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# Q2 2023 Interim results

Investor Presentation

Oslo, 11 July 2023



Henrik Høye  
Chief Executive Officer

**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

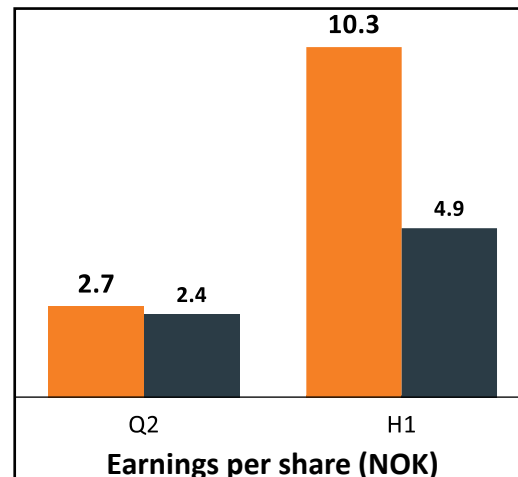
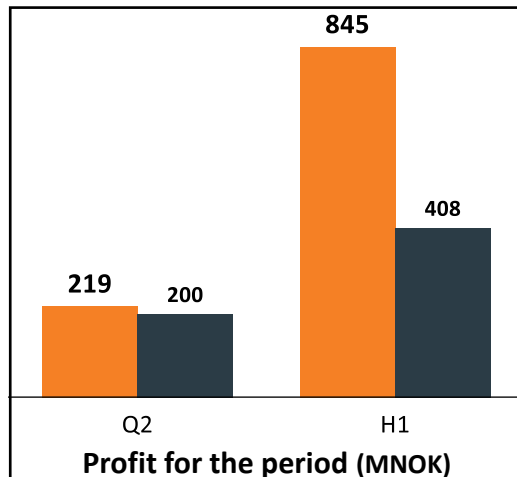
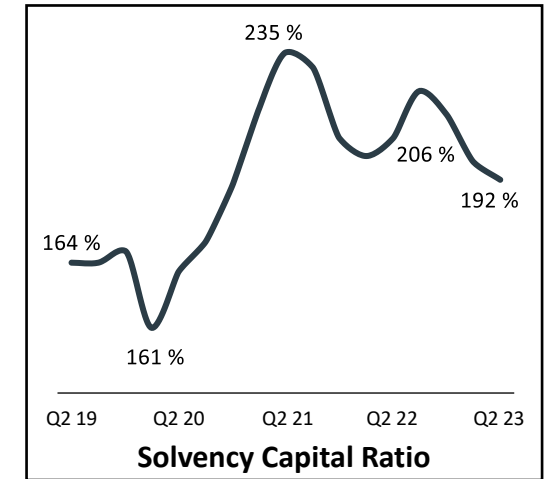
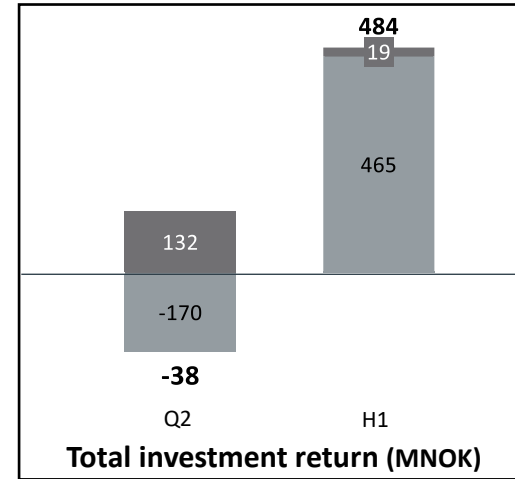
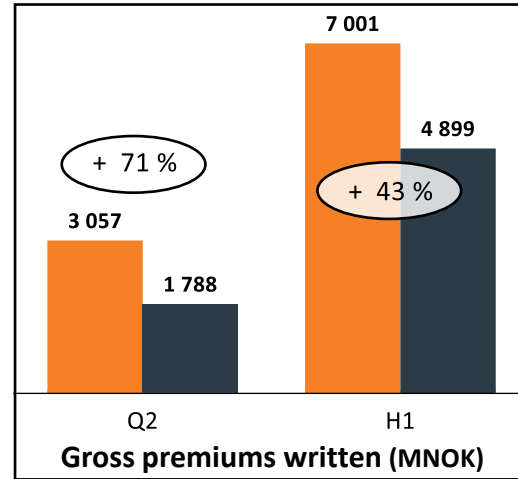
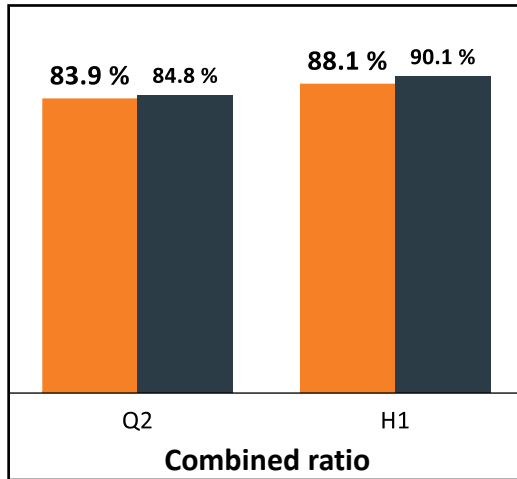
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Committed

# Highlights Q2 & H1 2023

Q2: Combined ratio at 83.9% | Total investment return of -38 | EPS at NOK 2.7



## Other highlights:

- MNOK -180, or -1.0% return on assets under management (AUM)
- Special dividend of MNOK 165 or NOK 2 per share

# Claims update

Q2: Net loss ratio at 72.6%, gross loss ratio at 65.2%

- Result driven by strong property results and offset by weak motor
  - Same as for Q1
- Large losses<sup>1</sup> at 4.7% (2.7%)
  - 6 claims, equally driven by UK, Norway and Sweden
- Run-off gains at 2.9% (gain of 3.0%)
  - Run-off gains in UK, Norway, Finland and Sweden, loss in Denmark
  - 2.0% loss linked to large claims from 2022

Loss ratios

Business unit	Q2 23 Gross	Q2 23 Net	Q2 22 Gross	Q2 22 Net
Norway	82 %	84 %	72 %	75 %
Sweden	82 %	86 %	65 %	68 %
Denmark	82 %	89 %	81 %	78 %
UK	41 %	55 %	72 %	77 %
Finland	48 %	49 %	85 %	84 %
<b>Protector</b>	<b>65.2 %</b>	<b>72.6 %</b>	<b>71.8 %</b>	<b>74.1 %</b>

Loss ratios

Business unit	H1 23 Gross	H1 23 Net	H1 22 Gross	H1 22 Net
Norway	82 %	85 %	78 %	81 %
Sweden	83 %	87 %	74 %	75 %
Denmark	100 %	94 %	86 %	88 %
UK	62 %	59 %	69 %	78 %
Finland	65 %	65 %	76 %	76 %
<b>Protector</b>	<b>77.4 %</b>	<b>77.2 %</b>	<b>75.6 %</b>	<b>79.4 %</b>

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

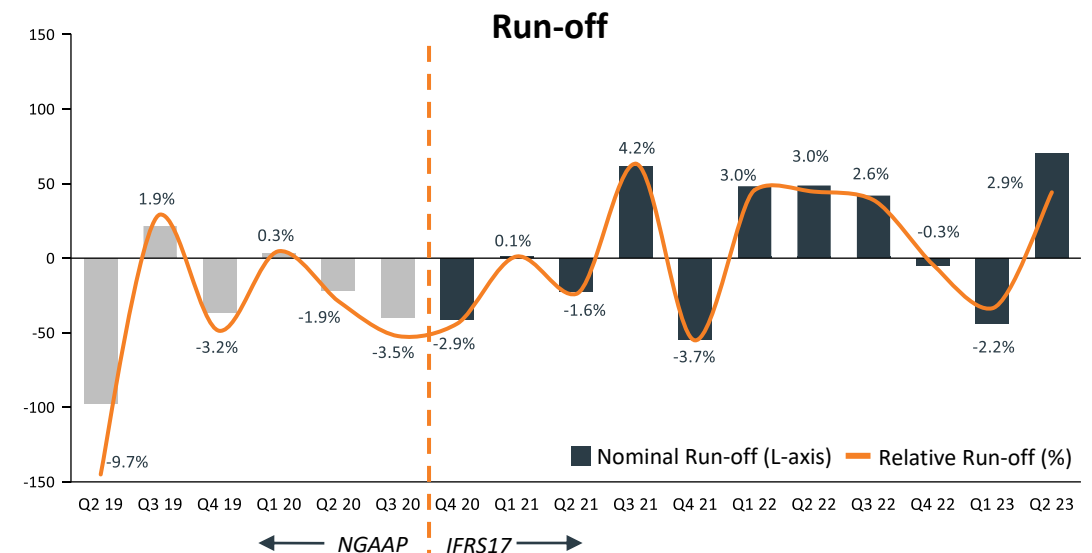
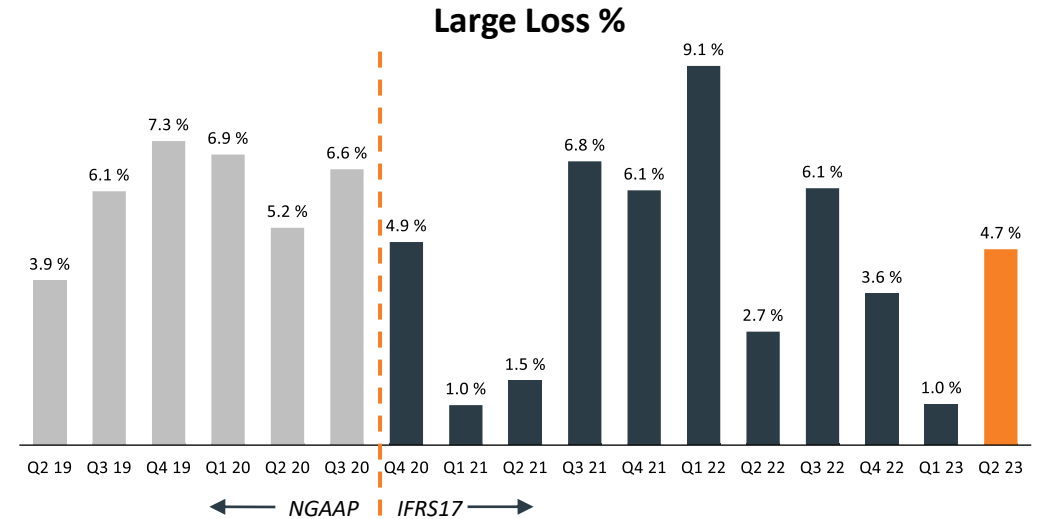
# Large losses<sup>1</sup> and run-off

Q2: Large losses of MNOK 111.7 or 4.7%, run-off gains at 2.9%

- Large loss of MNOK 111.7 or 4.7% (44.4 or 2.7%)
  - Only property claims
  - Including Protector’s share of a natural peril event which occurred in Norway during the quarter of around 34 MNOK

- Run-off gains at 2.9% (gain of 3.0%)
  - Primarily driven by run-off gains on motor and property

- Some volatility in reserves & large losses must be expected



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

# Volume update

**Q2: Gross premiums written growth of 71% (56% in local currencies (LCY))**

- Q2 growth of 71%
  - Renewal rate 106%, supported by price increases to counter claims inflation
  - UK accounts for 74% of new sales, Sweden 17%
  - Very low churn in the UK

- Old news: April 1st is the largest inception date in the UK
  - MGBP 72 growth in Public Sector and Housing Associations
  - High property share driven by market conditions
  - Growth volatility should be expected

MNOK, Gross premiums written

Business unit	Q2 23	Q2 22	Growth	...NOK %	...LCY%
Norway	373	338	34	10 %	10 %
Sweden	625	515	109	21 %	12 %
Denmark	125	63	62	98 %	42 %
UK	1 925	863	1 061	123 %	103 %
Finland	10	8	3	35 %	-59 %
<b>Protector</b>	<b>3 057</b>	<b>1 788</b>	<b>1 269</b>	<b>71 %</b>	<b>56 %</b>

MNOK, Gross premiums written

Business unit	H1 23	H1 22	Growth	...NOK %	...LCY%
Norway	1 539	1 294	246	19 %	19 %
Sweden	1 816	1 459	357	24 %	19 %
Denmark	1 105	875	230	26 %	11 %
UK	2 294	1 059	1 235	117 %	99 %
Finland	246	212	34	16 %	2 %
<b>Protector</b>	<b>7 001</b>	<b>4 899</b>	<b>2 102</b>	<b>43 %</b>	<b>34 %</b>

# Country-by-country key metrics

Quarterly volatility must be expected, especially by country

## Q2 23

MNOK	Norway		Sweden		Denmark		UK		Finland		Protector	
	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22
Gross premium written	373	338	625	515	125	63	1 925	863	10	8	3 057	1 788
Insurance revenues	457	389	606	499	337	258	924	450	64	43	2 387	1 639
Insurance service result	50	74	2	105	14	40	293	29	25	1	384	249
Loss ratio, gross	82.1 %	72.4 %	81.7 %	64.8 %	82.1 %	81.0 %	41.0 %	72.4 %	48.3 %	85.2 %	65.2 %	71.8 %
Net reinsurance ratio	1.6 %	2.9 %	3.9 %	2.8 %	6.4 %	-2.9 %	13.6 %	4.8 %	0.9 %	-1.3 %	7.5 %	2.3 %
Loss ratio, net of reinsurance	83.6 %	75.2 %	85.5 %	67.6 %	88.5 %	78.1 %	54.6 %	77.2 %	49.2 %	83.9 %	72.6 %	74.1 %
Cost ratio	5.5 %	5.7 %	14.2 %	11.4 %	7.2 %	6.4 %	13.7 %	16.4 %	12.0 %	14.4 %	11.3 %	10.7 %
Combined ratio	89.1 %	81.0 %	99.8 %	79.0 %	95.7 %	84.5 %	68.3 %	93.6 %	61.2 %	98.3 %	83.9 %	84.8 %

## H1 23

MNOK	Norway		Sweden		Denmark		UK		Finland		Protector	
	H1 23	H1 22	H1 23	H1 22	H1 23	H1 22	H1 23	H1 22	H1 23	H1 22	H1 23	H1 22
Gross premium written	1 539	1 294	1 816	1 459	1 105	875	2 294	1 059	246	212	7 001	4 899
Insurance revenues	920	784	1 185	967	629	503	1 505	841	135	127	4 374	3 223
Insurance service result	87	100	(3)	126	(5)	24	408	57	32	11	520	318
Loss ratio, gross	82.1 %	77.6 %	82.8 %	74.1 %	99.8 %	86.0 %	62.1 %	69.4 %	64.8 %	75.8 %	77.4 %	75.6 %
Net reinsurance ratio	2.5 %	3.3 %	4.0 %	1.3 %	-6.1 %	2.2 %	-2.8 %	8.4 %	0.6 %	-0.1 %	-0.2 %	3.7 %
Loss ratio, net of reinsurance	84.6 %	80.9 %	86.8 %	75.4 %	93.7 %	88.2 %	59.4 %	77.8 %	65.4 %	75.7 %	77.2 %	79.4 %
Cost ratio	5.9 %	6.3 %	13.5 %	11.6 %	7.0 %	7.0 %	13.5 %	15.4 %	11.1 %	15.8 %	10.9 %	10.8 %
Combined ratio	90.5 %	87.2 %	100.3 %	87.0 %	100.7 %	95.2 %	72.9 %	93.2 %	76.5 %	91.6 %	88.1 %	90.1 %



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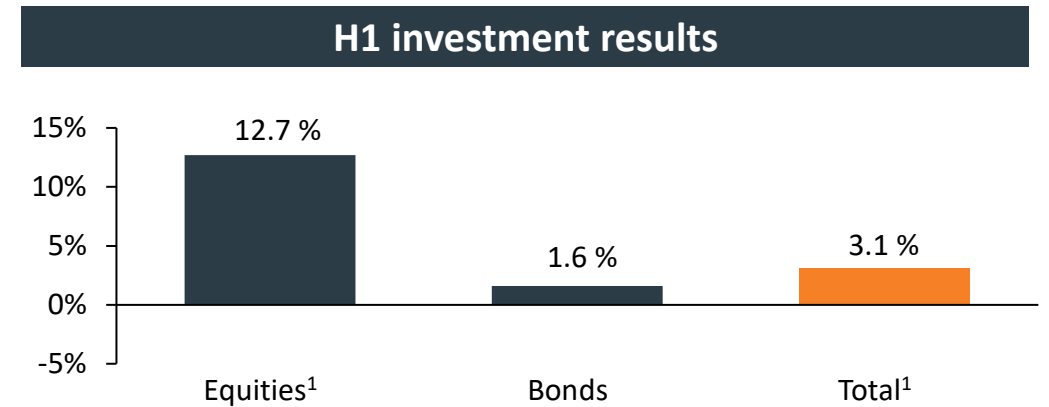
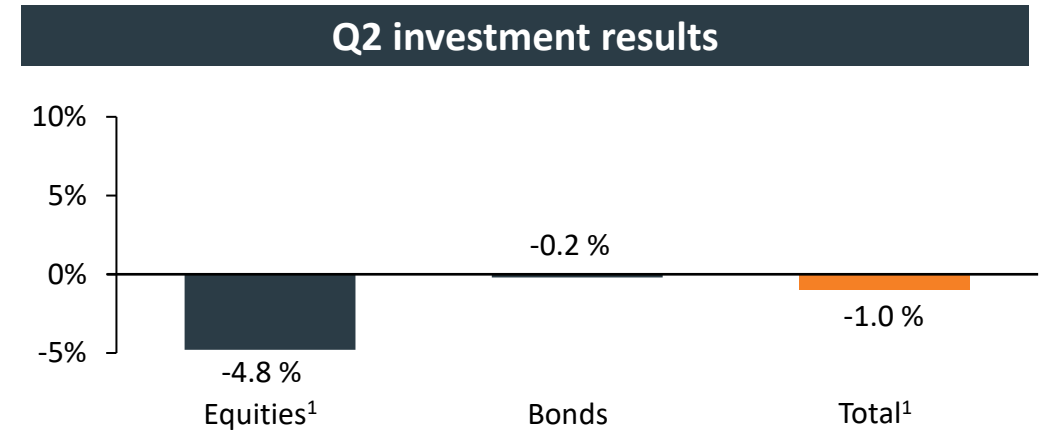
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# Investment performance

-1.0% return in Q2 driven by rate changes and equities | 3.1% return in H1

- MNOK -180, or -1.0% loss in Q2
  - Equities: MNOK -138, or -4.8%
  - *Put options: MNOK -19*
  - Bonds: MNOK -23, or -0.2%
    - Interest rate swaps: -202 MNOK
- Strong quarter for Nordic HY bonds
  - DNB Nordic HY index return 2.4%
- MNOK 481, or 3.1% gain in H1
  - Equities: MNOK 307, or 12.7%
  - *Put options: MNOK -37*
  - Bonds: MNOK 211, or 1.6%
    - Interest rate swaps: -182 MNOK
- Steering interest rate risk from a capital perspective



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

# Investment portfolio statistics

## Bond portfolio yield at 6.1%, before cost of risk

- Bond portfolio yielding 6.1%, before cost of risk

- Avg. reference rate up 0.6%-points from Q1
- Slightly increased risk in bonds during Q223
  - HY portfolio totalling BNOK ≈ 4.1 vs. BNOK 3.5 Q123
  - Credit duration increased to 1.9, from 1.8 Q123
  - A- average rating and stable

- Equity share at 15.5%, down from 17.4% Q1

Investment portfolio statistics <sup>1</sup>		30.06.23	30.06.22	31.03.23
Fixed income	Size bond & cash eq. (MNOK) <sup>2</sup>	15 143	12 114	13 965
	Avg. ref. rate (NIBOR, STIBOR, etc.)	4.1%	1.8%	3.5%
	Avg. spread/risk premium (bps)	204	204	215
	Yield <sup>3</sup>	6.1%	3.9%	5.6%
	Duration <sup>3</sup>	2.6	1.1	2.3
	Credit duration	1.9	1.6	1.8
	Avg. rating <sup>4</sup>	A-	A	A-
Equities	Portfolio size <sup>5</sup>	2 777	2 262	2 944
	Share of total	15.5%	15.5%	17.4%
	Estimated intrinsic value discount	29%	36%	24%
	No. of companies	30	30	23

<sup>1</sup> Bank deposits included

<sup>2</sup> Size excludes currency swaps

<sup>3</sup> Interest rate swap effect included

<sup>4</sup> Avg. linear rating based on official rating (>50%) and 'Protector rating' (<50%)

<sup>5</sup> Size excludes currency swaps and put options

# Profit and loss Q2 23 (& H1 23)

Profit of MNOK 219 (845) | EPS at NOK 2.7 (10.3)

NOKm	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
Insurance revenue	2 387	1 639	4 374	3 223	6 619
Insurance claims expenses	(1 556)	(1 176)	(3 387)	(2 438)	(5 045)
Insurance operating expenses	(270)	(175)	(476)	(347)	(734)
<b>Insurance service result before reinsurance contracts held</b>	<b>562</b>	<b>287</b>	<b>511</b>	<b>438</b>	<b>840</b>
Reinsurance premium	(165)	(197)	(284)	(389)	(826)
Amounts recovered from reinsurance	(13)	159	292	269	687
<b>Net result from reinsurance contracts held</b>	<b>(178)</b>	<b>(38)</b>	<b>9</b>	<b>(120)</b>	<b>(139)</b>
<b>Insurance service result</b>	<b>384</b>	<b>249</b>	<b>520</b>	<b>318</b>	<b>701</b>
Net income from investments	(170)	(165)	465	(174)	477
Net insurance finance income or expenses	132	195	19	453	607
Other income/costs	(16)	(16)	(32)	(32)	(74)
<b>Profit before tax</b>	<b>330</b>	<b>262</b>	<b>972</b>	<b>564</b>	<b>1 711</b>
Tax	(104)	(53)	(135)	(151)	(341)
Discontinued operations	(8)	(10)	8	(5)	10
<b>Profit for the period</b>	<b>219</b>	<b>200</b>	<b>845</b>	<b>408</b>	<b>1 379</b>
Large losses, net of reinsurance	(111.7)	(44.4)	(135.3)	(207.2)	(425.9)
Run-off gains/losses, net of reinsurance	70.3	48.7	25.8	96.9	133.7
Change in risk adjustment, net of reinsurance	(48.8)	(12.1)	(64.2)	(31.4)	(79.6)
Discounting effect, net of reinsurance	149.6	21.8	208.6	34.4	154.5
Loss ratio	65.2 %	71.8 %	77.4 %	75.6 %	76.2 %
Net reinsurance ratio	7.5 %	2.3 %	-0.2 %	3.7 %	2.1 %
Loss ratio, net of reinsurance	72.6 %	74.1 %	77.2 %	79.4 %	78.3 %
Cost ratio	11.3 %	10.7 %	10.9 %	10.8 %	11.1 %
<b>Combined ratio</b>	<b>83.9 %</b>	<b>84.8 %</b>	<b>88.1 %</b>	<b>90.1 %</b>	<b>89.4 %</b>
Earnings per share	2.7	2.4	10.3	4.9	16.7

# Balance Sheet

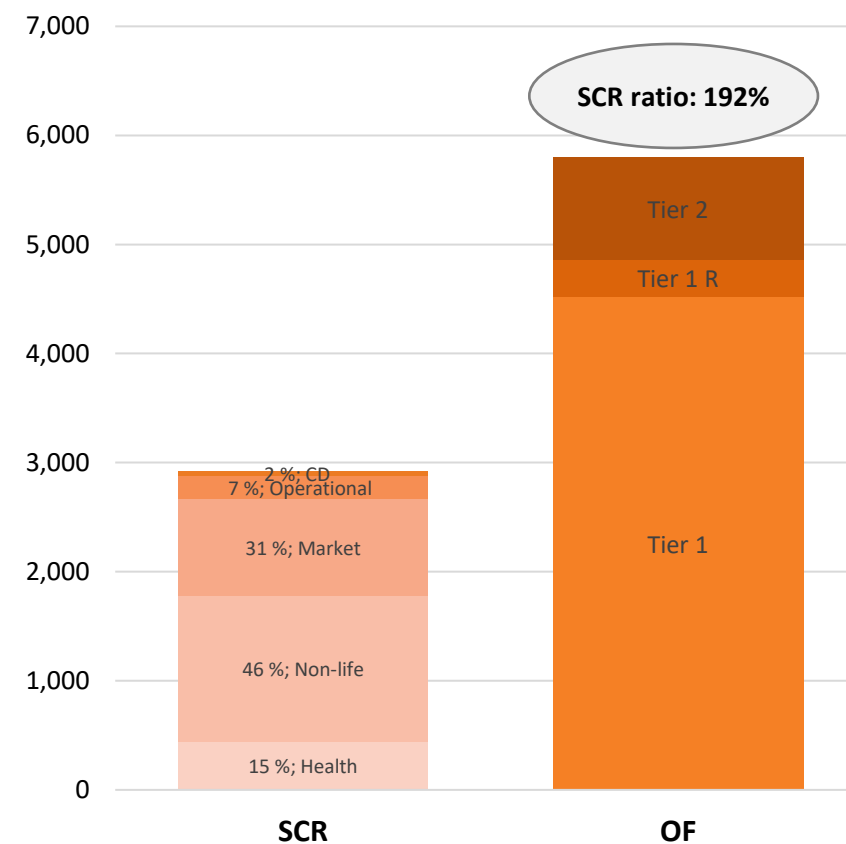
SCR ratio<sup>1</sup> at 192%

In millions	30.06.2023	30.06.2022	31.12.2022
Financial assets	17 345	13 708	14 195
Derivatives	27	142	66
Bank deposits	46	105	198
Other assets	1 837	2 149	1 971
Discontinued operations	517	1 102	888
<b>Total assets</b>	<b>19 772</b>	<b>17 207</b>	<b>17 318</b>
Total equity	4 045	2 815	3 761
Subordinated loan capital	1 245	1 245	1 245
Insurance contract liabilities	12 810	11 316	10 430
Derivatives	58	100	55
Other liabilities	1 284	1 081	1 305
Discontinued operations	330	649	522
<b>Total equity and liabilities</b>	<b>19 772</b>	<b>17 207</b>	<b>17 318</b>

\*Numbers may not add up due to rounding

- Positive technical and negative investment result
- Own funds reduced with proposed dividend
- Solvency capital requirement increase in line with growth

SCR ratio composition



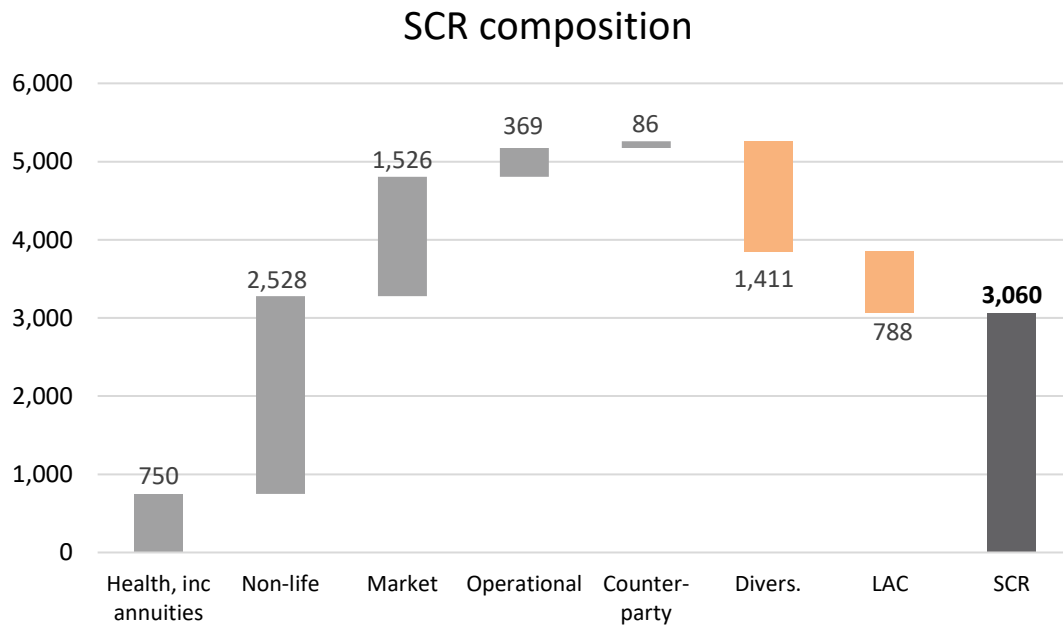
<sup>1</sup> Solvency Capital Requirement (SCR) ratio =  $\frac{\text{Eligible own funds (OF)}}{\text{SCR}}$

# Solvency II

SCR ratio at 192%

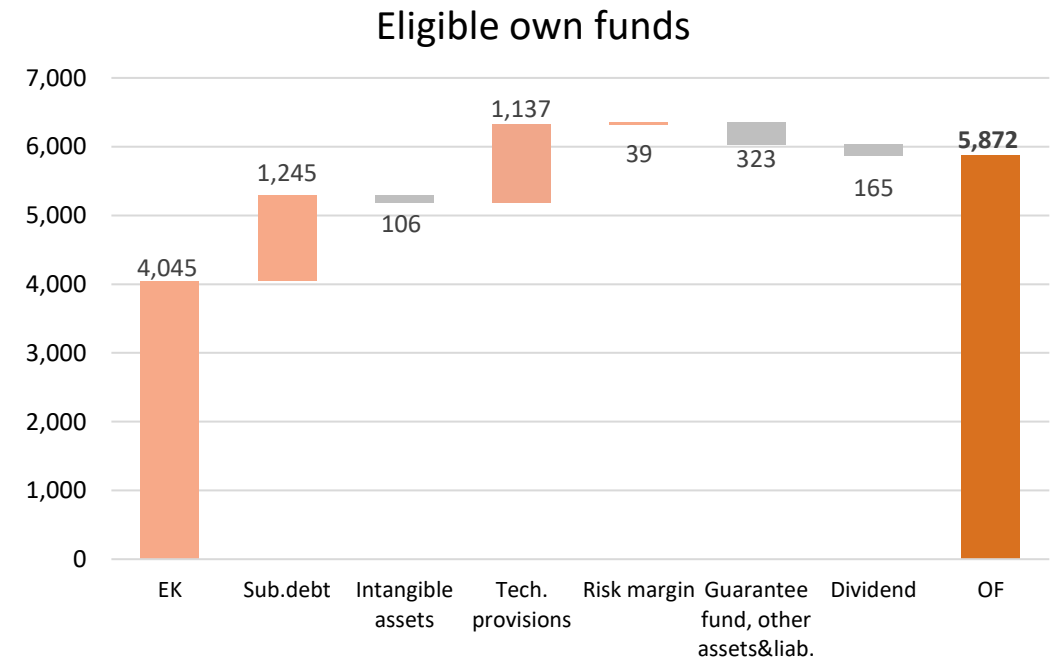
## Composition of SCR:

- Net insurance risk 62%
- Net market risk 29%
- Other risks 9%



## Eligible solvency capital:

- Guarantee provision and proposed dividend subtracted from own funds



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# Summary Q2 & H1 2023

**Q2: Combined ratio at 83.9% | Total investment return of -38 | EPS at NOK 2.7**

## Q2

**83.9%**

Combined Ratio

**3 057**

Gross premiums written

**56%**

LCY GWP growth

**-38**

Total investment return

**219**

Profit for the period

**192%**

Solvency Capital Ratio

**2.7**

Earnings per share

## H1

**88.1%**

Combined Ratio

**7 001**

Gross premiums written

**34%**

LCY GWP growth

**484**

Total investment return

**845**

Profit for the period

**192%**

Solvency Capital Ratio

**10.3**

Earnings per share

## Other highlights

- MNOK -180, or -1.0% return on assets under management (AUM)
- Special dividend of MNOK 165 or NOK 2 per share





From all of us 482 Challengers,  
we wish you a delightful and safe summer holiday



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