINE TAKEAWAY**
- The numbers presented are excluding Sweden
  - Stable and slight declining portfolio during H1
  - This is driven by a downward trend in Norway due to the declining GWP, but somewhat offset by the increasing GWP in Denmark
  - Earned premium is still growing

## Loss ratio too high – cost on the way down



## Divestiture of Swedish portfolio – restored capital adequacy



**Vardia post transaction**

- Effect on Available Capital (AC) is aligned with plan– restoring capital position
- The shift in ratio of assets and liabilities in combination with the difference in valuation according to SII reduces AC with 27 MNOK
- Additional adjustment of 14 MNOK related to the buy-back of Vardia Norge reduces AC
- Solvency capital requirement reduced because of Swedish divestment

**Definitions**

- *Available capital (AC):* Capital measure defined internally based on Vardia's valuation of market-consistent value of assets minus market-consistent value of obligations.
- Solvency = Available capital / Solvency Capital Requirement (SCR)

Note: the figures is related to Vardia Insurance Group ASA

# Buy-back of Vardia Norge

## Details concerning the transaction

- Purchase of Norwegian distribution companies successfully completed in Q2 with total consideration for shares MNOK 5.5
- However: The company purchased is significantly different from the company sold to management in 2015:
  - Claims Handling insourced in the interim period
  - Distribution group restructured so that it has absorbed the MNOK 15 seller credit to Vardia Insurance Group as well as repayed 3.4 MNOK in loans owed by Vardia Norge management to Vardia Insurance Group
  - Acquired company paid out a dividend of MNOK 27 to their owners during their period of ownership

## RESULTING IN...

- Integrated company with fully aligned and simplified management team.
- Full control of the value chain and cost base

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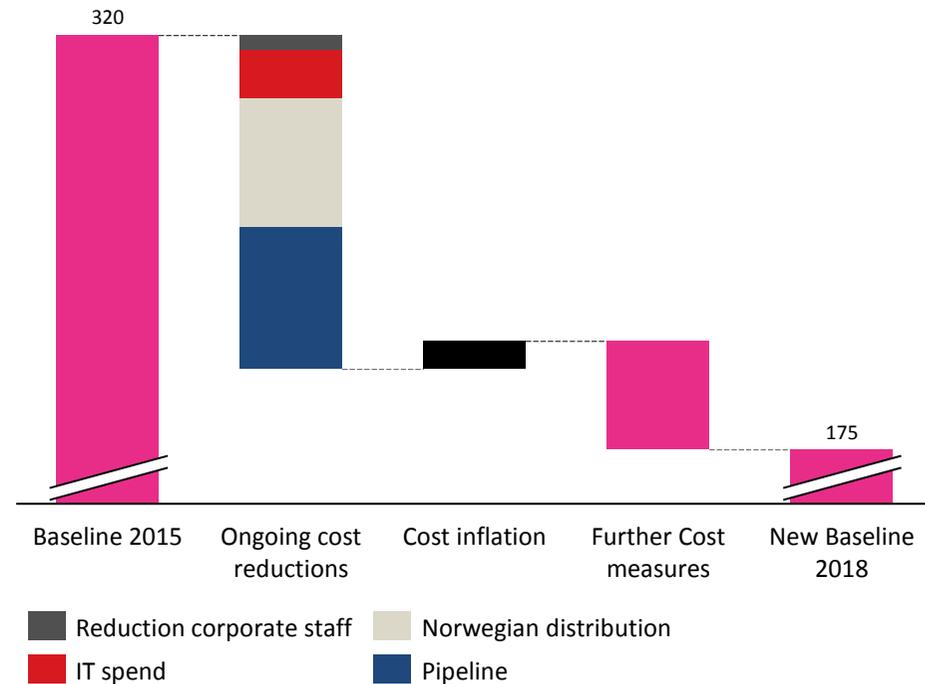


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# Cost initiatives – halving of the cost base

## Integration and operational improvements

- Integration of Vardia Norge
  - From two to one corporate centers
  - From two to one leadership teams
- Close down of Sortland was decided during Q2
- Efficiency measures targeting central staff have been implemented
- Changed IT vendor
- Total of 110 mill of annual cost savings stem from these Q2 actions, and cost savings identified during Q2
- More cost saving potential will be identified during Q3 in the Operational Improvement Program (OIP)



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# Benchmarking valuations

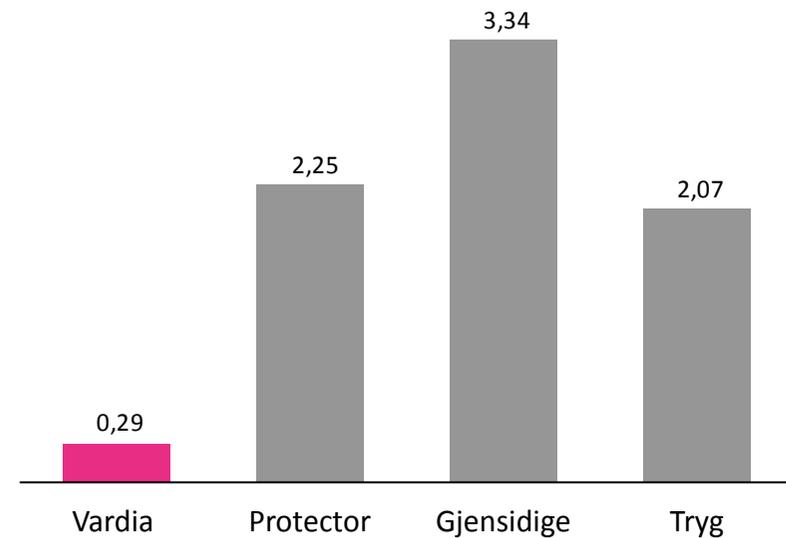
## Profitability is a key to a re-rating

- Size of an insurance company (premiums written) is the strongest driver of valuation
- Profitable insurance companies trade at much higher multiples than Vardia
- Growth rate is less of a differentiating factor in the valuations



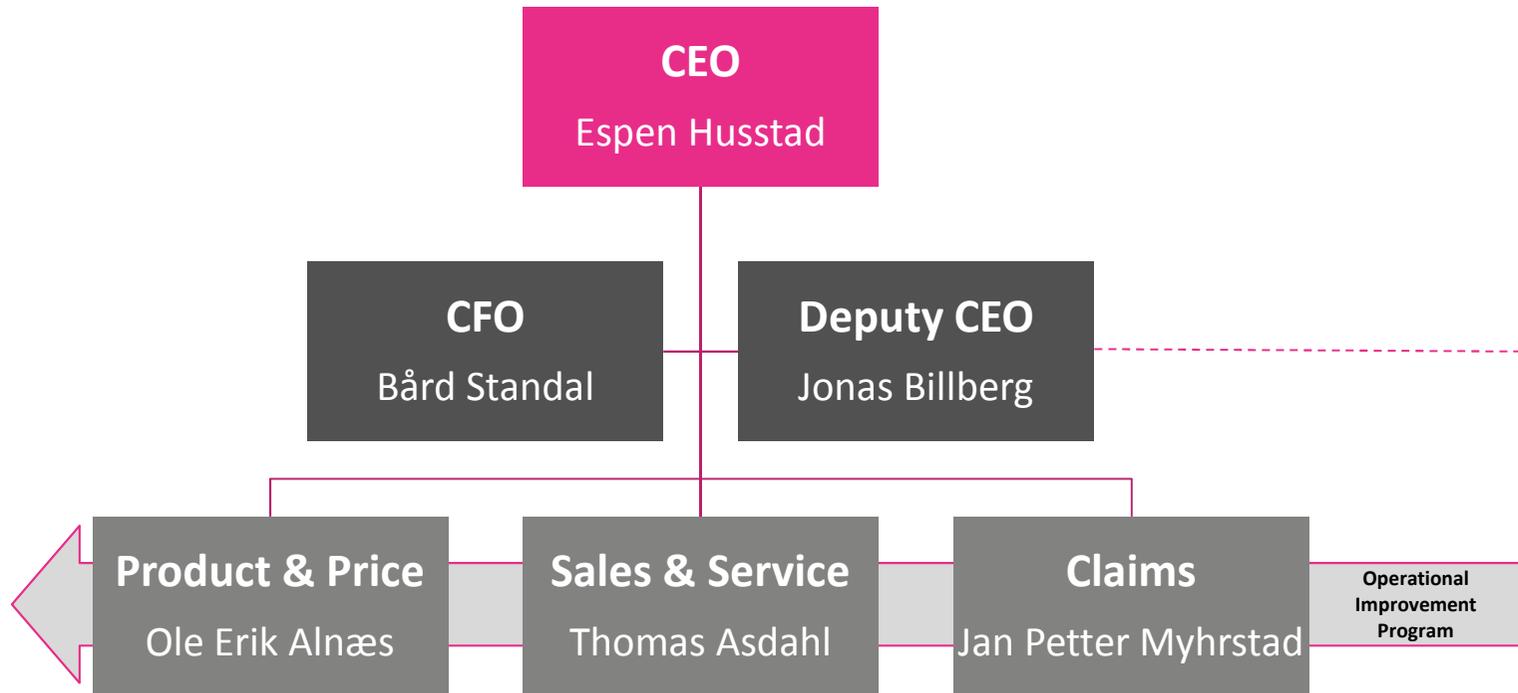
- Shorter term: Profitability key to an up-lift in valuation
- Longer term: Profitable growth is the key driver of valuation

## Price-to-GWP Ratio



Calculations: Market value 09.08.2016 | GWP 31.12.2015 | GWP Vardia 30.06.2016

# New Vardía Group Management – leaner leadership structure



## Update on background and strategic review



Additional slides

## Vardia investor communication going forward

*Vardia has been through a period of uncertainty. Going into steady operations Vardia has defined certain IR policy guidelines that will be followed in relation to market communication. These are:*

**Equal treatment:** Vardia uses the Oslo Børs company message system to ensure the simultaneous release of price sensitive information to the financial markets. Vardia applies a consistent policy to the release of information regardless of whether the contents are of a positive or negative character.

**Defined spokespeople:** The Group Chief Executive Officer and the Chief Financial Officer are the company's spokesmen for contact with the financial markets.

**No Guidance:** Vardia will not provide guiding on specific quantitative targets except for minimum solvency ratio.

**Silent period:** For a period of three weeks prior to the publication of each interim quarterly report, Vardia will minimise its contact with investment analysts, investors and journalists. During this period, the company will not hold meetings with investors or analysts, and will not provide any comments on market conditions or developments in the company. This policy has been adopted to minimise the risk of any unequal treatment of different players in the market.