

Interim report Q2 2014

(Unaudited)

Highlights Q2 2014

21% growth, strong results

Q2 2014 shows following development compared to Q2 2013:

- Gross premiums written NOK 542,2, up 21% from NOK 448,5m
- Net combined ratio, 85,8% up from 81,5%
- Operating profit of NOK 174,5m, up from NOK 84,1m
- Return on investments NOK 111,6m (2.4%), up from NOK 19,4m (0.4%)

Financial highlights and key ratios

[1.000.000 NOK]	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013	
Gross premiums written	542,2	448,5	1 750,9	1 352,5	1 860,6	
Gross premiums earned	590,9	477,4	1 121,5	877,6	1 814,6	
Gross claims incurred	(473,2)	(354,4)	(945,2)	(704,2)	(1 450,6)	
Earned premiums, net of reinsurance	460,7	362,8	863,9	663,2	1 373,6	
Claims incurred, net of reinsurance	(387,8)	(288,8)	(731,3)	(544,3)	(1 133,5)	
Net commission income	23,8	18,6	86,6	75,6	94,3	
Operating expenses	(31,1)	(25,6)	(72,6)	(59,6)	(151,3)	
Other income/costs	(2,7)	(2,3)	(5,1)	(5,1)	(9,5)	
Net financial income	111,6	19,4	195,4	97,3	256,7	
Operating profit before security provision etc	174,5	84,1	336,9	227,1	430,3	
Claims ratio, net of ceded business	(1)	84,2 %	79,6 %	84,7 %	82,1 %	82,5 %
Expense ratio, net of ceded business	(2)	1,6 %	1,9 %	-1,6 %	-2,4 %	4,1 %
Combined ratio, net of ceded business	(3)	85,8 %	81,5 %	83,0 %	79,7 %	86,7 %
Gross claims ratio	(4)	80,1 %	74,2 %	84,3 %	80,2 %	79,9 %
Gross expense ratio	(5)	6,0 %	5,9 %	7,0 %	7,3 %	8,8 %
Gross combined ratio	(6)	86,1 %	80,1 %	91,2 %	87,6 %	88,7 %
Retention rate	(7)	78,0 %	76,0 %	77,0 %	75,6 %	75,7 %
Solvency capital	(8)			1 459,3	1 173,0	1 335,3
Capital adequacy ratio (risk weighted)	(9)			19 %	23 %	20 %
Solvency margin	(10)			392 %	360 %	315 %
Earnings per share	(11)	1,60	0,67	2,84	1,66	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 542,2m in Q2, corresponding to an increase of 21% (both in NOK and local currencies). Gross premiums earned increased by NOK 113,5m to NOK 590,9m. Premiums earned for own account were NOK 460,7m, an increase of 27% compared to Q2 2013.

In H1, gross written premiums rose by NOK 398,3m, or 29% (27 % in local currencies) from NOK 1.352,5m to NOK 1.750,9m. Gross premiums earned increased by NOK 243,9m to NOK 1.121,5, whilst premiums earned for own account increased by 30 % to NOK 863,9m..

Gross written premiums in Norway in Q2 amounted to NOK 479,7m compared to NOK 428,3m in Q2 2013, corresponding to a 12 % growth. In H1, gross written premiums totalled NOK 1.298,1m compared to NOK 1.129,5m in H1 2013, corresponding to a 15 % growth.

In Q2, gross written premiums within the Norwegian commercial and public lines of business totalled NOK 324,5m, a 12% growth compared to Q2 2013. Both business from the municipality sector and the commercial sector contributed well to the Q2 growth. The company experienced very good access to quotations and the hit-ratio within the commercial sector is improving. On the other side, rate pressure leads to a reduced hit-ratio within the personal lines of business. The renewal rate was 99%, which was in line with the renewal rate in Q2 2013. In H1, gross written premiums totalled NOK 1.042,1m compared to NOK 908m in H1 2013, representing a growth of 15%. The renewal rate was 96%.

The premium income within change of ownership insurance in Q2, was NOK 155,2m, a 12 % growth compared to Q2 2013. The growth comes as a result of a 9% increase in number of policies sold, along with a slightly increase in the real estate prices. In H1, gross written premiums totalled NOK 255,9m compared to NOK 221,5m in H1 2013.

Gross premiums written in Sweden and Denmark totalled NOK 62,6m in Q2, compared to NOK 20,3m in Q2 2013, representing a growth of 209% (173% in local currencies). In H1, the gross premiums written totalled NOK 452,8m, compared to NOK 223,0m in H1 2013, corresponding to a growth of 103% (79% in local currencies). The growth in Sweden and Denmark represents 9 percentage points of total company growth in Q2 and 17 percentage points of the company growth in H1. Sweden and Denmark achieved acceptable renewal rates of 86% in Q2 (strong in Sweden and some weaker in Denmark) and strong 99 % in H1.

Results

In Q2, the operating profit before changes in security provisions and tax totalled NOK 174,5m, up from NOK 84,1m in Q2 2013. The increase is driven by a strong technical result and a very strong investment result. In H1, the operating result was NOK 336,9m, against NOK 227,1m in H1 2013. In H1, the return on company's average solvency capital was 20%.

In Q2 the net profit was NOK 129,3m, compared to NOK 57,6m in Q2 2013. For H1 2014, the net profit totalled NOK 227,7m, compared to NOK 141,9m in H1 2013.

The combined ratio net was in Q2 85,8%, 4,3 percentage points higher than the 81,5% reported in Q2 2013. The increase is driven by an increase in the net claims ratio. In H1, the net combined ratio was 83,0%, compared to 79,7% in H1 2013.

Net claims ratio was 84,2%, up from 79,6% in Q2 2013, whilst gross claims ratio in Q2 was 80,1%, up from 74,2% in Q2 2013. In Q2, the company had run-off-losses of 4,2% against 5% gains in Q2 2013. All products within the commercial & public lines in Norway are doing well, whilst some reserve strengthening has been needed within accident to be in line with the FSA minimum requirements. In Q2, the company experienced 1 large claim in Sweden and some reserve strengthening. The claims development in Sweden and Denmark is slightly behind schedule. In H1, the net claims ratio on company level was 84,7% compared to 82,1% in H1 2013.

Both the gross and the net cost ratio were relatively stable for Q2 compared to Q2 2013. Increased manning costs have been off-set by increased premiums. The gross cost ratio was 6,0% slightly up from 5,9% in Q2 2013. The net cost ratio was 1,6%, slightly down from 1,9% in Q2 2013. The staffing has increased in all three countries, but the tempo in recruiting new employees has now slowed down. Average number of employees was in Q2 170 up from 139 in Q2 2013. Net cost ratio in H1 was -1,6% compared to -2,4% in H1 2013. The low net cost ratios are due to a high level of reinsurance commissions,

Investment return

The investment portfolio amounted to a total of NOK 4,76b at 30 June 2014, up 26% compared to the portfolio end of Q2 2013.

In Q2, investment activities yielded a total return of NOK 111,6m or 2,4% compared to a return of NOK 19,4m or 0,4% in Q2 2013. Equities accounted for a gain of NOK 49,5m (8,4%) against a loss of NOK 4,8m loss (-1,2%) in Q2 2013. Return on the fixed income portfolio totalled NOK 62,2m or 1,5% against NOK 24,2m or 0,6% in Q2 2013.

In H1, the investment result was NOK 195,4m (4,4%) against NOK 97,3m (2,7%) in H1 2013. Equities accounted for a NOK 64,7m gain (11,7%) against a NOK 18,9m gain (5,3%) in H1 2013. Return on the fixed income portfolio totalled NOK 130,7m or 3,3% against NOK 78,4m or 2,4% in H1 2013. End of Q2, 10,4% of Protector's financial assets were invested in equities.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q2 decreased by NOK 2,9m to NOK 1.459,3m. The decrease is due to the dividend-pay-out (NOK 144,5m) in May. In H1, the solvency capital has increased by NOK 154m.

End of H1 the capital adequacy ratio was 14%, against a minimum requirement of 8%. Including the result for H1 the capital adequacy ratio was 19%.

Risk factors

Protector is exposed to various types of risk through its business. Continuous monitoring and active risk management is an integrated core area in Protector's activities and organisation. Claims development and substantial changes in capital markets are regarded as the most important risk factors that could affect the company's profit in the next six months.

Prospects

The Board of Directors is satisfied with the premium growth and the operating profit 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, 10 July 2014

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000.000 NOK]	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Premium income					
Gross written premiums	542,2	448,5	1 750,9	1 352,5	1 860,6
Ceded insurance premiums	(131,9)	(102,2)	(422,1)	(351,9)	(432,1)
Change in provisions for unearned premiums	48,6	28,9	(629,3)	(474,9)	(46,0)
Change in reinsurers' share of provisions for unearned premiums	1,7	(12,4)	164,4	137,5	(9,0)
Earned premiums, net of reinsurance	460,7	362,8	863,9	663,2	1 373,6
Allocated return on investment transferred from non-technical account	15,3	9,8	29,1	20,4	47,4
Other income	0,9	0,9	1,8	1,5	3,4
Claims incurred					
Claims paid	(308,9)	(274,6)	(623,9)	(478,7)	(940,3)
Reinsurers' share of paid claims	80,8	59,3	149,8	103,4	215,4
Change in provisions for claims	(164,3)	(79,8)	(321,2)	(225,5)	(510,2)
Change in reinsurers' share of claims provisions	4,6	6,3	64,1	56,4	101,7
Claims incurred, net of reinsurance	(387,8)	(288,8)	(731,3)	(544,3)	(1 133,5)
Operating expenses					
Sales costs	(4,2)	(2,6)	(5,4)	(4,8)	(7,5)
Administration costs	(31,1)	(25,6)	(72,6)	(59,6)	(151,3)
Commission from reinsurers	28,0	21,2	92,0	80,4	101,9
Total operating expenses, net of reinsurance	(7,3)	(7,0)	14,0	16,0	(56,9)
Other expenses	(0,9)	(0,8)	(1,8)	(1,7)	(3,0)
Technical result before changes in security provision etc.	80,8	76,9	175,7	155,2	230,8
Changes in security provision etc.	(12,3)	(2,4)	(40,8)	(43,3)	(54,8)
Technical result	68,5	74,5	134,9	111,9	176,0
Net income from financial assets	111,6	19,4	195,4	97,3	256,7
Allocated return on investment transferred to technical account	(15,3)	(9,8)	(29,1)	(20,4)	(47,4)
Other income	0,3	0,5	0,9	1,1	2,2
Other costs	(3,0)	(2,9)	(5,9)	(6,0)	(12,1)
Non-technical result	93,7	7,1	161,2	71,9	199,5
Profit before tax	162,2	81,7	296,1	183,8	375,5
Tax	(30,1)	(26,3)	(61,2)	(46,7)	(88,5)
Profit before components of comprehensive income	132,1	55,4	234,9	137,2	287,0
Actuarial gain and loss from defined benefit pension plans- benefits to employees	-	-	-	-	(7,1)
Currency changes from foreign enterprise	(4,0)	3,1	(10,0)	6,6	15,1
Taxes on components of comprehensive income	1,1	(0,9)	2,8	(1,8)	(2,3)
Profit for the period	129,3	57,6	227,7	141,9	292,6
Earnings per share	1,60	0,67	2,84	1,66	3,47
Earnings per share, diluted	1,60	0,67	2,84	1,66	3,47

Balance Sheet

[1.000.000 NOK]	30.06.2014	30.06.2013	31.12.2013
Assets			
Intangible fixed assets			
Other intangible fixed assets	11,5	10,2	11,2
Total intangible fixed assets	11,5	10,2	11,2
Financial assets			
Shares	490,9	384,8	529,0
Securities, bonds etc	4 259,5	3 402,8	3 422,9
Other financial assets	13,2	5,8	47,9
Total financial assets	4 763,7	3 793,4	3 999,8
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	258,7	214,4	81,4
Reinsurers share of gross claims provisions	387,4	278,2	324,5
Total reinsurers share of gross technical provisions	646,1	492,5	405,9
Receivables			
Policyholders	75,3	57,6	39,5
Intermediaries	96,4	83,4	44,4
Other receivables	13,2	6,6	18,7
Total receivables	184,9	147,6	102,6
Other assets			
Tangible fixed assets	8,8	9,2	8,5
Cash and bank deposits	161,4	112,0	153,3
Total other assets	170,2	121,1	161,8
Total prepaid expenses	82,3	65,4	62,8
Total assets	5 858,7	4 630,1	4 744,1

Balance Sheet

[1.000.000 NOK]	30.06.2014	30.06.2013	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	19,2	20,4	15,4
Guarantee scheme	66,0	57,6	61,6
Other equity	687,7	461,1	612,7
Total earned equity	772,9	539,0	689,7
Total equity	860,3	626,5	777,2
Subordinated loan capital	148,1	148,1	148,1
Technical provisions			
Provisions for unearned premiums	905,6	703,8	275,5
Provisions for claims	2 852,5	2 247,3	2 535,1
Security provision etc.	598,9	546,5	558,1
Total technical provisions	4 357,0	3 497,6	3 368,8
Provisions for other risks and liabilities			
Pension liabilities	8,6	11,7	8,6
Deferred tax liability	34,2	17,4	21,8
Total provisions for other risks and liabilities	42,8	29,1	30,4
Liabilities			
Liabilities in connection with insurance	18,4	13,4	17,3
Liabilities in connection with reinsurance	263,5	218,8	182,4
Other liabilities	112,3	52,8	112,0
Total liabilities	394,1	285,0	311,7
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	56,3	43,8	107,9
Total incurred expenses and prepaid income	56,3	43,8	107,9
Total equity and liabilities	5 858,7	4 630,1	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 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
Dividend pay out						(144,5)	(144,5)
Profit for the period				3,6	2,3	123,4	129,3
Equity at 30.06.2014	86,2	(3,6)	4,8	19,2	66,0	687,7	860,3

Cash flow statement

[1.000.000 NOK]	Q2 2014	Q2 2013	H1 2014	H1 2013	FY 2013
Net cashflow from operational activities	48,7	106,8	880,3	625,6	791,5
Net invested in financial assets	47,0	(94,4)	(752,0)	(603,7)	(675,4)
Net cashflow from investment activities	7,8	(3,5)	(4,4)	(5,2)	(9,9)
Net cashflow from financial activities	(147,6)	(102,0)	(150,4)	(105,1)	(111,1)
Net change in cash and cash equivalents	(44,1)	(93,1)	(26,6)	(88,4)	(5,0)
Cash and cash equivalents at the beginning of the period	218,6	210,9	201,2	206,2	206,2
Cash and cash equivalents at the end of the period	174,6	117,7	174,6	117,7	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	117	374	-	491
Bonds and other fixed income securities	NOK	382	3 873	5	4 260
Bank deposits	NOK	13	-	-	13
Total assets Q2 2014		512	4 247	5	4 764
Total assets Q2 2013		1 184	2 605	5	3 793

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

[1.000.000 NOK]	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Gross premiums written	542,2	1 208,6	237,7	270,4	448,5	904,0	198,2	251,6	398,7
Gross premiums earned	590,9	530,7	468,4	468,6	477,4	400,2	375,6	374,9	386,3
Gross claims incurred	(473,2)	(472,0)	(362,4)	(384,0)	(354,4)	(349,8)	(327,1)	(276,1)	(312,1)
Earned premiums, net of reinsurance	460,7	403,2	352,5	357,9	362,8	300,4	279,5	281,6	299,6
Claims incurred, net of reinsurance	(387,8)	(343,5)	(291,9)	(297,3)	(288,8)	(255,5)	(259,3)	(223,6)	(241,8)
Total operating expenses, net of reinsurance	(7,3)	21,3	(36,0)	(36,9)	(7,0)	23,0	(24,0)	(18,3)	0,2
Other income/costs	(2,7)	(2,4)	(1,8)	(2,6)	(2,3)	(2,8)	(0,7)	(2,8)	(2,2)
Net income from financial assets	111,6	83,8	83,9	75,6	19,4	77,9	61,2	87,8	7,9
Operating profit before changes in security provision	174,5	162,4	106,6	96,7	84,1	143,0	56,7	124,6	63,6
Changes in security provision etc.	(12,3)	(28,5)	19,6	(31,2)	(2,4)	(40,9)	(96,7)	(29,0)	(8,9)
Profit before tax	162,2	133,9	126,2	65,5	81,7	102,1	(40,0)	95,6	54,6
Tax	(30,1)	(31,1)	(32,4)	(9,5)	(26,3)	(20,4)	13,6	(17,5)	(21,4)
Profit before components of comprehensive income	132,1	102,8	93,8	56,0	55,4	81,8	(26,4)	78,0	33,3
Components of comprehensive income	(4,0)	(6,0)	(2,0)	3,4	3,1	3,5	12,4		
Taxes on components of comprehensive income	1,1	1,6	0,5	(1,0)	(0,9)	(1,0)	(3,5)		
Profit for the period	129,3	98,4	92,3	58,4	57,6	84,3	(17,5)	78,0	33,3
Key ratios									
Claims ratio, net of ceded business	84,2 %	85,2 %	82,8 %	83,1 %	79,6 %	85,0 %	92,8 %	79,4 %	80,7 %
Expense ratio, net of ceded business	1,6 %	-5,3 %	10,2 %	10,3 %	1,9 %	-7,6 %	8,6 %	6,5 %	-0,1 %
Combined ratio, net of ceded business	85,8 %	79,9 %	93,0 %	93,4 %	81,5 %	77,4 %	101,3 %	85,9 %	80,7 %
Gross expense ratio	6,0 %	8,1 %	10,0 %	10,1 %	5,9 %	9,1 %	10,0 %	8,4 %	4,9 %

Protector Forsikring ASA

- The Board of Directors and the CEO's statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2014 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 10 July 2014

The Board of Directors of Protector Forsikring ASA

Jostein Sørvoll
(Chairman)

Erik G. Braathen

Else Bugge Fougner

Jørgen Stenshagen

Randi Helene Røed

Marianne Kvanvik

Fredrik Øyan

Sverre Bjerkeli
(CEO)