

Interim report Q1 2014

(Unaudited)

Highlights Q1 2014

34 % growth and strong results

Q1 2014 shows following development compared to Q1 2013:

- Gross premiums written NOK 1.208,6m, up 34% from NOK 904m
- Net combined ratio 79,9%, up from 77,4%
- Operating profit of NOK 162,4m, up from NOK 143m
- Return on investments NOK 83,8m (1,9%), up from NOK 77,9m (2,2%)

Financial highlights and key ratios

[1.000.000 NOK]		Q1 2014	Q1 2013	FY 2013
Gross premiums written		1 208,6	904,0	1 860,6
Gross premiums earned		530,7	400,2	1 814,6
Gross claims incurred		(472,0)	(349,8)	(1 450,6)
Earned premiums, net of reinsurance		403,2	300,4	1 373,6
Claims incurred, net of reinsurance		(343,5)	(255,5)	(1 133,5)
Net commission income		62,8	57,0	94,3
Operating expenses		(41,5)	(34,0)	(151,3)
Other income/costs		(2,4)	(2,8)	(9,5)
Net financial income		83,8	77,9	256,7
Operating profit before security provision etc		162,4	143,0	430,3
Claims ratio, net of ceded business	(1)	85,2 %	85,0 %	82,5 %
Expense ratio, net of ceded business	(2)	-5,3 %	-7,6 %	4,1 %
Combined ratio, net of ceded business	(3)	79,9 %	77,4 %	86,7 %
Gross claims ratio	(4)	88,9 %	87,4 %	79,9 %
Gross expense ratio	(5)	8,1 %	9,1 %	8,8 %
Gross combined ratio	(6)	97,0 %	96,5 %	88,7 %
Retention rate	(7)	76,0 %	75,1 %	75,7 %
Solvency capital	(8)	1 462,2	1 212,1	1 335,3
Capital adequacy ratio (risk weighted)	(9)	17 %	19 %	20 %
Solvency margin	(10)	348 %	338 %	315 %
Earnings per share	(11)	1,24	0,99	3,47

(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) Equity + security provision etc

(9) Net primary capital (including net profit/loss for the period) in %of risk weighted assets.

(10) Solvency margin calculated according to regulations from the FSA of Norway (including net profit/loss for the period)

(11) Profit before other comprehensive income divided by weighted number of shares

Protector's operations

Protector Forsikring ASA is a general insurance company (P&C) operating in Scandinavia.

Protector entered the Swedish insurance market in 2011 and the Danish insurance market in 2012.

The company has two business areas: commercial and public lines of business, and affinity arrangements for private and commercial clients. Protector is listed on the Oslo Stock Exchange.

Premiums

Gross premiums written totalled NOK 1.208,6m, representing a 34% growth compared to Q1 2013. In local currencies the growth was 30 %. Gross premiums earned increased by NOK 130,5m to a total of NOK 530,7m. Premiums earned for own account totalled NOK 403,2m, an increase of 34% compared to Q1 2013.

Gross premiums in Norway amounted to NOK 818,4m, which corresponds to a growth of 16 % relative to a growth of 14 % in the same period last year.

The Norwegian commercial and public lines of business totalled NOK 717,6m, against NOK 618,9m in Q1 2013. The strong growth is driven by a very strong growth in the public sector. Within the commercial sector the hit-ratio is slowing down. The renewal rate was 93 %, up from 90% in Q1 2013. In the public sector the renewal rate was above 100 % and in the commercial sector the renewal rate was 86 %. The low renewal rate in the commercial sector is due to the loss of two large customers. Premium income within change of ownership insurance, the company's largest affinity program, totalled NOK 100,7m, up 22% compared to Q1 2013. The growth comes as a result of an increase in 17% in number of policies sold supported by a late Easter (Easter in Q1 in 2013).

Gross premiums written in Sweden & Denmark totalled NOK 390,2m, corresponding to a growth of 92% over Q1 2013. In local currencies the growth was 75 %. The renewal rate was in Q1 96 %, down from above 100% in Q1 2013.

Results

The operating profit before changes in security provision and tax totalled NOK 162,4m, up from NOK 143m in Q1 2013. The best ever quarterly profit is driven by a strong technical as well as financial result. Net profit was NOK 98,4m, against a net profit of NOK 84,3m in Q1 2013. The return on the company's average solvency capital was 9 %.

The net combined ratio was 79,9%, 2,5 percentage points higher than the 77,4% reported in Q1 2013. The increase is primarily driven by an increase in the net expense ratio.

Gross claims ratio was in Q1 88,9% up from 87,4% in Q1 2013. The increase is driven by a weak claims ratio within motor, other illness and accident in Norway, in addition to 2 large (> NOK 5m) claims in Sweden. Net claims ratio was 85.2%, up slightly from 85,0% the year-earlier period. Net run-of gains were somewhat higher than normal for Q1 results. The run-off result, net of reinsurance, was 6,3% compared to 3 % in Q1 2013.

Net combined ratio in Sweden & Denmark is above 100% in Q1. This is due to high cost ratios as a result of lack of critical mass, in addition to claims development somewhat higher than target.

Gross expense ratio is decreasing, whilst the net expense ratio is increasing. The gross expense ratio was 8,1% down from 9,1% in Q1 2013, whilst the net expense ratio was -5,3%, up from -7,6 %. The increased net expense ratio is due to the increased manning throughout 2013 and a reduced level of ceded premiums (ceded reinsurance premiums down 4 percentage points).

Investment return

The investment portfolio amounted to a total of NOK 4,674m at 31 March 2014, an increase of 24% compared to the portfolio end of Q1 2013.

Investment activities yielded a total return of NOK 83,8m or 1,9% compared to a return of NOK 77,9m or 2,2% in Q1 2013. Equities accounted for a gain of NOK 15,2m (2,9%) against a NOK 23,6m (6,8%) gain in Q1 2013. Return on the fixed income portfolio totalled NOK 68,5m or 1,8% against NOK 54,2m or 1,7% in Q1 2013.

End of Q1 2014, 11,7% of Protector's financial assets were invested in equities, up from 10,3% end of 2013. The increase is due to new funds being invested in equities in Denmark.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q1 increased by NOK 126,9m to NOK 1,462,2m.

End of Q1 2014 the capital adequacy ratio was 14%, against a minimum requirement of 8%. Including the result for Q1 the capital adequacy ratio was 17%.

The Board of Directors holds a mandate granted by Protector's AGM 30 April 2014 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2015. End of Q1 Protector has a holding of 3 570 661 own shares, unchanged from year-end 2013.

The Board is by the AGM 30 April 2014 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2015. The aim is to simplify and speed up the process should it be necessary to expand the company's area of operation through acquisition against payment in shares or by otherwise increasing share capital by means of private placings.

The AGM on 30 April 2014 approved the payment of a dividend of NOK 1,75 per share. This pay-out will reduce the equity and solvency capital by NOK 144,5m in the second quarter.

Prospects

The Board is satisfied with the premium growth and the operating profit for the first quarter and expects continued growth and an improved operating profit for the full year. However the strong growth in Sweden and Denmark increases the uncertainty regarding the forward looking claims ratio.

Oslo, 8 May 2014

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000.000 NOK]	Q1 2014	Q1 2013	FY 2013
Premium income			
Gross written premiums	1 208,6	904,0	1 860,6
Ceded insurance premiums	(290,2)	(249,7)	(432,1)
Change in provisions for unearned premiums	(677,9)	(503,8)	(46,0)
Change in reinsurers' share of provisions for unearned premiums	162,7	149,9	(9,0)
Earned premiums, net of reinsurance	403,2	300,4	1 373,6
Allocated return on investment transferred from non-technical account	13,8	10,6	47,4
Other income	0,9	0,6	3,4
Claims incurred			
Claims paid	(315,0)	(204,1)	(940,3)
Reinsurers' share of paid claims	69,0	44,1	215,4
Change in provisions for claims	(156,9)	(145,7)	(510,2)
Change in reinsurers' share of claims provisions	59,5	50,2	101,7
Claims incurred, net of reinsurance	(343,5)	(255,5)	(1 133,5)
Operating expenses			
Sales costs	(1,2)	(2,2)	(7,5)
Administration costs	(41,5)	(34,0)	(151,3)
Commission from reinsurers	64,0	59,2	101,9
Total operating expenses, net of reinsurance	21,3	23,0	(56,9)
Other expenses	(0,9)	(0,9)	(3,0)
Technical result before changes in security provision etc.	94,9	78,3	230,8
Changes in security provision etc.	(28,5)	(40,9)	(54,8)
Technical result	66,4	37,4	176,0
Net income from financial assets	83,8	77,9	256,7
Allocated return on investment transferred to technical account	(13,8)	(10,6)	(47,4)
Other income	0,5	0,6	2,2
Other costs	(2,9)	(3,1)	(12,1)
Non-technical result	67,6	64,8	199,5
Profit before tax	133,9	102,1	375,5
Tax	(31,1)	(20,4)	(88,5)
Profit before components of comprehensive income	102,8	81,8	287,0
Actuarial gain and loss from defined benefit pension plans- benefits to employees	-	-	(7,1)
Currency changes from foreign enterprise	(6,0)	3,5	15,1
Taxes on components of comprehensive income	1,6	(1,0)	(2,3)
Profit for the period	98,4	84,3	292,6
Earnings per share	1,24	0,99	3,47
Earnings per share, diluted	1,24	0,99	3,47

Balance Sheet

[1.000.000 NOK]	31.03.2014	31.03.2013	31.12.2013
Assets			
Intangible fixed assets			
Other intangible fixed assets	11,4	8,4	11,2
Total intangible fixed assets	11,4	8,4	11,2
Financial assets			
Shares	545,5	389,2	529,0
Securities, bonds etc	4 123,9	3 311,0	3 422,9
Other financial assets	4,6	80,5	47,9
Total financial assets	4 674,0	3 780,7	3 999,8
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	250,6	222,7	81,4
Reinsurers share of gross claims provisions	382,3	271,5	324,5
Total reinsurers share of gross technical provisions	632,9	494,2	405,9
Receivables			
Policyholders	76,2	88,3	39,5
Intermediaries	53,1	50,1	44,4
Other receivables	17,6	1,3	18,7
Total receivables	147,0	139,7	102,6
Other assets			
Tangible fixed assets	8,8	9,5	8,5
Cash and bank deposits	214,0	130,4	153,3
Total other assets	222,8	139,8	161,8
Total prepaid expenses	109,5	81,4	62,8
Total assets	5 797,5	4 644,2	4 744,1

Balance Sheet

[1.000.000 NOK]	31.03.2014	31.03.2013	31.12.2013
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86,2	86,2	86,2
Own shares	(3,6)	(3,6)	(3,6)
Other paid-in equity	4,8	4,8	4,8
Total paid-in equity	87,4	87,4	87,4
Earned equity			
Natural perils fund	15,6	24,2	15,4
Guarantee scheme	63,7	55,2	61,6
Other equity	708,8	501,1	612,7
Total earned equity	788,1	580,5	689,7
Total equity	875,5	667,9	777,2
Subordinated loan capital	148,1	148,1	148,1
Technical provisions			
Provisions for unearned premiums	952,5	731,4	275,5
Provisions for claims	2 686,3	2 166,3	2 535,1
Security provision etc.	586,7	544,2	558,1
Total technical provisions	4 225,5	3 441,9	3 368,8
Provisions for other risks and liabilities			
Pension liabilities	8,6	11,7	8,6
Deferred tax liability	32,5	16,5	21,8
Total provisions for other risks and liabilities	41,2	28,2	30,4
Liabilities			
Liabilities in connection with insurance	15,5	2,1	17,3
Liabilities in connection with reinsurance	333,9	276,4	182,4
Other liabilities	116,3	55,7	112,0
Total liabilities	465,7	334,1	311,7
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	41,5	23,9	107,9
Total incurred expenses and prepaid income	41,5	23,9	107,9
Total equity and liabilities	5 797,5	4 644,2	4 744,1

Accounting principles

These interim accounts have been prepared in accordance with IAS 34 and in line with the accounting principles described in the annual report for 2013. The company's financial statements are prepared in accordance with the Norwegian Accounting Act, financial statement regulations for insurance companies and generally accepted accounting principles. For further information, please see the 2013 annual report.

Reconciliation of changes in equity

[1.000.000 NOK]	Share Capital	Own shares	Other paid-in equity	Natural perils fund	Guarantee scheme	Other equity	Total
Equity at 31.12.2012	86,2	(3,6)	4,8	21,2	53,2	421,8	583,7
Profit for the period				3,0	2,0	79,3	84,3
Equity at 31.03.2013	86,2	(3,6)	4,8	24,2	55,2	501,1	667,9
Dividend pay out						(99,1)	(99,1)
Profit for the period				(3,9)	2,4	59,1	57,6
Equity at 30.06.2013	86,2	(3,6)	4,8	20,4	57,6	461,1	626,5
Profit for the period						52,5	58,4
Equity at 30.09.2013	86,2	(3,6)	4,8	24,1	59,8	513,6	684,9
Profit for the period				(8,6)	1,8	99,1	92,3
Equity at 31.12.2013	86,2	(3,6)	4,8	15,4	61,6	612,7	777,2
Profit for the period				0,2	2,1	96,1	98,4
Equity at 31.03.2014	86,2	(3,6)	4,8	15,6	63,7	708,8	875,5

Cash flow statement

[1.000.000 NOK]	Q1 2014	Q1 2013	FY 2013
Net cashflow from operational activities	686,2	518,7	791,5
Net invested in financial assets	(663,6)	(509,3)	(675,4)
Net cashflow from investment activities	(2,3)	(1,7)	(9,9)
Net cashflow from financial activities	(2,9)	(3,1)	(111,1)
Net change in cash and cash equivalents	17,4	4,7	(5,0)
Cash and cash equivalents at the beginning of the period	201,2	206,2	206,2
Cash and cash equivalents at the end of the period	218,6	210,9	201,2

Financial assets, fair value estimation

Financial assets through profit or loss [1.000.000 NOK]	Currency	Level 1	Level 2	Level 3	Total
Shares	NOK	181	364	-	545
Bonds and other fixed income securities	NOK	363	3 756	5	4 124
Bank deposits	NOK	5	-	-	5
Total assets Q12014		549	4 120	5	4 674
Total assets Q12013		1 174	2 602	5	3 781

Fair value of financial assets traded in active markets are based on market value on the accounting day. A market is considered active if the market rates are easily and regularly available from a stock exchange, distributor, broker, industrial classification, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at arm's length. The market price applied to financial assets is the existing bid price. These instruments are included in level 1.

Fair value of financial instruments not traded in an active market are determined by using valuation methods. These valuation methods maximise the use of observable data where available, and are based as little as possible on own estimates. The instrument is included in level 2 if all essential data are based on observable market data.

The instrument is included in level 3 if one or more essential data are not based on observable market data.

Quarterly outline Q1 2012 – Q1 2014

[1.000.000 NOK]	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Gross premiums written	1 208,6	237,7	270,4	448,5	904,0	198,2	251,6	398,7	668,5
Gross premiums earned	530,7	468,4	468,6	477,4	400,2	375,6	374,9	386,3	327,5
Gross claims incurred	(472,0)	(362,4)	(384,0)	(354,4)	(349,8)	(327,1)	(276,1)	(312,1)	(255,6)
Earned premiums, net of reinsurance	403,2	352,5	357,9	362,8	300,4	279,5	281,6	299,6	246,8
Claims incurred, net of reinsurance	(343,5)	(291,9)	(297,3)	(288,8)	(255,5)	(259,3)	(223,6)	(241,8)	(215,4)
Total operating expenses, net of reinsurance	21,3	(36,0)	(36,9)	(7,0)	23,0	(24,0)	(18,3)	0,2	27,7
Other income/costs	(2,4)	(1,8)	(2,6)	(2,3)	(2,8)	(0,7)	(2,8)	(2,2)	0,7
Net income from financial assets	83,8	83,9	75,6	19,4	77,9	61,2	87,8	7,9	88,8
Operating profit before changes in security provision	162,4	106,6	96,7	84,1	143,0	56,7	124,6	63,6	148,6
Changes in security provision etc.	(28,5)	19,6	(31,2)	(2,4)	(40,9)	(96,7)	(29,0)	(8,9)	(11,8)
Profit before tax	133,9	126,2	65,5	81,7	102,1	(40,0)	95,6	54,6	136,8
Tax	(31,1)	(32,4)	(9,5)	(26,3)	(20,4)	13,6	(17,5)	(21,4)	(23,0)
Profit before components of comprehensive income	102,8	93,8	56,0	55,4	81,8	(26,4)	78,0	33,3	113,8
Components of comprehensive income	(6,0)	(2,0)	3,4	3,1	3,5	12,4			
Taxes on components of comprehensive income	1,6	0,5	(1,0)	(0,9)	(1,0)	(3,5)			
Profit for the period	98,4	92,3	58,4	57,6	84,3	(17,5)	78,0	33,3	113,8