

Interim report Q1 2011

(Unaudited)

Highlights Q1 2011

Strong growth and a strong combined ratio

Q1 2011 shows following development compared to Q1 2010:

- Gross premiums written NOK 522.7m, up 22% from NOK 427.9m
- Net combined ratio 82.7%, down from 90%
- Operating profit of NOK 57.6m, up from NOK 56.9m
- Return on investments NOK 22.6m (1%), down from NOK 39.4m (2.2%)

Financial highlights and key ratios

[1,000 NOK]	Q1 2011	Q1 2010	FY 2010
Gross premiums w ritten	522 718	427 914	1 010 991
Gross premiums earned	261 541	208 787	987 716
Gross claims incurred	(185 221)	(164 986)	(743 659)
Earned premiums, net of reinsurance	199 538	165 090	792 342
Claims incurred, net of reinsurance	(153 861)	(141 728)	(608 377)
Net commission income	28 138	28 852	23 896
Operating expenses	(39 306)	(35 643)	(149 772)
Other income/costs	508	983	(247)
Net financial income	22 563	39 359	176 184
Operating profit before security provision etc	57 579	56 913	234 026
Claims ratio, net of ceded business	(1) 77,1 %	85,8 %	76,8 %
Cost ratio, net of ceded business	(2) 5,6 %	4,1 %	15,9 %
Combined ratio, net of ceded business	(3) 82,7 %	90,0 %	92,7 %
Retention rate	(4) 76,3 %	79,1 %	80,2 %
Solvency capital	(5) 940 214	835 163	894 313
Capital adequacy ratio (risk w eighted)	(6) 18 %	28 %	20 %
Operating profit before security provision etc per share	(7) 0,70	0,66	2,83

(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) 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. 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.

Protector entered the Swedish municipality market 1 January 2011. End of Q1 Protector has nine municipalities on the customer list.

Premiums

Gross premiums written totalled NOK 522.7m, representing a 22% growth compared to Q1 2010. Gross premiums earned increased by NOK 52.8m to a total of NOK 261.5m. Premiums earned for own account was NOK 199.5m, an increase of 21% compared to Q1 2010. Premiums earned for own account in Q1 2011 represented 76.3% of gross premiums earned, compared to 79.1% in Q1 2010.

Gross premiums written within the commercial and public sector totalled NOK 395.7m, corresponding to a growth of 25% over Q1 2010. The renewal rate within the commercial and public lines of business was in Q1 85%, up from 78% in Q1 2010.

Within the affinity segment, gross premiums written amounted to NOK 127m compared to NOK 111.9m in Q1 2010. Premium income within change of ownership insurance, the company's largest affinity program, totalled NOK 71.6m, up 28% compared to Q1 2010. The increase is due to a higher turn-over-rate in the real estate market, higher real estate prices and a continued increased market share.

Results

Operating profit before changes in security provision and tax totalled NOK 57.6m, up from NOK 56.9m in Q1 2010. The increase in profit is driven by a strong technical result. The technical result was NOK 35m before allocation of interest and changes in security provision, against NOK 17.6m in Q1 2010.

The combined ratio net was in the first quarter 82.7%, 7.3 percentage points lower than the 90.0% reported in Q1 2010. The decrease is driven by a stronger claims result. Net claims ratio was 77.1%, down from 85.8% the year-earlier period. The decline is driven by a strong development within the commercial and public lines of business. A normalized winter (Q1 2010 was affected by the extraordinary cold winter) and a single contract with a very low claims ratio (4 percentage points positive effect on the claims ratio), drives the claims ratio downwards. In Q1, net run-off-losses amounted to NOK 11.6m compared to losses of NOK 9.7m in Q1 2010. The run-off-losses had a negative impact on the claims ratio of 5.8 percentage points.

Both the gross and net cost ratio are increasing despite the strong growth in premiums. The gross cost ratio was 19.8%, up from 18.5% in Q1 2010, and the net cost ratio was 5.6%, up from 4.1%. One single contract (with high commissions) has a 4.1 percentage points negative effect on the gross cost ratio and 4.5 percentage points negative effect on the net cost ratio.

Investment return

The investment portfolio amounted to a total of NOK 2,335m at 31 March 2011, up 23% compared to the portfolio end of Q1 2010.

In Q1, investment activities yielded a total return of NOK 22.6m or 1% compared to a return of NOK 39.4m or 2.2% in Q1 2010. Equities accounted for a gain of NOK 1.3m against a NOK 26.4m gain in Q1 2010.

End of Q1 2011, 21.4% 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 Q1 increased by NOK 45.9m to NOK 940.2m. End of Q1 2011 the capital adequacy ratio was 16%, against a minimum requirement of 8%.

The Board of Directors holds a mandate granted by Protector's AGM 27 April 2011 to purchase up to 8,615,560 own shares. The authorization is valid until the next AGM in 2012. End of Q1 Protector has a holding of 3 570 661 own shares, unchanged from year-end 2010.

The Board is by the AGM 27 April 2011 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2012. The aim is to simplify and speed up the process should it be necessary to expand the company's area of operation through acquisition against payment in shares or by otherwise increasing share capital by means of private placings.

The AGM on 27 April 2011 approved the payment of a dividend of NOK 1.50 per share. The dividend is payback of paid-in-capital. This pay-out will reduce the equity and solvency capital by NOK 123.9m in the second quarter.

Prospects

The Board is satisfied with the premium growth and the operating profit for the first quarter and expects in 2011 further growth and improved operating profit.

Oslo, 4 May 2011

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 2010.

Income statement

[1.000 NOK]	Q1 2011	Q1 2010	FY 2010
Premium income			
Gross written premiums	522 718	427 914	1 010 991
Ceded insurance premiums	(153 859)	(107 476)	(193 945)
Change in provisions for unearned premiums	(261 177)	(219 127)	(23 276)
Change in reinsurers' share of provisions for unearned premium	91 856	63 779	(1 429)
Earned premiums, net of reinsurance	199 538	165 090	792 342
Allocated return on investment transferred from non-technical account	11 158	9 123	34 989
Other income	1 332	983	3 681
Claims incurred			
Claims paid	(126 466)	(119 285)	(528 460)
Reinsurers' share of paid claims	19 730	34 541	160 156
Change in provisions for claims	(58 755)	(45 701)	(215 199)
Change in reinsurers' share of claims provisions	11 630	(11 283)	(24 874)
Claims incurred, net of reinsurance	(153 861)	(141 728)	(608 377)
Operating expenses			
Sales costs	(12 377)	(2 951)	(26 579)
Administration costs	(39 306)	(35 643)	(149 772)
Commission from reinsurers	40 515	31 803	50 475
Total operating expenses, net of reinsurance	(11 168)	(6 791)	(125 876)
Other expenses	(824)	-	(3 928)
Technical result before changes in security provision	46 175	26 677	92 831
Changes in security provision etc.	(7 064)	(7 117)	(92 207)
Technical result	39 111	19 560	624
Net income from financial assets	22 563	39 359	176 184
Allocated return on investment transferred to technical	(11 158)	(9 123)	(34 989)
Non-technical result	11 405	30 236	141 195
Profit before tax	50 515	49 796	141 818
Tax	(11 678)	(4 702)	(242)
Profit before components of comprehensive income	38 837	45 095	141 576
Profit for the period	38 837	45 095	141 576
Earnings per share	0,47	0,54	1,71
Earnings per share, diluted	0,47	0,53	1,67

Balance Sheet

[1.000 NOK]	31.03.2011	31.03.2010	31.12.2010
Assets			
Intangible fixed assets			
Goodwill	-	270	-
Other intangible fixed assets	9 654	8 729	9 554
Total intangible fixed assets	9 654	8 999	9 554
Financial assets			
Financial assets at amortised cost	-	222 482	-
Financial assets at fair value through profit or loss	2 334 979	1 676 547	2 021 520
Total financial assets	2 334 979	1 899 029	2 021 520
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	138 646	100 047	44 229
Reinsurers share of gross claims provisions	126 331	128 293	114 701
Total reinsurers share of gross technical provisions	264 977	228 340	158 931
Receivables			
Direct insurance receivables	79 774	50 328	65 896
Total receivables	79 774	50 328	65 896
Other assets			
Tangible fixed assets	3 490	3 159	3 512
Cash and bank deposits	133 538	118 875	99 924
Deferred tax benefit	-	-	3 080
Total other assets	137 028	122 035	106 515
Total prepaid expenses	23 060	35 601	23 575
Total assets	2 849 472	2 344 332	2 385 990
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(3 571)	(2 625)	(3 571)
Other paid-in equity	4 847	13 644	4 847
Total paid-in equity	87 432	97 174	87 432
Earned equity			
Technical provisions	172 317	141 629	164 805
Other equity	366 554	374 604	335 229
Total earned equity	538 871	516 232	500 034
Total equity	626 303	613 407	587 466
Technical provisions			
Provisions for unearned premiums	410 294	344 969	149 117
Provisions for claims	1 292 159	1 063 906	1 233 404
Security provision etc.	313 910	221 756	306 846
Total technical provisions	2 016 364	1 630 631	1 689 367
Provisions for other risks and liabilities			
Pension liabilities	8 388	9 289	8 388
Deferred tax liability	6 439	4 471	-
Total provisions for other risks and liabilities	14 827	13 760	8 388
Liabilities			
Liabilities in connection with insurance	6 505	4 932	7 277
Liabilities in connection with reinsurance	134 391	49 709	13 361
Other liabilities	23 609	18 594	29 084
Total liabilities	164 505	73 236	49 722
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	27 473	13 298	51 047
Total incurred expenses and prepaid income	27 473	13 298	51 047
Total equity and liabilities	2 849 472	2 344 332	2 385 990

Reconciliation of changes in equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12.2009	86 156	(3 349)	13 607	134 416	331 835	562 664
Option cost, effect on equity			37			37
Own shares, options struck		724			4 887	5 611
Profit for the period				7 213	37 882	45 095
Equity at 31.03.2010	86 156	(2 625)	13 644	141 629	374 604	613 407
Option cost, effect on equity			37			37
Dividend					(104 413)	(104 413)
Profit for the period				9 288	(41 863)	(32 575)
Equity at 30.06.2010	86 156	(2 625)	13 681	150 917	228 328	476 456
Option cost, effect on equity			38			38
Own shares, options struck		10			68	77,500
Own Shares		(956)			(8 334)	(9 289)
Profit for the period				8 088	68 911	76 999
Equity at 30.09.2010	86 156	(3 571)	13 719	159 005	288 973	544 281
Option cost, effect on equity			22			22
Cancellation option scheme			(8 893)			(8 893)
Profit for the period				5 800	46 257	52 057
Equity at 31.12.2010	86 156	(3 571)	4 847	164 805	335 229	587 466
Profit for the period				5 800	33 037	38 837
Equity at 31.03.2011	86 156	(3 571)	4 847	170 605	368 266	626 303

Cash flow statement

[1.000 NOK]	Q1 2011	Q1 2010	FY 2010
Net cashflow from operational activities	330 705	271 211	(186 818)
Net invested in financial assets	(233 429)	(227 888)	309 746
Net cashflow from investment activities	(1 654)	3 376	(11 917)
Net cashflow from financial activities	-	-	(104 413)
Net change in cash and cash equivalents	95 623	46 700	6 598
Cash and cash equivalents at the beginning of the period	115 213	108 615	108 615
Cash and cash equivalents at the end of the period	210 836	155 315	115 213

Quarterly outline Q1 2009 – Q1 2011

[1.000 NOK]	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Gross premiums written	522 718	162 560	189 250	231 267	427 914	126 470	141 834	215 048	388 022
Gross premiums earned	261 541	267 670	254 906	256 354	208 787	223 242	221 072	217 945	180 831
Gross claims incurred	(185 221)	(218 247)	(186 238)	(174 187)	(164 986)	(161 261)	(162 718)	(183 532)	(141 667)
Earned premiums, net of reinsurance	199 538	217 020	205 620	204 611	165 090	352 330	180 131	170 599	139 585
Claims incurred, net of reinsurance	(153 861)	(173 284)	(148 328)	(145 037)	(141 728)	(311 495)	(133 072)	(134 033)	(116 138)
Total operating expenses, net of reinsurance	(11 168)	(53 777)	(36 594)	(29 296)	(6 791)	(38 952)	(31 786)	(27 761)	(20 143)
Other income/costs	508	(2 281)	555	1 077	983	1 452	608	1 433	1 633
Net income from financial assets	22 563	107 410	68 133	(38 718)	39 359	62 759	49 311	86 408	25 948
Operating profit before changes in security provis	57 579	95 088	89 386	(7 362)	56 913	66 094	65 191	96 648	30 885
Changes in security provision etc.	(7 064)	(59 215)	(12 852)	(13 023)	(7 117)	(918)	(20 241)	(32 608)	(7 896)
Profit before tax	50 515	35 873	76 534	(20 385)	49 796	65 176	44 950	64 040	22 988
Tax	(11 678)	16 184	466	(12 190)	(4 702)	(5 881)	(1 073)	5 431	(2 268)
Net profit/loss	38 837	52 057	76 999	(32 575)	45 095	59 295	43 877	69 471	20 720
Key ratios									
Claims ratio, net of ceded business	77,1 %	79,8 %	72,1 %	70,9 %	85,8 %	88,4 %	73,9 %	78,6 %	83,2 %
Cost ratio, net of ceded business	5,6 %	24,8 %	17,8 %	14,3 %	4,1 %	11,1 %	17,6 %	16,3 %	14,4 %
Combined ratio, net of ceded business	82,7 %	104,6 %	89,9 %	85,2 %	90,0 %	99,5 %	91,5 %	94,8 %	97,6 %
Gross cost ratio	19,8 %	21,9 %	17,0 %	14,2 %	18,5 %	19,0 %	15,8 %	15,5 %	20,3 %