

# Interim report Q1 2012

(Unaudited)

## Highlights Q1 2012

### Best quarter ever

Q1 2012 shows following development compared to Q1 2011:

- Gross premiums written NOK 668.5m, up 28% from NOK 522.7m
- Net combined ratio 76.0%, down from 84.1%
- Operating profit of NOK 148.6m, up from NOK 54.8m
- Return on investments NOK 88.8m (3.5%), up from NOK 22.6m (1%)

End of Q1, the company made a successful placement of a Tier 2 bond (NOK 150m). The purpose of the placement is to strengthen the company's capital adequacy and solvency margin capital in a period where the company is growing strongly. The bond issue was effectuated in April.

### Financial highlights and key ratios

[1.000 NOK]	Q1 2012	Q1 2011	FY 2011
Gross premiums written	668 481	522 718	1 202 479
Gross premiums earned	327 494	261 541	1 176 965
Gross claims incurred	(238 080)	(187 999)	(839 243)
Earned premiums, net of reinsurance	246 779	199 538	903 478
Claims incurred, net of reinsurance	(197 814)	(156 638)	(670 290)
Net commission income	50 167	28 138	50 527
Operating expenses	(39 987)	(39 306)	(151 094)
Other income/costs	696	508	1 702
Net financial income	88 773	22 563	(51 388)
<b>Operating profit before security provision etc</b>	<b>148 614</b>	<b>54 802</b>	<b>82 935</b>
Claims ratio, net of ceded business	(1) 80,2 %	78,5 %	74,2 %
Cost ratio, net of ceded business	(2) -4,1 %	5,6 %	11,1 %
<b>Combined ratio, net of ceded business</b>	<b>(3) 76,0 %</b>	<b>84,1 %</b>	<b>85,3 %</b>
Retention rate	(4) 75,4 %	76,3 %	76,8 %
Solvency capital	(5) 866 917	865 937	741 288
Capital adequacy ratio (risk weighted)	(6) 20 %	18 %	19 %
Operating profit before security provision etc per share	(7) 1,80	0,66	1,00

(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 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

In Q1, gross premiums written totalled NOK 668.5m, representing a 28% growth compared to Q1 2011.

Gross premiums earned increased by NOK 66m to a total of NOK 327.5m. Premiums earned for own account totalled NOK 246.8m, an increase of 24% compared to Q1 2011.

Gross premiums written within the commercial and public sector totalled NOK 515.3 m, corresponding to a growth of 30% over Q1 2011. The strong growth is driven by new customers and a high renewal rate. New

business in Sweden and Denmark represented 10 percentage points of the growth. The renewal rate was in Q1 above 100%, up from 85% in Q1 2011.

Within the affinity segment, gross premiums written amounted to NOK 153.2m compared to NOK 127m in Q1 2011. Premium income within change of ownership insurance, the company's largest affinity program, totalled NOK 88.9m, up 24% compared to Q1 2011. The increase is mainly due to a higher turn-over-rate in the real estate market, higher real estate prices and increased hit-ratio.

## Results

The operating profit before changes in security provision and tax totalled NOK 148.6m, up from NOK 54.8m in Q1 2011. The increase in profit is driven by a strong technical and financial result. Net profit for Q1 2012 was NOK 113.8m, against a net profit of NOK 36m in Q1 2011.

The combined ratio net was in the first quarter 76.0%, 8.1 percentage points lower than the 84.1% reported in Q1 2011. The decrease is driven by a strong reduction in the net cost ratio.

Net claims ratio was 80.2%, up from 78.5% the year-earlier period. The increase is driven by a weaker development within the commercial and public lines of business. A single contract with a very low claims ratio was in Q1 not renewed and drives the claims ratio upwards with approx 3 percentage points. In Q1, the reserves were stable compared to losses of NOK 11.7m in Q1 2011.

Both the gross and net cost ratio are in Q1 reduced. The gross cost ratio was 12.9%, down from 19.8% in Q1 2011, and the net cost ratio was -4.1%, an improvement of 9.7 percentage points. The non renewal of a single contract (with high commissions) had a 2.3 percentage points positive effect on the gross cost ratio and 3.7 percentage points positive effect on the net cost ratio. Volume growth and scalability are driving the cost ratios downwards. A negative net cost ratio in Q1 is due to an increase in the commissions from the company's reinsurers. The commissions are including some profit sharing elements related to 2010/2011.

## Investment return

The investment portfolio amounted to a total of NOK 2,756m at 31 March 2012, an increase of 18% compared to the portfolio end of Q1 2011.

In Q1, investment activities yielded a total return of NOK 88.8m or 3.5% compared to a return of NOK 22.6m or 1% in Q1 2011. Equities accounted for a gain of NOK 57m against a NOK 1.3m gain in Q1 2011.

End of Q1 2012, 15% of Protector's financial assets were invested in equities, down from 17.8% end of 2011. The reduction is due to reallocation of NOK 63m from equities to bonds and allocation of all new capital to bonds.

## Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q1 increased by NOK 125.6m to NOK 866.9m. End of Q1 2012 the capital adequacy ratio was 14%, against a minimum requirement of 8%.

The company has end of Q1 made a successful placement of a 10 year Tier 2 loan, callable for issuer after 5 years. Gross proceeds are NOK 150m with a floating rate of 3 month NIBOR, plus 600 base points. The loan was issued in April and will be reflected in the company's balance sheet in Q2.

The Board of Directors holds a mandate granted by Protector's AGM 25 April 2012 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2013. End of Q1 Protector has a holding of 3 570 661 own shares, unchanged from year-end 2011.

The Board is by the AGM 25 April 2012 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2013. 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.

### Prospects

The Board is satisfied with the premium growth and the operating profit for the first quarter and expects in 2012 further growth and improved operating profit.

Oslo, 4 May 2012

*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 2011.

## Income statement

[1.000 NOK]	Q1 2012	Q1 2011	FY 2011
<b>Premium income</b>			
Gross written premiums	668 481	522 718	1 202 479
Ceded insurance premiums	(194 266)	(153 859)	(272 868)
Change in provisions for unearned premiums	(340 987)	(261 177)	(25 514)
Change in reinsurers' share of provisions for unearned premiums	113 551	91 856	(619)
<b>Earned premiums, net of reinsurance</b>	<b>246 779</b>	<b>199 538</b>	<b>903 478</b>
Allocated return on investment transferred from non-technical account	7 671	11 158	42 456
<b>Other income</b>	<b>2 585</b>	<b>1 332</b>	<b>5 810</b>
<b>Claims incurred</b>			
Claims paid	(163 050)	(126 466)	(537 633)
Reinsurers' share of paid claims	37 143	19 730	127 447
Change in provisions for claims	(75 030)	(61 532)	(301 610)
Change in reinsurers' share of claims provisions	3 123	11 630	41 506
<b>Claims incurred, net of reinsurance</b>	<b>(197 814)</b>	<b>(156 638)</b>	<b>(670 290)</b>
<b>Operating expenses</b>			
Sales costs	(2 287)	(12 377)	(25 592)
Administration costs	(39 987)	(39 306)	(151 094)
Commission from reinsurers	52 454	40 515	76 119
<b>Total operating expenses, net of reinsurance</b>	<b>10 180</b>	<b>(11 168)</b>	<b>(100 567)</b>
<b>Other expenses</b>	<b>(1 888)</b>	<b>(824)</b>	<b>(4 109)</b>
<b>Technical result before changes in security provision etc.</b>	<b>67 512</b>	<b>43 398</b>	<b>176 779</b>
Changes in security provision etc.	(11 836)	(7 064)	(49 921)
<b>Technical result</b>	<b>55 677</b>	<b>36 334</b>	<b>126 858</b>
Net income from financial assets	88 773	22 563	(51 388)
Allocated return on investment transferred to technical account	(7 671)	(11 158)	(42 456)
<b>Non-technical result</b>	<b>81 101</b>	<b>11 405</b>	<b>(93 844)</b>
<b>Profit before tax</b>	<b>136 778</b>	<b>47 738</b>	<b>33 014</b>
Tax	(22 985)	(11 682)	(40 587)
<b>Profit before components of comprehensive income</b>	<b>113 794</b>	<b>36 056</b>	<b>(7 573)</b>
<b>Profit for the period</b>	<b>113 794</b>	<b>36 056</b>	<b>(7 573)</b>
Earnings per share	1,38	0,44	(0,09)
Earnings per share, diluted	1,38	0,44	(0,09)

## Balance Sheet

[1.000 NOK]	31.03.2012	31.03.2011	31.12.2011
<b>Assets</b>			
<b>Intangible fixed assets</b>			
Other intangible fixed assets	9 892	9 654	9 720
<b>Total intangible fixed assets</b>	<b>9 892</b>	<b>9 654</b>	<b>9 720</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss	2 756 481	2 334 979	2 354 751
<b>Total financial assets</b>	<b>2 756 481</b>	<b>2 334 979</b>	<b>2 354 751</b>
<b>Reinsurers share of gross technical provisions</b>			
Reinsurers share of gross premium provisions	174 710	138 646	56 334
Reinsurers share of gross claims provisions	159 330	126 331	156 207
<b>Total reinsurers share of gross technical provisions</b>	<b>334 040</b>	<b>264 977</b>	<b>212 541</b>
<b>Receivables</b>			
Direct insurance receivables	114 773	79 774	69 774
<b>Total receivables</b>	<b>114 773</b>	<b>79 774</b>	<b>69 774</b>
<b>Other assets</b>			
Tangible fixed assets	4 181	3 490	4 297
Cash and bank deposits	119 119	133 538	112 685
Deferred tax benefit	-	-	3 302
<b>Total other assets</b>	<b>123 300</b>	<b>137 028</b>	<b>120 284</b>
<b>Total prepaid expenses</b>	<b>45 414</b>	<b>23 060</b>	<b>32 735</b>
<b>Total assets</b>	<b>3 383 899</b>	<b>2 849 472</b>	<b>2 799 804</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(3 571)	(3 571)	(3 571)
Other paid-in equity	4 847	4 847	4 847
<b>Total paid-in equity</b>	<b>87 432</b>	<b>87 432</b>	<b>87 432</b>
<b>Earned equity</b>			
Technical provisions	72 114	84 504	76 074
Other equity	338 768	380 090	221 014
<b>Total earned equity</b>	<b>410 882</b>	<b>464 595</b>	<b>297 088</b>
<b>Total equity</b>	<b>498 314</b>	<b>552 027</b>	<b>384 520</b>
<b>Technical provisions</b>			
Provisions for unearned premiums	515 618	410 294	174 631
Provisions for claims	1 676 279	1 361 171	1 601 249
Security provision etc.	368 603	313 910	356 767
<b>Total technical provisions</b>	<b>2 560 500</b>	<b>2 085 376</b>	<b>2 132 647</b>
<b>Provisions for other risks and liabilities</b>			
Pension liabilities	9 787	8 388	9 787
<b>Total provisions for other risks and liabilities</b>	<b>11 793</b>	<b>20 091</b>	<b>9 787</b>
<b>Liabilities</b>			
Liabilities in connection with insurance	9 296	6 505	12 163
Liabilities in connection with reinsurance	186 214	134 391	116 320
Other liabilities	90 124	23 609	74 947
<b>Total liabilities</b>	<b>285 635</b>	<b>164 505</b>	<b>203 430</b>
<b>Incurred expenses and prepaid income</b>			
Other incurred expenses and prepaid income	27 659	27 473	69 420
<b>Total incurred expenses and prepaid income</b>	<b>27 659</b>	<b>27 473</b>	<b>69 420</b>
<b>Total equity and liabilities</b>	<b>3 383 899</b>	<b>2 849 472</b>	<b>2 799 804</b>

## Reconciliation of changes in equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12.2010	86 156	(3 571)	4 847	79 782	348 757	515 971
Profit for the period				7 513	31 324	38 837
Change in accounting principles				(2 790)	9	(2 781)
Equity at 31.03.2011	86 156	(3 571)	4 847	84 504	380 091	552 027
Dividend					(123 877)	(123 877)
Profit for the period				3 947	164	4 110
Change in accounting principles				(3 343)	(369)	(3 711)
Equity at 30.06.2011	86 156	(3 571)	4 847	85 109	256 008	428 549
Profit for the period				7 821	(108 020)	(100 199)
Change in accounting principles				(5 665)	(24)	(5 689)
Equity at 30.09.2011	86 156	(3 571)	4 847	87 265	147 964	322 660
Profit for the period				(11 190)	73 051	61 860
Equity at 31.12.2011	86 156	(3 571)	4 847	76 074	221 014	384 520
Profit for the period				(3 960)	117 754	113 794
Equity at 31.03.2012	86 156	(3 571)	4 847	72 114	338 768	498 314

## Cash flow statement

[1.000 NOK]	Q1 2012	Q1 2011	FY 2011
Net cashflow from operational activities	310 798	330 705	599 077
Net invested in financial assets	(310 000)	(233 429)	(436 733)
Net cashflow from investment activities	(1 669)	(1 654)	(7 718)
Net cashflow from financial activities	-	-	(123 877)
Net change in cash and cash equivalents	(871)	95 623	30 749
Cash and cash equivalents at the beginning of the period	145 962	115 213	115 213
Cash and cash equivalents at the end of the period	145 091	210 836	145 962

## Quarterly outline Q1 2010 – Q1 2012

[1.000 NOK]	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
<b>Gross premiums written</b>	<b>668 481</b>	<b>179 459</b>	<b>211 153</b>	<b>289 149</b>	<b>522 718</b>	<b>162 560</b>	<b>189 250</b>	<b>231 267</b>	<b>427 914</b>
Gross premiums earned	327 494	300 133	300 972	314 319	261 541	267 670	254 906	256 354	208 787
Gross claims incurred	(238 080)	(203 360)	(222 862)	(225 023)	(187 999)	(222 371)	(189 749)	(176 349)	(167 216)
Earned premiums, net of reinsurance	246 779	229 464	232 204	242 272	199 538	217 020	205 620	204 611	165 090
Claims incurred, net of reinsurance	(197 814)	(165 836)	(171 233)	(176 582)	(156 638)	(177 408)	(151 839)	(147 198)	(143 958)
Total operating expenses, net of reinsurance	10 180	(33 575)	(33 315)	(22 509)	(11 168)	(53 777)	(36 293)	(29 093)	(6 714)
Other income/costs	696	797	577	(180)	508	(2 281)	254	874	906
Net income from financial assets	88 773	48 020	(110 190)	(11 782)	22 563	107 410	68 133	(38 718)	39 359
<b>Operating profit before changes in security provision</b>	<b>148 614</b>	<b>78 870</b>	<b>(81 958)</b>	<b>31 220</b>	<b>54 802</b>	<b>90 964</b>	<b>85 875</b>	<b>(9 523)</b>	<b>54 684</b>
Changes in security provision etc.	(11 836)	2 981	(25 776)	(20 061)	(7 064)	(59 215)	(12 852)	(13 023)	(7 117)
Profit before tax	136 778	81 851	(107 734)	11 159	47 738	31 748	73 023	(22 546)	47 567
Tax	(22 985)	(19 991)	1 845	(10 760)	(11 682)	16 046	231	(12 820)	(4 809)
<b>Net profit/loss</b>	<b>113 794</b>	<b>61 860</b>	<b>(105 889)</b>	<b>399</b>	<b>36 056</b>	<b>47 795</b>	<b>73 254</b>	<b>(35 366)</b>	<b>42 757</b>
<b>Key ratios</b>									
Claims ratio, net of ceded business	80,2 %	72,3 %	73,7 %	72,9 %	78,5 %	81,7 %	73,8 %	71,9 %	87,2 %
Cost ratio, net of ceded business	-4,1 %	14,6 %	14,3 %	9,3 %	5,6 %	24,8 %	17,7 %	14,2 %	4,1 %
<b>Combined ratio, net of ceded business</b>	<b>76,0 %</b>	<b>86,9 %</b>	<b>88,1 %</b>	<b>82,2 %</b>	<b>84,1 %</b>	<b>106,5 %</b>	<b>91,5 %</b>	<b>86,2 %</b>	<b>91,3 %</b>
Gross cost ratio	12,9 %	15,3 %	13,1 %	12,6 %	19,8 %	21,9 %	16,9 %	14,2 %	18,4 %