

Interim report Q4 2008

Highlights 2008

Continued premium growth, acceptable combined ratio and weak investment income.

2008 shows following development compared to 2007:

- Gross premiums written NOK 729m, up 10% from NOK 665m
- Operating profit of NOK 9.4m, down from NOK 100.1m
- Net combined ratio 94.9%, up from 85.9%
- Return on investments -2.1%, down from 3.8%

Due to the company's strong financial position and solid position in the market, the board will consider to propose to the general meeting that a dividend be paid to the shareholders, with the figure of NOK 0.35 per share proposed.

Financial highlights and key ratios

[1.000 NOK]	2008	2007	Q4 2008	Q4 2007
Gross premiums written	728 997	664 941	92 950	125 808
Gross premiums earned	720 491	649 635	166 747	173 454
Gross claims incurred	(549 069)	(533 555)	(157 481)	(147 196)
Earned premiums, net of reinsurance	592 370	375 778	113 612	107 521
Claims incurred, net of reinsurance	(477 063)	(268 807)	(95 577)	(76 694)
Net commission income	32 727	47 125	3 236	3 129
Operating expenses	(117 921)	(101 070)	(34 567)	(30 615)
Other income/costs	7 537	6 926	1 296	1 733
Net financial income	(28 217)	40 152	(36 810)	11 456
Operating profit before security provision etc	9 433	100 104	(48 810)	16 529
Claims ratio, net of ceded business	(1) 80,5 %	71,5 %	84,1 %	71,3 %
Expense ratio, net of ceded business	(2) 14,4 %	14,4 %	27,6 %	25,6 %
Combined ratio, net of ceded business	(3) 94,9 %	85,9 %	111,7 %	96,9 %
Retention rate	(4) 82,2 %	57,8 %	68,1 %	62,0 %
Solvency capital	(5) 539 020	642 572		
Capital adequacy ratio (risk weighted)	(6) 38 %	121 %		
Operating profit before security provision etc per share	(7) 0,10	1,06	(0,57)	0,16

- (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 in % of risk weighted assets
(7) Operating profit before security provision etc. divided by weighted number of shares

Premiums

In 2008 gross premiums written increased by 10% to a total of NOK 729m. Gross premiums written within the commercial and public sector totalled NOK 363.7m, a 35% growth relatively to 2007. Protector has noted strong competition in the upper segment of the market through out the year. The hit-ratio on major bids in 2008 (bids over NOK 3m) has been less than 10%. The scenario of strong competition in the upper segment is expected to continue in 2009. Within the affinity segment, gross premiums written amounted to NOK 365.2m compared to NOK 395m in 2007. Lower turn-over rate in the estate market hits the premium income within change of ownership insurance, the company's largest affinity programme. Premium income within change of ownership insurance totalled NOK 263m in 2008, down 11% relatively to 2007. A slow estate market is expected to continue through Q1 and Q2 2009.

Gross premiums earned increased by NOK 70.8m to a total of NOK 720.5m. Premiums earned for own account totalled NOK 592.4m, corresponding to a growth of 57.6% compared to 2007. The growth is driven by an increased retention level.

In Q4 2008, gross premiums written totalled NOK 93m against NOK 125.8 in Q4 2007. Gross premiums written within the commercial/public sector totalled NOK 21.1m, up 4% compared to Q4 2007. Within the affinity segment, gross premiums written totalled NOK 71.8m, a 32% decline relatively to Q4 2007 due to a lower turnover rate in the estate market. Premiums earned for own account totalled NOK 113.6m, corresponding to growth of 6% over the same period in 2007.

With effect from April 1st 2008, new policies sold within change of ownership are on risk at the date when the purchase contract of the property is signed, and not as earlier at the takeover date. The product change gives 4-6 weeks in extra premium in 2008, corresponding to NOK 14m.

Change in reinsurance structure

Through 2008 the retention level increased from 57.8% in 2007 to 82.2% with minor effect on the operating result and solvency capital.

Results

Operating profit before changes in security provisions etc. and taxes amounted to NOK 9.4m in 2008, compared to NOK 100.1m in 2007. In Q4 2008, the operating result was negative by NOK 48.8m, compared to a profit of NOK 16.5m in Q4 2007. The decline in operating profit is driven by weak financial results in the second half of 2008, due to the turmoil in the financial markets.

In 2008, the combined ratio net was 94.9%, compared with 85.9% in 2007. Net claims ratio was 80.5% compared to 71.5% the year-earlier period.

The combined ratio net was in Q4 111.7%, 14.8 percentage points higher than the 96.9% reported in the year-earlier period. The poor result is mainly driven by higher costs (as always in Q4 due to the portfolio mix and a lack of reinsurance commission in Q4) and higher claims level. Net claims ratio was 84.1% up from 71.3% in Q4 2007.

Within the commercial and public sector the technical result in Q4 and year-to-date is satisfactory. Within the affinity segment the technical result is weak both in Q4 and year-to-date.

Investment return

The investment portfolio amounted to a total of NOK 1.22b at 31 December. In 2008, investment activities yielded a total negative return of NOK 28.2m compared with a positive return of NOK 40.2m in 2007. The decline was primarily attributable to a loss in the value of equities of NOK 77.5m in aggregate, against a NOK 1.7m gain in 2007.

In the fourth quarter of 2008, the investment result amounted to a net loss of NOK 36.8m against a net profit of NOK 11.5m in the same period of 2007. Equities accounted for a NOK 49.8m loss in the fourth quarter of 2008 against a NOK 2.4m loss in Q4 2007.

End of 2008 16.8% of Protector's financial assets were invested in equities. The weight of equity investments end of 2007 was 13.3%.

Capital and shareholder issues

By year-end 2008 the company had a capital adequacy of 38%, which exceeds the minimum requirement by NOK 236m. Excess coverage above the required solvency margin capital amounted to NOK 272m by end of 2008, corresponding to 251% of the requirement.

In 2008 Protector has purchased a total of 14.762.900 own shares at an average price of NOK 7.23. The share capital has in 2008 been reduced by NOK 17.208.447 by means of the cancellation of 17.208.447 own shares. End of Q4, the company has no holding of treasury shares.

Based on the company's strong financial situation and solid position in the market the board will suggest to the general meeting a future profit distribution strategy. The board will consider proposing to the general meeting that a dividend of NOK 0.35 per share be paid for the 2008 fiscal year. The possible dividend is included in other equity in the preliminary balance sheet per 31.12.2008.

The Board of Directors holds a mandate granted by Protector's EGM October 8th 2008 to purchase up to 8.615.560 own shares. The authorization is valid until the AGM in 2009.

Prospects

The Board is satisfied with the premium growth and the combined ratio for 2008. A slow real estate market is expected to continue in first half of 2009 and will influence volume development negatively. A cost cut program has been implemented with an expected effect of NOK 15m in 2009 growing to NOK 20m in 2010. Despite the challenging market, the Board expects continued growth and an improved technical result in 2009.

Oslo, February 25th 2009

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000 NOK]	Q4 2008	Q4 2007	2008	2007
Premium income				
Gross written premiums	92 950	125 808	728 997	664 941
Ceded insurance premiums	(12 285)	(23 657)	(101 070)	(266 559)
Change in provisions for unearned premiums	73 797	47 646	(8 506)	(15 307)
Change in reinsurers' share of provisions for unearned premiums	(40 851)	(42 276)	(27 051)	(7 297)
Earned premiums, net of reinsurance	113 612	107 521	592 370	375 778
Allocated return on investment transferred from non-technical account	7 038	4 714	30 554	15 528
Claims incurred				
Claims paid	(124 937)	(84 118)	(419 335)	(307 086)
Reinsurers' share of paid claims	44 863	37 601	156 910	152 091
Change in provisions for claims	(32 544)	(63 078)	(129 734)	(226 468)
Change in reinsurers' share of claims provisions	17 042	32 900	(84 903)	112 657
Claims incurred, net of reinsurance	(95 577)	(76 694)	(477 063)	(268 807)
Operating expenses				
Sales costs	(871)	(2 344)	(11 952)	(13 215)
Administration costs	(34 567)	(30 615)	(117 921)	(101 070)
Commission from reinsurers	4 106	5 473	44 678	60 340
Total operating expenses, net of reinsurance	(31 331)	(27 487)	(85 194)	(53 945)
Technical result before changes in security provision etc.	(6 258)	8 054	60 667	68 554
Changes in security provision etc.	(21 647)	(31 210)	(54 828)	(51 891)
Technical result	(27 905)	(23 156)	5 839	16 663
Net income from financial assets	(36 810)	11 456	(28 217)	40 152
Allocated return on investment transferred to technical account	(7 038)	(4 714)	(30 554)	(15 528)
Other income	1 296	1 733	7 537	6 926
Non-technical result	(42 552)	8 476	(51 234)	31 550
Profit before tax	(70 457)	(14 681)	(45 395)	48 213
Tax	11 798	2 142	(9 730)	(10 533)
Profit before components of comprehensive income	(58 659)	(12 538)	(55 125)	37 680
Profit for the period	(58 659)	(12 538)	(55 125)	37 680
Earnings per share	(0,68)	(0,12)	(0,60)	0,40
Earnings per share, diluted	(0,66)	(0,12)	(0,58)	0,39

Balance Sheet

[1.000 NOK]	31.12.2008	31.12.2007
Assets		
Intangible fixed assets		
Goodwill	716	1 074
Other intangible fixed assets	4 960	2 422
Total intangible fixed assets	5 676	3 496
Financial assets		
Financial assets held to maturity	265 547	148 505
Equities etc.	204 791	151 666
Bonds etc.	636 547	848 044
Other financial assets	114 380	4 637
Total financial assets	1 221 266	1 152 851
Reinsurers share of gross technical provisions		
Reinsurers share of gross premium provisions	34 336	55 574
Reinsurers share of gross claims provisions	269 770	354 674
Total reinsurers share of gross technical provisions	304 106	410 248
Receivables		
Direct insurance receivables	42 128	33 433
Total receivables	42 128	33 433
Other assets		
Tangible fixed assets	3 709	3 658
Cash and bank deposits	37 216	91 214
Total other assets	40 925	94 872
Total prepaid expenses	6 785	13 820
Total assets	1 620 886	1 708 720
Equity and liabilities		
Shareholders' equity		
Share capital [86.155.605 shares]	86 156	103 364
Own shares	-	(2 452)
Share premium account	-	242 204
Other paid-in equity	10 171	6 645
Total paid-in equity	96 327	349 761
Earned equity		
Technical provisions	66 411	43 639
Other equity	223 307	151 024
Total earned equity	289 717	194 663
Total equity	386 044	544 424
Technical provisions		
Provisions for unearned premiums	97 559	89 053
Provisions for claims	774 983	645 248
Security provision etc.	152 976	98 148
Total technical provisions	1 025 517	832 450
Provisions for other risks and liabilities		
Pension liabilities	3 974	1 992
Deferred tax liability	28 161	18 431
Total provisions for other risks and liabilities	32 135	20 423
Liabilities		
Liabilities in connection with insurance	5 927	10 012
Liabilities in connection with reinsurance	152 221	276 883
Other liabilities	11 837	9 724
Total liabilities	169 985	296 619
Incurred expenses and prepaid income		
Other incurred expenses and prepaid income	7 205	14 804
Total incurred expenses and prepaid income	7 205	14 804
Total equity and liabilities	1 620 886	1 708 720

Cash flow statement

[1.000 NOK]	Q4 2008	Q4 2007	2008	2007
Net cashflow from operational activities	(74 120)	34 946	247 860	231 750
Net invested in financial assets	96 457	(51 282)	(81 661)	(457 320)
Net cashflow from investment activities	(2 546)	(20 072)	(110 455)	(29 622)
Net cashflow from financial activities	-	(319)	-	263 776
Net change in cash and cash equivalents	19 790	(36 728)	55 745	8 583
Cash and cash equivalents at the beginning of the period	131 806	132 579	95 851	87 268
Cash and cash equivalents at the end of the period	151 596	95 851	151 596	95 851

Notes to the interim accounts

NOTE 1 ACCOUNTING PRINCIPLES

These interim accounts have been prepared in accordance with Norwegian Accounting Standard (NRS) 11 on interim reporting, and in line with the accounting principles described in the annual report for 2007, with the following amendments: With effect from 1 January 2008 accounting regulations for Norwegian insurance companies was changed. The changes in the regulations were made to harmonize the valuation principles in the Norwegian regulations with International Financial Reporting Standards (IFRS) in certain areas. The most important changes to Protector were that the administration provision, natural perils fund and guarantee scheme was reclassified from liabilities (security provision etc) to equity (earned equity) as those provisions was not considered to satisfy the definition of a liability under IFRS. Comparable figures for 2007 are restated. The implementation effect in the balance sheet at 1 January 2007 was a reduction of security provisions etc of NOK 33.7 million, an increase in equity of NOK 24.3 million and an increase in the deferred tax liabilities of NOK 9.4 million. The comparable figures for profit after tax 2007 increased by NOK 19.4 million from NOK 18.3 million to NOK 37.7 million.

From January 1st 2008 Norwegian insurance companies were required to implement the classification and valuation principles of International Accounting Standard (IAS) 39 in relation to financial instruments. This is not considered to have any effect on the accounts of Protector other than reclassification of accrued interest as the relevant principles of valuation in IAS 39 agree with the existing accounting practice for Protector.

NOTE 2 RECONCILIATION OF CHANGES IN EQUITY

[1.000 NOK]	Share Capital	Own shares	Share Premium Account	Unreg. reductions in share premium account	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12 2006	81 792		136 991	(27 516)	1 769		53 544	246 581
Change in accounting principles						24 271		24 271
Equity at 01.01.2007	81 792		136 991	(27 516)	1 769	24 271	53 544	270 851
Change in accounting principles							(4 464)	(4 464)
Capital raising related to exercised subscription rights	1 432							1 432
Capital write-down			(27 516)	27 516				-
Profit for the period 01.01 - 31.03.						3 860	21 046	24 907
Equity at 31.03 2007	83 224	-	109 475	-	1 769	28 131	70 127	292 726
Option cost, effect on equity					2 810			2 810
Capital raising related to exercised options	140		188					328
Capital write-down				(109 475)			109 475	-
Private placement in May	20 000		242 374					262 374
Own shares		(750)					(9 517)	(10 267)
Profit for the period 01.04 - 30.06.						4 451	2 980	7 431
Equity at 30.06 2007	103 364	(750)	352 036	(109 475)	4 580	32 582	173 065	555 402
Option cost, effect on equity					868			868
Capital write-down			(109 475)	109 475				-
Private placement in May			(38)					(38)
Own shares		226					1 102	1 329
Profit for the period 01.07 - 30.09.						9 466	8 414	17 880
Equity at 30.09 2007	103 364	(524)	242 523	-	5 448	42 049	182 582	575 442
Option cost, effect on equity					1 197			1 197
Private placement in May			(319)					(319)
Own shares		(1 929)					(17 430)	(19 359)
Profit for the period						1 591	(14 128)	(12 538)
Equity at 31.12 2007	103 364	(2 452)	242 204	-	6 645	43 639	151 024	544 424
Option cost, effect on equity					1 215		-	1 215
Own shares		(5 222)					(36 637)	(41 859)
Profit for the period						12 372	(15 424)	(3 052)
Equity at 31.03 2008	103 364	(7 674)	242 204	-	7 860	56 011	98 963	500 728
Option cost, effect on equity					1 279			1 279
Own shares		(1 843)					(12 781)	(14 625)
Capital write-down			(242 204)				242 204	-
Profit for the period						3 134	37 624	40 758
Equity at 30.06 2008	103 364	(9 517)	-	-	9 139	59 145	366 009	528 140
Own shares	(7 674)	(17)					(42 606)	(50 297)
Profit for the period						5 761	(39 932)	(34 171)
Equity at 30.09 2008	95 690	(9 534)	-	-	9 139	64 906	283 471	443 671
Option cost, effect on equity					1 032			1 032
Own shares	(9 534)	9 534						-
Profit for the period						1 505	(60 164)	(58 659)
Equity at 31.12 2008	86 156	-	-	-	10 171	66 411	223 307	386 044