

Interim report for the first half of 2009

Strong premium growth and strong operating profit

H1 2009 shows following development compared to H1 2008:

- Gross premiums written NOK 603.1m, up 17% from NOK 516.9m
- Operating profit of NOK 127.5m, up 89% from NOK 67.4m
- Net combined ratio 96.1%, up from 93.8%
- Investment return of 8.8% up from 3%

Financial highlights and key ratios

[1.000 NOK]	Q2 2009	Q2 2008	YTD 2009	YTD 2008	FY 2008
Gross premiums written	215 048	198 372	603 070	516 878	728 997
Gross premiums earned	217 945	204 799	398 776	369 070	720 491
Gross claims incurred	(183 532)	(153 813)	(325 199)	(281 548)	(549 069)
Earned premiums, net of reinsurance	170 599	146 201	310 185	351 953	592 370
Claims incurred, net of reinsurance	(134 033)	(121 400)	(250 171)	(299 898)	(477 063)
Net commission income	3 785	10 025	18 859	25 612	32 727
Operating expenses	(31 546)	(27 031)	(66 763)	(55 955)	(117 921)
Other income/costs	1 433	1 966	3 066	3 807	7 537
Net financial income	86 408	46 438	112 356	41 863	(28 217)
Operating profit before security provision etc	96 648	56 199	127 532	67 381	9 433
Claims ratio, net of ceded business	(1) 78,6 %	83,0 %	80,7 %	85,2 %	80,5 %
Cost ratio, net of ceded business	(2) 16,3 %	11,6 %	15,4 %	8,6 %	14,4 %
Combined ratio, net of ceded business	(3) 94,8 %	94,7 %	96,1 %	93,8 %	94,9 %
Retention rate	(4) 78,3 %	71,4 %	77,8 %	95,4 %	82,2 %
Solvency capital	(5)		616 345	649 156	508 866
Capital adequacy ratio (risk weighted)	(6)		36 %	70 %	34 %
Operating profit before security provision etc per share	(7) 1,14	0,60	1,49	0,70	0,10

Premiums

Gross premiums written in H1 2009 totalled NOK 603.1m, representing 17% growth compared to H1 2008. Gross premiums earned increased by NOK 29.7m to a total of NOK 398.8m.

Gross premiums written in H1 within the commercial and public sector totalled NOK 397.7m, corresponding to a strong growth of 31% over H1 2008. The growth is strong despite the fact that we can see a continued increased competition, and a low hit-ratio, in the municipality sector and in the upper commercial segment.

Within the affinity segment, gross premiums written in H1 2009 amounted to NOK 205.4m compared to NOK 213.7m in H1 2008. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 119.3m, down 28% relatively to H1 2008. The decrease is mainly due to a lower turn over rate in the real estate market and a decrease in the number of properties offered for sale in the market.

In the second quarter of 2009, gross premiums written rose by NOK 16,7m, or 8% relatively to Q2 2008. Gross premiums written within the commercial/public sector totalled NOK 93.6m, up 55 % over Q2 2008. Within the affinity segment, gross premiums written totalled NOK 121.5m, down 14% relatively to Q2 2008. The underlying Q2 figures are better since Q2 2008 was positively influenced by a one-off growth within change of ownership insurance due to a product change.

Results

Operating profit before changes in security provision etc. and tax totalled NOK 127.5m, an improvement of NOK 60.2m relatively to H1 2008. The company's growth in premium income for own account requires higher security provisions, which in H1 increased by NOK 40.5m. In the second quarter, the operating profit was NOK 96.6m against NOK 56.2m in the same period in 2008. The performance is driven by continued volume increase, a strong investment return and an acceptable combined ratio.

The combined ratio net was in H1 96.1%, compared with 93.8% in H1 2008. Net claims ratio was 80.7% compared to 85.2% in H1 2008. In H1, net run-off losses amounted to NOK 22.4m compared to losses of NOK 36.8m in H1 2008. The run-off losses in H1 had a negative impact on the claims ratio of 7.2 percentage points. Commercial and public lines of business saw run-off gains of NOK 2m, while change of ownership insurance was strengthened with NOK 24.4m. The gross cost ratio remains stable at 17.7% despite one-off costs sized NOK 7m due to the Nemi-process and CEO's pension plan.

The combined ratio net was in Q2 94.8% and in line with last years result. Net claims ratio was 78.6% down from 83% in Q2 2008. Net run-off-losses in Q2 amounted to NOK 13.1m.

Investment return

The investment portfolio amounted to a total of NOK 1.49b at 30 June. In H1 2009, investment activities yielded a total return of NOK 112.4m compared with a return of NOK 41.9m in H1 2008. The increase was primarily attributable to a gain in the value of equities of NOK 81.3m in aggregate, against a NOK 17.4m gain in H1 2008.

In the second quarter of 2009, the investment result amounted to a net profit of NOK 86.4m against a net profit of NOK 46.4m in the same period of 2008. Equities accounted for a NOK 71m gain in the second quarter of 2009 against a NOK 33m gain in Q2 2008.

End of H1 2009 19.2% 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 H1 increased by NOK 107.5m to NOK 616.3m. End of H1 the capital adequacy ratio was 27%, against a minimum requirement of 8%.

The Board of Directors holds a mandate granted by Protector's AGM 15 April 2009 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2010. In Q2 the company has purchased 3.348.920 own shares at an average price of NOK 6 per share. End of H1 2009, the company has a holding of 3.348.920 own shares.

The AGM 15 April 2009 resolved to extend the exercise period for the outstanding employee options (3.244.334 options) to 28 August 2011. The options can be exercised every half year, respectively 28 August and 28 February each year. The strike price in the period is equal to the strike price 28 August 2009, NOK 7,75.

The AGM 15 April 2009 resolved to pay out a dividend of NOK 0,35 per share (totalling NOK 30.2m) for the fiscal year 2008. The dividend was paid out on 28 April 2009.

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 growth in premium income and operating profit and expects continued growth and an improved operating profit for the full year.

Oslo, 24 August 2009

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 2008.

Income statement

[1.000 NOK]	Q2 2009	Q2 2008	YTD 2009	YTD 2008	FY 2008
Premium income					
Gross written premiums	215 048	198 372	603 070	516 878	728 997
Ceded insurance premiums	(41 150)	(57 724)	(124 419)	(64 820)	(101 070)
Change in provisions for unearned premiums	2 897	6 427	(204 294)	(147 809)	(8 506)
Change in reinsurers' share of provisions for unearned premiums	(6 196)	(874)	35 828	47 703	(27 051)
Earned premiums, net of reinsurance	170 599	146 201	310 185	351 953	592 370
Allocated return on investment transferred from non-technical account	6 165	8 525	11 507	14 346	30 554
Claims incurred					
Claims paid	(94 418)	(112 022)	(192 698)	(212 545)	(419 335)
Reinsurers' share of paid claims	34 679	48 091	66 614	82 689	156 910
Change in provisions for claims	(89 113)	(41 792)	(132 500)	(69 003)	(129 734)
Change in reinsurers' share of claims provisions	14 820	(15 678)	8 414	(101 039)	(84 903)
Claims incurred, net of reinsurance	(134 033)	(121 400)	(250 171)	(299 898)	(477 063)
Operating expenses					
Sales costs	(2 286)	(1 785)	(3 839)	(9 788)	(11 952)
Administration costs	(31 546)	(27 031)	(66 763)	(55 955)	(117 921)
Commission from reinsurers	6 071	11 810	22 699	35 399	44 678
Total operating expenses, net of reinsurance	(27 761)	(17 006)	(47 903)	(30 343)	(85 194)
Technical result before changes in security provision etc.	14 971	16 320	23 617	36 058	60 667
Changes in security provision etc.	(32 608)	(8 239)	(40 504)	(22 868)	(54 828)
Technical result	(17 636)	8 080	(16 887)	13 190	5 839
Net income from financial assets	86 408	46 438	112 356	41 863	(28 217)
Allocated return on investment transferred to technical	(6 165)	(8 525)	(11 507)	(14 346)	(30 554)
Other income	1 433	1 966	3 066	3 807	7 537
Non-technical result	81 676	39 879	103 915	31 323	(51 234)
Profit before tax	64 040	47 959	87 029	44 514	(45 395)
Tax	4 369	(7 201)	(2 475)	(6 808)	(9 730)
Profit before components of comprehensive income	68 409	40 758	84 554	37 706	(55 125)
Profit for the period	68 409	40 758	84 554	37 706	(55 125)
Earnings per share	0,80	0,43	0,99	0,39	(0,60)
Earnings per share, diluted	0,78	0,42	0,95	0,38	(0,58)

Balance Sheet

[1.000 NOK]	30.06.2009	30.06.2008	31.12.2008
Assets			
Intangible fixed assets			
Goodwill	539	895	716
Other intangible fixed assets	6 220	2 213	4 960
Total intangible fixed assets	6 758	3 108	5 676
Financial assets			
Financial assets at amortised cost	246 730	211 053	265 547
Financial assets at fair value through profit or loss	1 246 885	1 104 546	955 719
Total financial assets	1 493 615	1 315 598	1 221 266
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	75 756	106 056	34 336
Reinsurers share of gross claims provisions	278 184	253 635	269 770
Total reinsurers share of gross technical provisions	353 940	359 691	304 106
Receivables			
Direct insurance receivables	116 338	80 014	42 128
Total receivables	116 338	80 014	42 128
Other assets			
Tangible fixed assets	3 372	3 618	3 709
Cash and bank deposits	117 244	90 044	37 216
Total other assets	120 616	93 662	40 925
Total prepaid expenses	791	26 519	6 785
Total assets	2 092 058	1 878 592	1 620 886
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	103 364	86 156
Own shares	(3 349)	(9 517)	-
Other paid-in equity	12 722	9 139	10 171
Total paid-in equity	95 528	102 985	96 327
Earned equity			
Technical provisions	81 715	59 145	66 411
Other equity	245 622	366 009	193 152
Total earned equity	327 337	425 154	259 563
Total equity	422 865	528 140	355 890
Technical provisions			
Provisions for unearned premiums	301 853	236 862	97 559
Provisions for claims	907 483	714 252	774 983
Security provision etc.	193 480	121 016	152 976
Total technical provisions	1 402 815	1 072 130	1 025 517
Provisions for other risks and liabilities			
Pension liabilities	6 604	1 992	3 974
Deferred tax liability	30 636	25 239	28 161
Total provisions for other risks and liabilities	37 240	27 231	32 135
Liabilities			
Liabilities in connection with insurance	1 307	4 732	5 927
Liabilities in connection with reinsurance	184 582	228 747	152 221
Other liabilities	38 016	13 174	41 991
Total liabilities	223 906	246 652	200 139
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	5 232	4 440	7 205
Total incurred expenses and prepaid income	5 232	4 440	7 205
Total equity and liabilities	2 092 058	1 878 592	1 620 886

Cash flow statement

[1.000 NOK]	Q2 2009	Q2 2008	YTD 2009	YTD 2008	FY 2008
Net cashflow from operational activities	(3 210)	75 285	235 121	212 068	250 188
Net invested in financial assets	(30 916)	(28 776)	(173 602)	(119 930)	(81 661)
Net cashflow from investment activities	(51 796)	(15 251)	(52 145)	(57 110)	(112 782)
Net change in cash and cash equivalents	(85 922)	31 259	9 374	35 027	55 745
Cash and cash equivalents at the beginning of the period	246 892	99 620	151 596	95 851	95 851
Cash and cash equivalents at the end of the period	160 970	130 878	160 970	130 878	151 596

Reconciliation of equity

[1.000 NOK]	Share Capital	Own shares	Share Premium Account	Other paid-in equity	Technical provisions	Other equity	Total
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					-
Dividend						(30 154)	(30 154)
Profit for the period					1 505	(60 164)	(58 659)
Equity at 31.12 2008	86 156	-	-	10 171	66 411	193 152	355 890
Option cost, effect on equity				1 252			1 252
Profit for the period					4 639	11 505	16 144
Equity at 31.03 2009	86 156	-	-	11 423	71 050	204 657	373 286
Option cost, effect on equity				1 299			1 299
Own shares		(3 349)				(16 779)	(20 128)
Profit for the period					10 665	57 745	68 409
Equity at 30.06.2009	86 156	(3 349)	-	12 722	81 715	245 622	422 865

Quarterly outline

[1.000 NOK]	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Gross premiums written	215 048	388 022	92 950	119 168	198 372	318 506	125 808	156 305	144 677
Gross premiums earned	217 945	180 831	166 747	184 674	204 799	164 271	173 454	180 434	157 088
Gross claims incurred	(183 532)	(141 667)	(157 481)	(110 040)	(153 813)	(127 735)	(147 196)	(107 508)	(177 153)
Earned premiums, net of reinsurance	170 599	139 585	113 612	126 805	146 201	205 752	107 521	109 983	86 478
Claims incurred, net of reinsurance	(134 033)	(116 138)	(95 577)	(81 588)	(121 400)	(178 498)	(76 694)	(78 142)	(70 973)
Total operating expenses, net of reinsurance	(27 761)	(20 143)	(31 331)	(23 520)	(17 006)	(13 337)	(27 487)	(20 356)	(13 675)
Other income	1 433	1 633	1 296	2 434	1 966	1 841	1 733	1 597	2 481
Net income from financial assets	86 408	25 948	(36 810)	(33 270)	46 438	(4 575)	11 456	16 251	6 725
Operating profit before changes in security provision	96 648	30 885	(48 810)	(9 138)	56 199	11 183	16 529	29 333	11 036
Changes in security provision etc.	(32 608)	(7 896)	(21 647)	(10 313)	(8 239)	(14 628)	(31 210)	(4 499)	(7 569)
Profit before tax	64 040	22 988	(70 457)	(19 451)	47 959	(3 446)	(14 681)	24 834	3 467
Tax	4 369	(6 844)	11 798	(14 720)	(7 201)	394	2 142	(6 954)	3 965
Net profit/loss	68 409	16 144	(58 659)	(34 171)	40 758	(3 052)	(12 538)	17 880	7 431
Key ratios									
Claims ratio, net of ceded business	78,6 %	83,2 %	84,1 %	64,3 %	83,0 %	86,8 %	71,3 %	71,0 %	82,1 %
Cost ratio, net of ceded business	16,3 %	14,4 %	27,6 %	18,5 %	11,6 %	6,5 %	25,6 %	18,5 %	15,8 %
Combined ratio, net of ceded business	94,8 %	97,6 %	111,7 %	82,9 %	94,7 %	93,2 %	96,9 %	89,6 %	97,9 %
Gross cost ratio	15,5 %	20,3 %	21,3 %	15,5 %	14,1 %	22,5 %	19,0 %	14,9 %	16,1 %

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 2009 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, August 24th 2009

The Board of Directors of Protector Forsikring ASA

Jostein Sørvoll
(Chairman)

Benedicte Bakke Agerup

Giuditta Cordero Moss

Erik G. Braathen

Jørgen Stang Heffermehl

Hege Gran

Tor-Åge Schei

Sverre Bjerkeli
(CEO)