

Interim report for the first half of 2008

Strong growth in premiums and earnings

H1 2008 shows following development compared to H1 2007:

- Gross premiums written NOK 516.9m, up 35 % from NOK 382.8m.
 - Product change within change of ownership insurance gives NOK 33m in extra volume, year-end effect NOK 20m.
- Operating profit of NOK 67.4m, up 24% from NOK 54.2m, best half-year ever
 - Net run-off-losses of 36.8m, up from NOK 6.5m
- Net combined ratio 93.8 %, up from 75.9%
- Investment return of 3% up from 1.2%

Financial highlights and key ratios

[1.000 NOK]	Q2 2008	Q2 2007	YTD 2008	YTD 2007	FY 2007	
Gross premiums written	198 372	144 677	516 878	382 828	664 941	
Gross premiums earned	204 799	157 088	369 070	295 747	649 635	
Gross claims incurred	(153 813)	(177 153)	(281 548)	(278 851)	(533 555)	
Earned premiums, net of reinsurance	146 201	86 478	351 953	158 275	375 778	
Claims incurred, net of reinsurance	(121 400)	(70 973)	(299 898)	(113 971)	(268 807)	
Net commission income	10 025	10 183	25 612	39 556	47 125	
Operating expenses	(27 031)	(23 858)	(55 955)	(45 658)	(101 070)	
Other income/costs	1 966	2 481	3 807	3 595	6 926	
Net financial income	46 438	6 725	41 863	12 444	40 152	
Operating profit before security provision etc	56 199	11 036	67 381	54 241	100 104	
Claims ratio, net of ceded business	(1)	83,0 %	82,1 %	85,2 %	72,0 %	71,5 %
Expense ratio, net of ceded business	(2)	11,6 %	15,8 %	8,6 %	3,9 %	14,4 %
Combined ratio, net of ceded business	(3)	94,7 %	97,9 %	93,8 %	75,9 %	85,9 %
Retention rate	(4)	71,4 %	55,1 %	95,4 %	53,5 %	57,8 %
Solvency capital	(5)			649 156	623 736	642 572
Capital adequacy ratio (risk weighted)	(6)			70 %	165 %	121 %
Operating profit before security provision etc per share	(7)	0,60	0,12	0,70	0,62	1,06

(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

Protector's operations

Protector Forsikring ASA is a general insurance company (P&C) operating in Norway only. 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 in H1 2008 totalled NOK 516.9m, representing a 35% growth compared to H1 2007. Premium growth within the commercial/ public sector was 46% and within affinity 22%. Premiums earned for own account totalled NOK 193.7m corresponding to growth of 122.4% over the same period in 2007. 58.6 percentage points of the growth is a one-off in Q1 2008, due to changes in the reinsurance structure. Premiums earned for own account, adjusted for the one-off, represented 70.2% of gross premiums earned compared to 53.5% in H1 2007. Protector will gradually increase the premiums retained for own account.

In the second quarter of 2008, gross premiums written rose by NOK 53,7m, or 37% relatively to Q2 2007. Gross premiums written within the commercial/public sector totalled NOK 60,2m, corresponding to growth of 40 % over Q2 2007. Within the affinity segment, gross premiums written totalled NOK 138,2m, a 36% growth relatively to Q2 2007. Premiums earned for own account totalled NOK 146.2m, corresponding to growth of 69% over the same period in 2007.

With effect from April 1st 2008, new change of ownership policies sold will be on risk at the date when the purchase contract of the property is signed, and not as earlier at the takeover date. This product change will give 4-6 weeks extra premium in 2008. In Q2, the effect is NOK 33m. At year-end, the effect will be approx. NOK 20m.

Change in reinsurance structure

With effect from January 1st 2008 Protector has reduced the level of risk transfer (at Dec 31 2007) by NOK 92.7m. The reduction in ceded business has no effect on the operating result or solvency capital. In the income statement, both the reinsurers' share of provisions for unearned premiums and the reinsurers' share of gross claims provisions are reduced by NOK 92.7m. In the balance sheet, the liabilities in connection with reinsurance are reduced by NOK 92.7m with a corresponding reduction of NOK 92.7m in the reinsurers' share of gross claims provisions.

Other changes in the reinsurance structure have a NOK 10m negative effect on the technical result in H1. However, the technical result in H2 will be improved with a corresponding amount.

Results

Operating profit before changes in security provision etc. and tax totalled NOK 67.4m, an improvement of NOK 13.1m relatively to H1 2007. The company's growth in premium income makes higher demands of statutory security provisions, which in H1 increased by NOK 22.9m. In the second quarter the operating profit was NOK 56.2m against NOK 11m in Q2 2007. The performance is driven by a strong growth in investment return in Q2 due to the sell off of the equity portfolio in May.

The combined ratio net was in H1 93.8%, compared with 75.9% in H1 2007. Net claims ratio was 85.2% compared to 72% in H1 2007. In H1, net run-off losses amounted to NOK 36.8m compared to losses of NOK 6.5m in H1 2007. The run-off losses in H1 had a negative impact on the claims ratio of 10.4 percentage points. Commercial and public lines of business saw run-off gains of NOK 10.2m, while change of ownership insurance was strengthened with NOK 46.9m to meet a continued expected growth in material and labour costs.

The combined ratio net was in Q2 94.7%, 3.2 percentage points lower than the 97.9% reported in the year-earlier period. Net run-off-losses in Q2 amounted to NOK 25.7m against run-off-losses of NOK 8.2m in Q2 2007. Net claims ratio was 83% up from 82.1% in Q2 2007. The run-off-losses had a negative impact on the claims ratio of 17.6 percentage points. Change of ownership insurance was strengthened by NOK 35.6 million, while commercial and public lines of business saw run-off gains of NOK 9.9 million.

Within the commercial and public sector the technical result in Q2 and H1 is acceptable. Within the affinity segment the technical result in Q2 and H1 is acceptable despite the run-off-losses within change of ownership insurance.

Investment return

The investment portfolio amounted to a total of NOK 1.3b at 30 June 2008. Investment activities yielded a total return of NOK 41.9m compared with NOK 12.4m in the first half of 2007.

The equity portfolio has been sold out during the second half of May and the equity weight in the total investment portfolio is end of H1 0%.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2008 increased by NOK 6.6m to NOK 649.2m. Purchase of own shares the first half of 2008 has a NOK 56.5m negative effect on the solvency capital.

The capital adequacy ratio was end of H1 70%, which exceeds the minimum requirement by NOK 364.6m.

Protector purchased 1.850.000 own shares in Q2 at an average price of NOK 7.91. In the first six months Protector has purchased a total of 7.071.900 shares at an average price of NOK 8. End of H1, Protector holds 9.517.447 own shares.

The AGM April 2nd 2008 resolved to reduce the share capital by NOK 7.674.047 by means of the cancellation of 7.674.047 own shares. The capital reduction was registered in the Register of Business Enterprises July 11th and new registered share capital is NOK 95.690.005.

The Board of Directors holds a mandate granted by Protector's AGM April 2nd 2008 to purchase up to 9.569.000 own shares. The authorization is valid until the next AGM in 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 revenues and expects an improved operating profit for the full year.

Oslo, August 27th 2008

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000 NOK]	Q2 2008	Q2 2007	YTD 2008	YTD 2007	FY 2007
Premium income					
Gross written premiums	198 372	144 677	516 878	382 828	664 941
Ceded insurance premiums	(57 724)	(59 290)	(64 820)	(210 501)	(266 559)
Change in provisions for unearned premiums	6 427	12 411	(147 809)	(87 081)	(15 307)
Change in reinsurers' share of provisions for unearned premium:	(874)	(11 320)	47 703	73 029	(7 297)
Earned premiums, net of reinsurance	146 201	86 478	351 953	158 275	375 778
Allocated return on investment transferred from non-technical account	8 525	3 584	14 346	6 508	15 528
Claims incurred					
Claims paid	(112 022)	(70 939)	(212 545)	(156 300)	(307 086)
Reinsurers' share of paid claims	48 091	31 674	82 689	88 278	152 091
Change in provisions for claims	(41 792)	(106 214)	(69 003)	(122 550)	(226 468)
Change in reinsurers' share of claims provisions	(15 678)	74 506	(101 039)	76 601	112 657
Claims incurred, net of reinsurance	(121 400)	(70 973)	(299 898)	(113 971)	(268 807)
Operating expenses					
Sales costs	(1 785)	(1 465)	(9 788)	(8 772)	(13 215)
Administration costs	(27 031)	(23 858)	(55 955)	(45 658)	(101 070)
Commission from reinsurers	11 810	11 648	35 399	48 328	60 340
Total operating expenses, net of reinsurance	(17 006)	(13 675)	(30 343)	(6 102)	(53 945)
Technical result before changes in security provision etc.	16 320	5 415	36 058	44 710	68 554
Changes in security provision etc.	(8 239)	(7 569)	(22 868)	(16 182)	(51 891)
Technical result	8 080	(2 154)	13 190	28 528	16 663
Net income from financial assets	46 438	6 725	41 863	12 444	40 152
Allocated return on investment transferred to technical	(8 525)	(3 584)	(14 346)	(6 508)	(15 528)
Other income	1 966	2 481	3 807	3 595	6 926
Non-technical result	39 879	5 621	31 323	9 532	31 550
Profit before tax	47 959	3 467	44 514	38 059	48 213
Tax	(7 201)	3 965	(6 808)	(5 721)	(10 533)
Profit before components of comprehensive income	40 758	7 431	37 706	32 338	37 680
Profit for the period	40 758	7 431	37 706	32 338	37 680
Earnings per share	0,43	0,08	0,39	0,37	0,40
Earnings per share, diluted	0,42	0,08	0,38	0,36	0,39

Balance Sheet

[1.000 NOK]	30.06.2008	30.06.2007	31.12.2007
Assets			
Intangible fixed assets			
Goodwill	895	1 253	1 074
Other intangible fixed assets	2 213	2 485	2 422
Total intangible fixed assets	3 108	3 739	3 496
Financial assets			
Financial fixed assets			
Bonds held to maturity	208 261	145 442	144 809
Financial current assets			
Shares	-	-	151 666
Bonds, money market funds	1 058 664	919 080	841 861
Other financial current assets	40 835	3 562	4 637
Total financial assets	1 307 761	1 068 084	1 142 973
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	106 056	135 539	55 574
Reinsurers share of gross claims provisions	253 635	318 693	354 674
Total reinsurers share of gross technical provisions	359 691	454 232	410 248
Receivables			
Direct insurance receivables	80 014	57 063	33 433
Total receivables	80 014	57 063	33 433
Other assets			
Tangible fixed assets	3 618	3 529	3 658
Cash and bank deposits	90 044	103 087	91 214
Pensionfunds	-	41	-
Total other assets	93 662	106 657	94 872
Total prepaid expenses and accrued interest	34 357	11 751	23 699
Total assets	1 878 592	1 701 526	1 708 720
Equity and liabilities			
Shareholders' equity			
Share capital [103.364.052 shares]	103 364	103 364	103 364
Own shares [9.517.447 shares]	(9 517)	(750)	(2 452)
Share premium account	-	352 036	242 204
Unregistered reductions in share premium account	-	(109 475)	-
Other paid-in equity	9 139	4 580	6 645
Total paid-in equity	102 985	349 755	349 761
Earned equity			
Funds etc.	82 146	45 253	60 610
Other equity	366 009	173 065	151 024
Deferred tax liability funds	(23 001)	(12 671)	(16 971)
Total earned equity	425 154	205 647	194 663
Total equity	528 140	555 402	544 424
Technical provisions			
Provisions for unearned premiums	236 862	160 828	89 053
Provisions for claims	714 252	541 330	645 248
Total security provision etc.	121 016	68 333	98 148
Total technical provisions	1 072 130	770 492	832 450
Provisions for other risks and liabilities			
Pension liabilities	1 992	-	1 992
Deferred tax liability	25 239	13 621	18 431
Total provisions for other risks and liabilities	27 231	13 621	20 423
Liabilities			
Liabilities in connection with insurance	4 732	13 599	10 012
Liabilities in connection with reinsurance	228 747	327 921	276 883
Other liabilities	13 174	16 704	9 724
Total liabilities	246 652	358 224	296 619
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	4 440	3 786	14 804
Total incurred expenses and prepaid income	4 440	3 786	14 804
Total equity and liabilities	1 878 592	1 701 526	1 708 720

Cash flow statement

[1.000 NOK]	Q2 2008	Q2 2007	YTD 2008	YTD 2007	FY 2007
Net cashflow from operational activities	75 285	113 500	212 068	155 960	231 750
Net invested in financial assets	(28 776)	(400 267)	(119 930)	(400 267)	(457 320)
Net cashflow from investment activities	(15 251)	-	(57 110)	264 133	(29 622)
Net cashflow from financial activities	-	262 701	-	19 381	263 776
Net change in cash and cash equivalents	31 259	(24 065)	35 027	87 268	8 583
Cash and cash equivalents at the beginning of the period	99 620	130 714	95 851	106 649	87 268
Cash and cash equivalents at the end of the period	130 878	106 649	130 878	106 649	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 was 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 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	Funds	Other equity	Deffered tax liability funds	Total
Equity at 31.12 2006	81 792		136 991	(27 516)	1 769		53 544		246 581
Change in accounting principles						33 710		(9 439)	24 271
Equity at 01.01.2007	81 792		136 991	(27 516)	1 769	33 710	53 544	(9 439)	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						5 361	21 046	(1 501)	24 907
Equity at 31.03 2007	83 224	-	109 475	-	1 769	39 071	70 127	(10 940)	292 726
Option cost, effect on equity					2 810				2 810
Capital raising related to exercised options	140		188						327,6
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.						6 182	2 980	(1 731)	7 431
Equity at 30.06 2007	103 364	(750)	352 036	(109 475)	4 580	45 253	173 065	(12 671)	555 402
Option cost, effect on equity					2 065				2 065
Capital write-down			(109 475)	109 475					-
Private placement in May			(357)						(357)
Own shares		(1 702)					(16 328)		(18 030)
Profit for the period 01.07 - 31.12.						15 357	(5 715)	(4 300)	5 342
Equity at 31.12 2007	103 364	(2 452)	242 204	-	6 645	60 610	151 024	(16 971)	544 424
Option cost, effect on equity					1 215		-		1 215
Own shares		(5 222)					(36 637)		(41 859)
Profit for the period						17 183	(15 424)	(4 811)	(3 052)
Equity at 31.03 2008	103 364	(7 674)	242 204	-	7 860	77 794	98 963	(21 782)	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						4 353	37 624	(1 219)	40 758
Equity at 30.06 2008	103 364	(9 517)	-	-	9 139	82 146	366 009	(23 001)	528 140

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 2008 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 27th 2008

The Board of Directors of Protector Forsikring ASA

Jostein Sørvoll
(Chairman)

Benedicte Bakke Agerup

Giuditta Cordero Moss

Jørgen Stang Heffermehl

Hege Gran

Tor-Åge Schei

Sverre Bjerkeli
(CEO)