

Third quarter 2011 report (Unaudited)

Poor financial – but strong technical results

Q3 2011 shows following development compared to Q3 2010:

- Gross written premium NOK 211.2, up 12 % from NOK 189.3m
- Operating loss of NOK 76.3m, down from a gain of 89.4m
- Net combined ratio 85.6%, down from 89.8%
- Return on investments, – 4.9%, down from 3.7%

Financial highlights and key ratios

[1.000 NOK]	Q3 2011	Q3 2010	YTD 2011	YTD 2010	FY 2010	
Gross premiums written	211 153	189 250	1 023 019	848 432	1 010 991	
Gross premiums earned	300 972	254 906	876 832	720 046	987 716	
Gross claims incurred	(217 163)	(186 238)	(623 553)	(525 412)	(743 659)	
Earned premiums, net of reinsurance	232 204	205 620	674 014	575 322	792 342	
Claims incurred, net of reinsurance	(165 535)	(148 328)	(492 123)	(435 093)	(608 377)	
Net commission income	4 894	2 635	42 143	35 720	23 896	
Operating expenses	(38 209)	(38 928)	(109 135)	(107 819)	(149 772)	
Other income/costs	577	254	905	2 034	(247)	
Net financial income	(110 190)	68 133	(99 409)	68 774	176 184	
Operating profit before security provision etc	(76 259)	89 386	16 395	138 938	234 026	
Claims ratio, net of ceded business	(1) 71,3 %	72,1 %	73,0 %	75,6 %	76,8 %	
Cost ratio, net of ceded business	(2) 14,3 %	17,7 %	9,9 %	12,5 %	15,9 %	
Combined ratio, net of ceded business	(3) 85,6 %	89,8 %	83,0 %	88,2 %	92,7 %	
Retention rate	(4) 77,2 %	80,7 %	76,9 %	79,9 %	80,2 %	
Solvency capital	(5)		766 085	791 912	894 313	
Capital adequacy ratio (risk weighted)	(6)		18 %	25 %	20 %	
Operating profit before security provision etc per share	(7)	-0,92	1,07	0,20	1,66	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 primarily 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 Q3, 9% of Protector's total municipality business, came from Sweden.

Premiums

Gross premiums written in Q3 totalled NOK 211.2m, representing 12% growth compared to Q3 2010. Gross premiums earned increased by NOK 46.1m to a total of NOK 301m. Premiums earned for own account were NOK 232.2m, an increase of 13% compared to Q3 2010.

Gross premiums written in Q3 within the commercial and public sector totalled NOK 81.2m, up 6% relatively to Q3 2010. The renewal rate within the commercial and public lines of business was 94%, up from 93% in Q3 2010.

Within the affinity segment, gross premiums written in Q3 amounted to NOK 130m, a 15% growth compared to Q3 2010. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 105.3m, up 17% compared to Q3 2010. The increase in premiums is mainly driven by increased real estate prices and higher real estate turnover rate.

Year-to-date, gross premiums written totalled NOK 1,023m, representing a 21% growth compared to the same period last year. Premium growth within the commercial and public sector was 25%. Within the affinity segment the premium growth was 14%. Premiums earned for own account were NOK 674m, an increase of 17% compared to the same period last year.

Results

In Q3 2011, the operating result was NOK – 76.3m, compared to a NOK 89.4m profit in Q3 2010. The weak performance is due to the turmoil in the financial markets. In the first nine months, the operating profit was NOK 16.4m, against NOK 138.9m in the same period in 2010. The decline in profit is due the negative return on the investment portfolio (NOK-99.4m). Net profit year-to-date was negative with NOK 57.3m, against a net profit of NOK 89.5m in the same period last year.

The combined ratio net was in the third quarter 85.6%, down from 89.8% in Q3 2010. Net run-off-gains in Q3 amounted to NOK 1m. Net claims ratio was 71.3% down from 72.1% in Q3 2010. Gross cost ratio was 13.1%, against 16.9% the same period last year. Reduced commissions combined with administration costs at the same level as of Q3 2010 (in nominal value) are the reasons for the decline. Increased manning in Q3 and Q4 will increase the nominal administration costs.

Year-to-date, the combined ratio net was 83.0%, 5.2 percentage points lower than the 88.2% reported in the same period last year. The decrease is driven by lower net costs and an improved net claims ratio. Net claims ratio was 73.0% compared to 75.6% in the same period last year. Year-to-date, net run-off losses amounted to NOK 3.4m compared to losses of NOK 5.3m year-to-date 2010. The gross cost ratio was 14.9% against 16.4% year-to-date 2010.

Investment return

The total investment portfolio amounted to NOK 2.25bn at the end of the third quarter 2011, up 17% compared to the portfolio end of Q3 2010. 17.3% of Protector's financial assets were invested in equities. The weight of equity investments end of Q3 2010 was 21.1%.

In the third quarter, the investment result amounted to a net loss of NOK 110.2(-4.9%) against a profit of NOK 68.1m (3.7%) in the same period of 2010. Equities accounted for a NOK 106.5m loss, against a NOK 46.1m gain in Q3 2010.

Year-to-date, investment activities yielded a total negative return of NOK 99.4m (-4.5%) compared with a NOK 68.8m gain (3.9%) in the first nine months of 2010. Equities accounted for a NOK 133.9m loss in aggregate, against a NOK 23.6m gain in the same period of 2010.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2011 decreased by NOK 128m to NOK 766.1m. The decline in solvency capital is due to the dividend pay-out (NOK 123.9m) in May. End of Q3 2011 the capital adequacy ratio was 12%, against a minimum requirement of 8%. The return on the solvency capital was 2% in the first nine months due to a weak investment income.

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 Q3 2011, the company 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.

From 1 January 2011 an administration provision in equity is no longer mandatory according to Norwegian insurance law. In 2011 the financial supervisory authorities have been working on changes in the rules regarding claims provisioning. A new element of indirect cost will be included in the claims provision. Until the new regulations for claims provisioning is finalized the financial supervisory authorities has accepted that there are no changes to the presentation and valuation of administration and claims provisions compared to the principles applied in the 2010 annual accounts. In the 2011 annual accounts it is expected that the effects of the new regulations will be implemented.

Prospects

The Board of Directors is satisfied with the premium growth and the technical result for the first nine months. The operating result is however disappointing caused by a poor investment result. The Board of Directors expects in Q4 another good technical result.

Oslo, 31 October 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]	Q3 2011	Q3 2010	YTD 2011	YTD 2010	FY 2010
Premium income					
Gross written premiums	211 153	189 250	1 023 019	848 432	1 010 991
Ceded insurance premiums	(32 576)	(26 603)	(247 852)	(172 656)	(193 945)
Change in provisions for unearned premiums	89 819	65 656	(146 187)	(128 385)	(23 276)
Change in reinsurers' share of provisions for unearned premium	(36 193)	(22 683)	45 033	27 931	(1 429)
Earned premiums, net of reinsurance	232 204	205 620	674 014	575 322	792 342
Allocated return on investment transferred from non-technical account	9 766	8 546	33 054	26 366	34 989
Other income	1 602	555	3 971	2 615	3 681
Claims incurred					
Claims paid	(115 804)	(116 455)	(399 510)	(380 242)	(528 460)
Reinsurers' share of paid claims	34 133	28 761	100 279	113 164	160 156
Change in provisions for claims	(101 359)	(69 783)	(224 043)	(145 170)	(215 199)
Change in reinsurers' share of claims provisions	17 496	9 149	31 151	(22 846)	(24 874)
Claims incurred, net of reinsurance	(165 535)	(148 328)	(492 123)	(435 093)	(608 377)
Operating expenses					
Sales costs	(1 185)	(4 042)	(21 547)	(9 973)	(26 579)
Administration costs	(38 209)	(38 928)	(109 135)	(107 819)	(149 772)
Commission from reinsurers	6 079	6 677	63 690	45 692	50 475
Total operating expenses, net of reinsurance	(33 315)	(36 293)	(66 992)	(72 100)	(125 876)
Other expenses	(1 025)	(301)	(3 066)	(581)	(3 928)
Technical result before changes in security provision	43 696	29 799	148 858	96 529	92 831
Changes in security provision etc.	(25 776)	(12 852)	(52 901)	(32 992)	(92 207)
Technical result	17 920	16 947	95 956	63 537	624
Net income from financial assets	(110 190)	68 133	(99 409)	68 774	176 184
Allocated return on investment transferred to technical	(9 766)	(8 546)	(33 054)	(26 366)	(34 989)
Non-technical result	(119 955)	59 587	(132 463)	42 409	141 195
Profit before tax	(102 035)	76 534	(36 507)	105 946	141 818
Tax	1 836	466	(20 745)	(16 426)	(242)
Profit before components of comprehensive income	(100 199)	76 999	(57 252)	89 519	141 576
Profit for the period	(100 199)	76 999	(57 252)	89 519	141 576
Earnings per share	(1,21)	0,92	(0,69)	1,07	1,71
Earnings per share, diluted	(1,21)	0,90	(0,69)	1,04	1,67

Balance Sheet

[1.000 NOK]	30.09.2011	30.09.2010	31.12.2010
Assets			
Intangible fixed assets			
Goodwill	-	90	-
Other intangible fixed assets	9 687	9 409	9 554
Total intangible fixed assets	9 687	9 499	9 554
Financial assets			
Financial assets at amortised cost	-	221 221	-
Financial assets at fair value through profit or loss	2 248 847	1 703 979	2 021 520
Total financial assets	2 248 847	1 925 200	2 021 520
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	97 262	70 387	44 229
Reinsurers share of gross claims provisions	145 852	116 730	114 701
Total reinsurers share of gross technical provisions	243 114	187 117	158 931
Receivables			
Direct insurance receivables	78 715	63 228	65 896
Total receivables	78 715	63 228	65 896
Other assets			
Tangible fixed assets	4 189	3 279	3 512
Cash and bank deposits	103 453	70 751	99 924
Deferred tax benefit	-	-	3 080
Total other assets	107 641	74 031	106 515
Total prepaid expenses	35 735	35 062	23 575
Total assets	2 723 739	2 294 136	2 385 990
Equity and liabilities			
Shareholders' equity			
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	13 719	4 847
Total paid-in equity	87 432	96 304	87 432
Earned equity			
Technical provisions	184 085	159 005	164 805
Other equity	134 820	288 973	335 229
Total earned equity	318 905	447 977	500 034
Total equity	406 337	544 281	587 466
Technical provisions			
Provisions for unearned premiums	295 305	254 227	149 117
Provisions for claims	1 457 447	1 163 375	1 233 404
Security provision etc.	359 748	247 631	306 846
Total technical provisions	2 112 499	1 665 233	1 689 367
Provisions for other risks and liabilities			
Pension liabilities	9 123	13 622	8 388
Deferred tax liability	3 628	4 930	-
Total provisions for other risks and liabilities	12 751	18 552	8 388
Liabilities			
Liabilities in connection with insurance	4 810	4 175	7 277
Liabilities in connection with reinsurance	113 942	13 282	13 361
Other liabilities	43 118	28 415	29 084
Total liabilities	161 870	45 871	49 722
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	30 282	20 199	51 047
Total incurred expenses and prepaid income	30 282	20 199	51 047
Total equity and liabilities	2 723 739	2 294 136	2 385 990

Cash flow statement

[1.000 NOK]	Q3 2011	Q3 2010	YTD 2011	YTD 2010	FY 2010
Net cashflow from operational activities	102 003	42 511	485 709	382 338	(186 818)
Net invested in financial assets	(132 926)	(116 885)	(335 245)	(295 261)	309 746
Net cashflow from investment activities	(1 478)	(1 602)	(5 551)	1 154	(11 917)
Net cashflow from financial activities	-	(9 289)	(123 877)	(113 703)	(104 413)
Net change in cash and cash equivalents	(32 401)	(85 265)	21 036	(25 472)	6 598
Cash and cash equivalents at the beginning of the period	168 650	168 408	115 213	108 615	108 615
Cash and cash equivalents at the end of the period	136 249	83 143	136 249	83 143	115 213

Reconciliation of 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				7 513	31 324	38 837
Equity at 31.03.2011	86 156	(3 571)	4 847	172 317	366 554	626 303
Dividend					(123 877)	(123 877)
Profit for the period				3 947	164	4 110
Equity at 30.06.2011	86 156	(3 571)	4 847	176 264	242 840	506 536
Profit for the period				7 821	(108 020)	(100 199)
Equity at 30.09.2011	86 156	(3 571)	4 847	184 085	134 820	406 337

Quarterly outline

[1.000 NOK]	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Gross premiums written	211 153	289 149	522 718	162 560	189 250	231 267	427 914	126 470	141 834
Gross premiums earned	300 972	314 319	261 541	267 670	254 906	256 354	208 787	223 242	221 072
Gross claims incurred	(217 163)	(221 168)	(185 221)	(218 247)	(186 238)	(174 187)	(164 986)	(161 261)	(162 718)
Earned premiums, net of reinsurance	232 204	242 272	199 538	217 020	205 620	204 611	165 090	352 330	180 131
Claims incurred, net of reinsurance	(165 535)	(177 646)	(153 861)	(173 284)	(148 328)	(145 037)	(141 728)	(311 495)	(133 072)
Total operating expenses, net of reinsurance	(33 315)	(22 509)	(11 168)	(53 777)	(36 594)	(29 296)	(6 791)	(38 952)	(31 786)
Other income/costs	577	(180)	508	(2 281)	555	1 077	983	1 452	608
Net income from financial assets	(110 190)	(11 782)	22 563	107 410	68 133	(38 718)	39 359	62 759	49 311
Operating profit before changes in security provis	(76 259)	30 155	57 579	95 088	89 386	(7 362)	56 913	66 094	65 191
Changes in security provision etc.	(25 776)	(20 061)	(7 064)	(59 215)	(12 852)	(13 023)	(7 117)	(918)	(20 241)
Profit before tax	(102 035)	10 094	50 515	35 873	76 534	(20 385)	49 796	65 176	44 950
Tax	1 836	(9 526)	(11 678)	16 184	466	(12 190)	(4 702)	(5 881)	(1 073)
Net profit/loss	(100 199)	568	38 837	52 057	76 999	(32 575)	45 095	59 295	43 877
Key ratios									
Claims ratio, net of ceded business	71,3 %	73,3 %	77,1 %	79,8 %	72,1 %	70,9 %	85,8 %	88,4 %	73,9 %
Cost ratio, net of ceded business	14,3 %	9,3 %	5,6 %	24,8 %	17,8 %	14,3 %	4,1 %	11,1 %	17,6 %
Combined ratio, net of ceded business	85,6 %	82,6 %	82,7 %	104,6 %	89,9 %	85,2 %	90,0 %	99,5 %	91,5 %
Gross cost ratio	13,1 %	12,6 %	19,8 %	21,9 %	17,0 %	14,2 %	18,5 %	19,0 %	15,8 %