

# Interim report Q4 2013

(Unaudited)

## Highlights 2013 and Q4

### Best year ever

2013 shows following development compared to 2012:

- Gross premiums written NOK 1.860,6m, up 23% from NOK 1.517m
- Net combined ratio 86,7% up from 86,2%
- Operating profit NOK 430,3m, up from NOK 393,7m
- Return on investments NOK 256,7m (7,0%), up from NOK 245,6m (8,9%)

Q4 2013 shows following development compared to Q4 2012:

- Gross premiums written NOK 237,7, up 20% from NOK 198,2m
- Net combined ratio 93,0% down from 101,3%
- Operating profit NOK 106,6m, up from NOK 56,9m
- Return on investments NOK 83,9m (2,2%), up from NOK 61,2m (2,0%)

Based on the company's dividend policy, strong results for the full year 2013 and strong financial position, the Board considers recommending a dividend of NOK 1.75 per share for 2013.

### Financial highlights and key ratios

[1.000 NOK]	Q4 2013	Q4 2012	FY 2013	FY 2012
Gross premiums written	237 702	198 240	1 860 617	1 517 017
Gross premiums earned	468 400	375 564	1 814 626	1 464 244
Gross claims incurred	(362 406)	(327 118)	(1 450 587)	(1 170 976)
Earned premiums, net of reinsurance	352 481	279 532	1 373 555	1 107 433
Claims incurred, net of reinsurance	(291 932)	(259 283)	(1 133 527)	(940 094)
Net commission income	9 565	11 837	94 338	90 269
Operating expenses	(45 588)	(35 626)	(151 279)	(104 481)
Other income/costs	(1 841)	(705)	(9 500)	(5 030)
Net financial income	83 870	61 151	256 729	245 571
<b>Operating profit before security provision etc</b>	<b>106 555</b>	<b>56 906</b>	<b>430 316</b>	<b>393 668</b>
Claims ratio, net of ceded business	(1) 82,8 %	92,8 %	82,5 %	84,9 %
Expense ratio, net of ceded business	(2) 10,2 %	8,5 %	4,1 %	1,3 %
<b>Combined ratio, net of ceded business</b>	<b>(3) 93,0 %</b>	<b>101,3 %</b>	<b>86,7 %</b>	<b>86,2 %</b>
Retention rate	(4) 75,3 %	74,4 %	75,7 %	75,6 %
Solvency capital	(5)		1 335 313	1 086 951
Capital adequacy ratio (risk weighted)	(6)		20 %	20 %
Solvency margin	(7)		315 %	304 %
Profit after tax per share	(8) 1,12	(0,21)	3,54	2,51

(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) Earned premiums, net of reinsurance in % of gross earned premiums

(5) Equity + security provision etc

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

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

(8) Profit after tax 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

In 2013 gross premiums written increased by 23% to a total of NOK 1.860,6m. Gross premiums earned increased by NOK 350,4m to a total of NOK 1.814,6m. Premiums earned for own account totalled NOK 1.373,6m, an increase of 24 % compared to 2012. The retention rate for 2013 is 75,7%, increasing slightly from 75,6% as estimated at year end 2012.

Gross premiums written within the commercial and public sector totalled NOK 1.263m, a 32% growth from 2012. The growth is due to high level of new sales in both the commercial and public sector markets. New business from Sweden and Denmark represented 19 percentage points of the growth. The renewal rate was 94%, down from 98% in 2012.

In the affinity segment, gross premium written amounted to NOK 597,2m, a 7% growth compared to 2012. Gross premiums written within the change of ownership insurance totalled NOK 450,9m, up 6 % from 2012. The growth is primarily driven by higher real estate prices and increased number of policies sold. In 2013, the company experienced a hit ratio in excess of 80%.

In Q4, gross written premiums totalled NOK 237,7m, representing 20 % growth compared to Q4 2012. Gross premiums earned increased by NOK 92,8m to a total of NOK 468,4m. Premiums earned for own account were NOK 352,5m, an increase of 26 % compared to Q4 2012.

Gross premiums written in Q4 within the commercial and public sector totalled NOK 111,7m, up 37 % compared to Q4 2012. Both Sweden & Denmark have had material increases in gross premiums written. The premium growth in Sweden was 65% compared to Q4 2012, whilst Denmark more than doubling the premium volume with a 248% growth from Q4 2012.

Within the affinity segment, gross premiums written in Q4 amounted to NOK 126m, a 8% growth compared to Q4 2012. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 107,5m, up 10 % compared to Q4 2012. The increase in premiums is due to a high turn-over-rate in the real estate market and an increase in number of policies sold.

## Results

In 2013, the operating profit before changes in security provision and tax totalled NOK 430,3m, compared to NOK 393,7m in 2012. The strong result is primarily driven by increased volumes and stable claims ratios, along with an increase in investment returns. The technical result before allocated return on investment and changes in security provisions was NOK 183,5m an increase of NOK 30,5m or 20% compared to 2012. Net profit for the year amounted to NOK 292,6m, compared to NOK 207,7m in 2012 (2012 number changed from 2012 financials due to change in accounting principle). The return on the company's average solvency capital was 28%, compared to 38% in 2012.

In Q4 2013, the operating result was NOK 106,6m, compared to NOK 56,9m in Q4 2012. The strong Q4 result is driven by both stronger technical and financial results.

In 2013, the net combined ratio was 86,7%, compared to 86,2% in 2012. Net claims ratio in 2013 was 75,9%, compared to 78,3% in 2012 (both claims ratios excluding claims handling costs of 6,6 percentage points). Net run-off gains in 2013 amounted to NOK 61m (4,4 percentage points on the net claims ratio), against NOK 11,9m in 2012. Net cost ratios (both including claims handling costs of 6,6 percentage points) was 10,8%, compared to 7,9% in 2012. The increase in cost ratio is as earlier communicated primarily due to increased staffing. Although cost ratios increased in all three geographic locations, cost ratios in Denmark and Sweden were large compared to Norway, as a result of being in earlier phases of entity life cycles.

In Q4, the combined net ratio was 93,0%, a 8,2 percentage points reduction from 2012. The net claims ratio for the period was 76,1% (excluding 6,8 percentage points in claims handling costs) compared to 85,8% (excluding 7 percentage points in claims handling costs) in Q4 2012.

## Investment return

The investment portfolio amounted to a total of NOK 4b at 31 December 2013, up 25 % compared to the portfolio end of Q4 2012.

In full year 2013, the investment result was NOK 256,7m (7,0%) against NOK 245,6m (8,9%) full year 2012. Equities accounted for a NOK 62,8m gain (17,3%) against a NOK 79,5m gain (25,2%) in 2012. Return on the fixed income portfolio totalled NOK 193,9m or 5,9% against NOK 166,1m or 6,8% in 2012. End of Q4, 13,2% of Protector's financial assets were invested in equities.

In Q4, investment activities yielded a total return of NOK 83,9m or 2,2% compared to a return of NOK 61,2m or 2,0% in Q4 2012. Equities accounted for a gain of NOK 20m (4,8%) against a NOK 8,5m gain (3,1%) in Q4 2012.

### Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q4 increased by NOK 74,2m to NOK 1.335m. In 2013, the solvency capital has increased by NOK 248,4m.

End of Q4 the capital adequacy ratio excluding the full year 2013 result was 16%, against a minimum requirement of 8%. Including the result for 2013 the capital adequacy ratio was 20%.

Excess coverage above the required solvency margin capital amounted to NOK 669m by the end of 2013, corresponding to 315 % of the legal requirement.

Based on the company's dividend policy, strong results for the full year 2013 and strong financial position, the Board considers recommending a dividend of NOK 1.75 per share for 2013.

### Prospects

Protector expects continued strong growth in 2014, despite strong competition in all markets. The expected growth is based on a very good start in 2014 in all three geographic markets and continued good access to profitable business.

The company's underlying profitability is expected to be maintained. However, the uncertainty in claims development is increasing due to the company's operations in Sweden and Denmark.

Claims development and substantial changes in capital markets are regarded as the most important risk factors that could affect the company's profit in 2014.

Oslo, 25 February 2014

*The Board of Directors of Protector Forsikring ASA*

## 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 2012, with the following amendments:

IAS 19 Employee Benefits was amended in June 2011 and has been adopted as of 1 January 2013. The changes have effected Protector's pension obligations in the balance sheet. The revised IAS 19 requires net actuarial losses (gains) to be recognized in other comprehensive income as they occur (no corridor), all costs related to previous periods' pensions contribution will now be reflected in the income statement, and interest cost and expected return on pension assets is replaced by a net interest amount that is calculated at the same discount rate as the net pension obligation (asset).

The changes in IAS 19 are adopted retrospectively. This retrospective adoption has reduced the pension obligation with NOK 699 thousand to NOK 11,7 million, increased the deferred tax asset by NOK 196 thousand and increased other equity by NOK 503 thousand as of 1 January 2013. The 2012 reduction of actuarial effects is mainly related to changes in the discount rate (OMF-rate) and the gain will be classified as other comprehensive income for the fourth quarter of 2012. The change in IAS 19 has had limited effect on the pension cost.

Prior to 2013, the company has had no entries in other comprehensive income. Nevertheless, other comprehensive income is part of the accounting principles as set out by Norwegian statutory accounting for insurance companies. In 2013, the company has had two types of entries in other comprehensive income. These are entries related to actuarial effects, as mentioned above, and entries related to currency effects from accounts for Swedish & Danish business. In total, other comprehensive income was posted for a net effect of NOK 5,7 million in gain after tax.

## Income statement

[1.000 NOK]	Q4 2013	Q4 2012	FY 2013	FY 2012
<b>Premium income</b>				
Gross written premiums	237 702	198 240	1 860 617	1 517 017
Ceded insurance premiums	(36 680)	(36 276)	(432 108)	(347 394)
Change in provisions for unearned premiums	230 699	177 324	(45 991)	(52 773)
Change in reinsurers' share of provisions for unearned premiums	(79 240)	(59 757)	(8 963)	(9 417)
<b>Earned premiums, net of reinsurance</b>	<b>352 481</b>	<b>279 532</b>	<b>1 373 555</b>	<b>1 107 433</b>
Allocated return on investment transferred from non-technical account	13 666	663	47 376	24 663
<b>Other income</b>	<b>1 386</b>	<b>710</b>	<b>3 368</b>	<b>3 929</b>
<b>Claims incurred</b>				
Claims paid	(244 250)	(200 968)	(940 341)	(753 826)
Reinsurers' share of paid claims	61 695	43 243	215 381	166 453
Change in provisions for claims	(118 156)	(126 149)	(510 246)	(417 150)
Change in reinsurers' share of claims provisions	8 780	24 591	101 679	64 429
<b>Claims incurred, net of reinsurance</b>	<b>(291 932)</b>	<b>(259 283)</b>	<b>(1 133 527)</b>	<b>(940 094)</b>
<b>Operating expenses</b>				
Sales costs	(1 466)	(1 667)	(7 545)	(8 245)
Administration costs	(45 588)	(35 626)	(151 279)	(104 481)
Commission from reinsurers	11 031	13 504	101 882	98 515
<b>Total operating expenses, net of reinsurance</b>	<b>(36 023)</b>	<b>(23 789)</b>	<b>(56 941)</b>	<b>(14 212)</b>
<b>Other expenses</b>	<b>(867)</b>	<b>867</b>	<b>(2 982)</b>	<b>(4 055)</b>
<b>Technical result before changes in security provision etc.</b>	<b>38 712</b>	<b>(1 301)</b>	<b>230 848</b>	<b>177 663</b>
Changes in security provision etc.	19 636	(96 733)	(54 839)	(146 531)
<b>Technical result</b>	<b>58 347</b>	<b>(98 034)</b>	<b>176 009</b>	<b>31 132</b>
Net income from financial assets	83 870	61 151	256 729	245 571
Allocated return on investment transferred to technical account	(13 666)	(663)	(47 376)	(24 663)
Other income	702	831	2 203	3 887
Other costs	(3 063)	(3 113)	(12 088)	(8 790)
<b>Non-technical result</b>	<b>67 843</b>	<b>58 207</b>	<b>199 468</b>	<b>216 005</b>
<b>Profit before tax</b>	<b>126 191</b>	<b>(39 827)</b>	<b>375 477</b>	<b>247 137</b>
Tax	(32 367)	13 519	(88 504)	(48 366)
<b>Profit before components of comprehensive income</b>	<b>93 824</b>	<b>(26 308)</b>	<b>286 973</b>	<b>198 772</b>
Components of comprehensive income	(2 026)	12 372	7 948	12 372
Taxes on components of comprehensive income	496	(3 464)	(2 297)	(3 464)
<b>Profit for the period</b>	<b>92 294</b>	<b>(17 400)</b>	<b>292 624</b>	<b>207 679</b>
Earnings per share	1,12	(0,21)	3,54	2,51
Earnings per share, diluted	1,12	(0,21)	3,54	2,51

## Balance Sheet

[1.000 NOK]	31.12.2013	31.12.2012
<b>Assets</b>		
<b>Intangible fixed assets</b>		
Other intangible fixed assets	11 224	8 908
<b>Total intangible fixed assets</b>	<b>11 224</b>	<b>8 908</b>
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	3 999 812	3 192 820
<b>Total financial assets</b>	<b>3 999 812</b>	<b>3 192 820</b>
<b>Reinsurers share of gross technical provisions</b>		
Reinsurers share of gross premium provisions	81 381	68 625
Reinsurers share of gross claims provisions	324 491	220 419
<b>Total reinsurers share of gross technical provisions</b>	<b>405 872</b>	<b>289 045</b>
<b>Receivables</b>		
Direct insurance receivables	102 566	74 967
<b>Total receivables</b>	<b>102 566</b>	<b>74 967</b>
<b>Other assets</b>		
Tangible fixed assets	8 483	9 336
Cash and bank deposits	153 323	141 890
<b>Total other assets</b>	<b>161 806</b>	<b>151 226</b>
<b>Total prepaid expenses</b>	<b>62 803</b>	<b>48 596</b>
<b>Total assets</b>	<b>4 744 083</b>	<b>3 765 562</b>
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital [86.155.605 shares]	86 156	86 156
Own shares	(3 571)	(3 571)
Other paid-in equity	4 847	4 847
<b>Total paid-in equity</b>	<b>87 432</b>	<b>87 432</b>
<b>Earned equity</b>		
Technical provisions	77 033	74 408
Other equity	612 711	421 814
<b>Total earned equity</b>	<b>689 744</b>	<b>496 222</b>
<b>Total equity</b>	<b>777 176</b>	<b>583 654</b>
<b>Subordinated loan capital</b>	<b>148 125</b>	<b>148 125</b>
<b>Technical provisions</b>		
Provisions for unearned premiums	275 543	226 786
Provisions for claims	2 535 109	2 017 886
Security provision etc.	558 137	503 298
<b>Total technical provisions</b>	<b>3 368 789</b>	<b>2 747 969</b>
<b>Provisions for other risks and liabilities</b>		
Pension liabilities	8 627	11 686
Deferred tax liability	21 755	11 658
<b>Total provisions for other risks and liabilities</b>	<b>30 382</b>	<b>23 344</b>
<b>Liabilities</b>		
Liabilities in connection with insurance	17 265	7 716
Liabilities in connection with reinsurance	182 439	130 515
Other liabilities	111 994	53 580
<b>Total liabilities</b>	<b>311 698</b>	<b>191 812</b>
<b>Incurred expenses and prepaid income</b>		
Other incurred expenses and prepaid income	107 912	70 659
<b>Total incurred expenses and prepaid income</b>	<b>107 912</b>	<b>70 659</b>
<b>Total equity and liabilities</b>	<b>4 744 083</b>	<b>3 765 562</b>

## Cash flow statement

[1.000 NOK]	Q4 2013	Q4 2012	FY 2013	FY 2012
Net cashflow from operational activities	91 120	(40 076)	791 461	602 561
Net invested in financial assets	7 864	(88 154)	(675 448)	(672 788)
Net cashflow from investment activities	(2 946)	(6 616)	(9 928)	(11 354)
Net cashflow from financial activities	(2 936)	(643)	(111 063)	141 804
Net change in cash and cash equivalents	93 102	(135 490)	(4 978)	60 223
Cash and cash equivalents at the beginning of the period	108 105	341 675	206 185	145 962
Cash and cash equivalents at the end of the period	201 207	206 185	201 207	206 185

## Reconciliation of equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12.2011	86 156	(3 571)	4 847	76 074	221 014	384 520
Profit for the period				(3 960)	117 754	113 794
Change in accounting principles					(9 941)	(9 941)
Equity at 31.03.2012	86 156	(3 571)	4 847	72 114	328 827	488 373
Profit for the period				(4 184)	37 441	33 257
Equity at 30.06.2012	86 156	(3 571)	4 847	67 930	366 269	521 630
Profit for the period				5 071	72 958	78 029
Equity at 30.09.2012	86 156	(3 571)	4 847	73 001	439 227	599 659
Profit for the period				1 407	(27 856)	(26 449)
Change in accounting principles					10 444	10 444
Equity at 31.12.2012	86 156	(3 571)	4 847	74 408	421 814	583 654
Profit for the period				4 990	79 274	84 265
Equity at 31.03.2013	86 156	(3 571)	4 847	79 398	501 089	667 918
Dividend pay out					(99 102)	(99 102)
Profit for the period				(1 462)	59 105	57 643
Equity at 30.06.2013	86 156	(3 571)	4 847	77 936	461 091	626 459
Profit for the period				5 927	52 496	58 423
Equity at 30.09.2013	86 156	(3 571)	4 847	83 863	513 587	684 882
Profit for the period				(6 831)	99 124	92 294
Equity at 31.12.2013	86 156	(3 571)	4 847	77 033	612 711	777 176



## Quarterly outline

[1.000 NOK]	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
<b>Gross premiums written</b>	<b>237.702</b>	<b>270.389</b>	<b>448.533</b>	<b>903.993</b>	<b>198.240</b>	<b>251.625</b>	<b>398.672</b>	<b>668.481</b>	<b>179.459</b>
Gross premiums earned	468.400	468.622	477.406	400.197	375.564	374.915	386.272	327.494	300.133
Gross claims incurred	(362.406)	(383.996)	(354.413)	(349.772)	(327.118)	(276.119)	(312.102)	(255.637)	(218.659)
Earned premiums, net of reinsurance	352.481	357.854	362.793	300.427	279.532	281.555	299.567	246.779	229.464
Claims incurred, net of reinsurance	(291.932)	(297.289)	(288.831)	(255.475)	(259.283)	(223.636)	(241.804)	(215.371)	(181.136)
Total operating expenses, net of reinsurance	(36.023)	(36.889)	(6.984)	22.955	(23.985)	(18.316)	156	27.736	(18.275)
Other income/costs	(1.841)	(2.591)	(2.315)	(2.752)	(705)	(2.815)	(2.207)	696	797
Net income from financial assets	83.870	75.600	19.397	77.862	61.151	87.796	7.852	88.773	48.020
<b>Operating profit before changes in security provision</b>	<b>106.555</b>	<b>96.684</b>	<b>84.060</b>	<b>143.017</b>	<b>56.709</b>	<b>124.584</b>	<b>63.564</b>	<b>148.614</b>	<b>78.870</b>
Changes in security provision etc.	19.636	(31.225)	(2.369)	(40.881)	(96.733)	(29.028)	(8.934)	(11.836)	2.981
Profit before tax	126.191	65.459	81.691	102.136	(40.023)	95.556	54.630	136.778	81.851
Tax	(32.367)	(9.480)	(26.296)	(20.361)	13.574	(17.527)	(21.373)	(22.985)	(19.991)
<b>Profit before components of comprehensive income</b>	<b>93.824</b>	<b>55.979</b>	<b>55.395</b>	<b>81.775</b>	<b>(26.449)</b>	<b>78.029</b>	<b>33.257</b>	<b>113.794</b>	<b>61.860</b>
Components of comprehensive income	(2.026)	3.394	3.121	3.458	12.372				
Taxes on components of comprehensive income	496	(950)	(874)	(968)	(3.464)				
<b>Profit for the period</b>	<b>92.294</b>	<b>58.423</b>	<b>57.643</b>	<b>84.265</b>	<b>(17.542)</b>	<b>78.029</b>	<b>33.257</b>	<b>113.794</b>	<b>61.860</b>
<b>Key ratios</b>									
Claims ratio, net of ceded business	82,8 %	83,1 %	79,6 %	85,0 %	92,8 %	79,4 %	80,7 %	87,3 %	78,9 %
Expense ratio, net of ceded business	10,2 %	10,3 %	1,9 %	-7,6 %	8,6 %	6,5 %	-0,1 %	-11,2 %	8,0 %
<b>Combined ratio, net of ceded business</b>	<b>93,0 %</b>	<b>93,4 %</b>	<b>81,5 %</b>	<b>77,4 %</b>	<b>101,3 %</b>	<b>85,9 %</b>	<b>80,7 %</b>	<b>76,0 %</b>	<b>86,9 %</b>
Gross expense ratio	10,0 %	10,1 %	5,9 %	9,1 %	10,0 %	8,4 %	4,9 %	7,5 %	10,2 %