

Interim report Q1 2013

(Unaudited)

Highlights Q1 2013

35% growth, good results, increased gross claims ratio

Q1 2013 shows following development compared to Q1 2012:

- Gross premiums written NOK 904m, up 35% from NOK 668.5m
- Gross claims ratio 87.4%, up from 78.1%
- Net combined ratio 77.4%, up from 76.0%
- Operating profit of NOK 146.5m, down from NOK 148.6m
- Return on investments NOK 77.9m (2.2%), down from NOK 88.8m (3.5%)

Financial highlights and key ratios

[1.000 NOK]	Q1 2013	Q1 2012	FY 2012
Gross premiums written	903 993	668 481	1 517 017
Gross premiums earned	400 197	327 494	1 464 244
Gross claims incurred	(349 772)	(255 637)	(1 170 976)
Earned premiums, net of reinsurance	300 427	246 779	1 107 433
Claims incurred, net of reinsurance	(255 475)	(215 371)	(940 094)
Net commission income	56 975	50 167	90 269
Operating expenses	(34 020)	(22 430)	(104 481)
Other income/costs	706	696	(5 030)
Net financial income	77 862	88 773	245 571
Operating profit before security provision etc	146 476	148 614	393 668
Claims ratio, net of ceded business	(1) 85,0 %	87,3 %	84,9 %
Expense ratio, net of ceded business	(2) -7,6 %	-11,2 %	1,3 %
Combined ratio, net of ceded business	(3) 77,4 %	76,0 %	86,2 %
Retention rate	(4) 75,1 %	75,4 %	75,6 %
Solvency capital	(5) 1 210 561	856 975	1 085 415
Capital adequacy ratio (risk w eighted)	(6) 19 %	20 %	20 %
Solvency margin	(7) 338 %	268 %	304 %
Profit after tax per share	(8) 1,02	1,38	2,51

(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) Solvency margin calculated according to regulations from the FSA of Norway (including net profit/loss for the period)

(8) Profit after tax 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 904m, representing a 35% growth compared to Q1 2012.

Gross premiums earned increased by NOK 72.7m to a total of NOK 400.2 m. Premiums earned for own account totalled NOK 300.4m, an increase of 22% compared to Q1 2012.

Gross premiums written within the commercial and public sector totalled NOK 754m, corresponding to a growth of 46% over Q1 2012. The strong growth is driven by new customers and a high renewal rate. New business in Sweden and Denmark represented 29 percentage points of the growth. The renewal rate was in Q1 94 %, down from above 100% in Q1 2012.

Within the Norwegian affinity segment, gross premiums written amounted to NOK 150m compared to NOK 153.2m in Q1 2012. Premium income within change of ownership insurance, the company's largest affinity program, totalled NOK 82.4m, down 7% compared to Q1 2012. The decrease is due to a decline in the number of policies sold.

Results

The operating profit before changes in security provision and tax totalled NOK 146.5m, down from NOK 148.6m in Q1 2012. The decrease in profit is driven by a lower but still high return on the investment portfolio. Net profit for Q1 2013 was NOK 84.3m, against a net profit of NOK 113.8m in Q1 2012.

The combined ratio net was in the first quarter 77.4%, 1.4 percentage points higher than the 76.0% reported in Q1 2012. The increase is driven by an increase in the net cost ratio. As in Q1 2012, a high level of reinsurance commissions drives the combined ratio down.

Net claims ratio was 85.0%, down from 87.3% the year-earlier period. The decrease is driven by a weaker result for the company's reinsurers. The reserves were in Q1 stable.

Gross claims ratio was in Q1 87.4% up from 78.1% in Q1 2012. The increase is driven by a weak claims ratio within group life and 2 large (> NOK 5m) and several medium sized claims within property.

Both the gross and the net cost ratio are increasing despite the strong growth in premiums. The gross cost ratio was 14% (including claims handling costs), up from 12.9% in Q1 2012, and the net cost ratio (including claims handling costs) was -1.0%, up 3.1 percentage points. The increased cost ratios are due to increased manning in the Norwegian commercial sector and increased manning in Sweden and Denmark. In Q1, NOK 2.8m in costs are booked to cover the company's new incentive scheme.

Investment return

The investment portfolio amounted to a total of NOK 3,781m at 31 March 2013, an increase of 37% compared to the portfolio end of Q1 2012. An issue of Tier 2 bond in Q2 2012 represents 5.4% of the growth.

In Q1, investment activities yielded a total return of NOK 77.9m or 2.2% compared to a return of NOK 88.8m or 3.5% in Q1 2012. Equities accounted for a gain of NOK 23.6m (6.8%) against a NOK 57m (13.9%) gain in Q1 2012.

End of Q1 2013, 10.3% of Protector's financial assets were invested in equities, up from 8.9% end of 2012. The increase is due to NOK 80m in new funds 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 125.1m to NOK 1.211m. End of Q1 2013 the capital adequacy ratio was 16%, against a minimum requirement of 8%.

The Board of Directors holds a mandate granted by Protector's AGM 25 April 2013 to purchase up to 8,615,560 own shares. The authorization is valid until the next AGM in 2014. End of Q1 Protector has a holding of 3 570 661 own shares, unchanged from year-end 2012.

The Board is by the AGM 25 April 2013 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2014. 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 25 April 2013 approved the payment of a dividend of NOK 1.20 per share. This pay-out will reduce the equity and solvency capital by NOK 99.1m in the second quarter.

Prospects

The Board is satisfied with the premium growth and the operating profit for the first quarter. However the strong growth in Sweden and Denmark increases the uncertainty regarding the forward looking claims ratio.

Oslo, 13 May 2013

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 2012, with the following amendments:

IAS 19 Employee Benefits was amended in June 2011 and has been adopted as of 1 January 2013. The changes have effected Protector's pension obligations in the balance sheet. The revised IAS 19 requires net actuarial losses (gains) to be recognized in other comprehensive income as they occur (no corridor), all costs related to previous periods' pensions contribution will now be reflected in the income statement, and interest cost and expected return on pension assets is replaced by a net interest amount that is calculated at the same discount rate as the net pension obligation (asset).

The changes in IAS 19 are adopted retrospectively. This retrospective adoption has increased the pension obligation with NOK 13.8 million, reduced the deferred tax asset by NOK 3.3 million, increased the deferred tax liability by NOK 0.6 million and reduced other equity by NOK 9.9 million as of 1 January 2012 (also 31 March 2012).

The 2012 reduction of actuarial effects is mainly related to changes in the discount rate (OMF-rate) and the gain will be classified as other comprehensive income for the fourth quarter of 2012. The change in IAS 19 has had limited effect on the pension cost.

Income statement

[1.000 NOK]	Q1 2013	Q1 2012	FY 2012
Premium income			
Gross written premiums	903 993	668 481	1 517 017
Ceded insurance premiums	(249 698)	(194 266)	(347 394)
Change in provisions for unearned premiums	(503 797)	(340 987)	(52 773)
Change in reinsurers' share of provisions for unearned premiums	149 929	113 551	(9 417)
Earned premiums, net of reinsurance	300 427	246 779	1 107 433
Allocated return on investment transferred from non-technical acc	10 611	7 671	24 663
Other income	5 384	2 585	3 929
Claims incurred			
Claims paid	(204 102)	(180 606)	(753 826)
Reinsurers' share of paid claims	44 113	37 143	166 453
Change in provisions for claims	(145 670)	(75 030)	(417 150)
Change in reinsurers' share of claims provisions	50 184	3 123	64 429
Claims incurred, net of reinsurance	(255 475)	(215 371)	(940 094)
Operating expenses			
Sales costs	(2 214)	(2 287)	(8 245)
Administration costs	(34 020)	(22 430)	(104 481)
Commission from reinsurers	59 190	52 454	98 515
Total operating expenses, net of reinsurance	22 955	27 736	(14 212)
Other expenses	(2 187)	(1 888)	(4 055)
Technical result before changes in security provision etc.	81 715	67 512	177 663
Changes in security provision etc.	(40 881)	(11 836)	(146 531)
Technical result	40 834	55 677	31 132
Net income from financial assets	77 862	88 773	245 571
Allocated return on investment transferred to technical	(10 611)	(7 671)	(24 663)
Other income	576	-	3 887
Other costs	(3 067)	-	(8 790)
Non-technical result	64 760	81 101	216 005
Profit before tax	105 594	136 778	247 137
Tax	(21 329)	(22 985)	(48 366)
Profit before components of comprehensive income	84 265	113 794	198 772
Components of comprehensive income	-	-	12 372
Taxes on components of comprehensive income	-	-	(3 464)
Profit for the period	84 265	113 794	207 679
Earnings per share	1,02	1,38	2,51
Earnings per share, diluted	1,02	1,38	2,51

Balance Sheet

[1.000 NOK]	31.03.2013	31.03.2012	31.12.2012
Assets			
Intangible fixed assets			
Other intangible fixed assets	8 393	9 892	8 908
Total intangible fixed assets	8 393	9 892	8 908
Financial assets			
Financial assets at fair value through profit or loss	3 780 690	2 756 481	3 192 820
Total financial assets	3 780 690	2 756 481	3 192 820
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	222 670	174 710	68 625
Reinsurers share of gross claims provisions	271 523	159 330	220 419
Total reinsurers share of gross technical provisions	494 192	334 040	289 045
Receivables			
Direct insurance receivables	139 748	114 773	74 967
Total receivables	139 748	114 773	74 967
Other assets			
Tangible fixed assets	9 451	4 181	9 336
Cash and bank deposits	130 379	119 119	141 890
Total other assets	139 830	123 300	151 226
Total prepaid expenses	81 385	45 414	48 596
Total assets	4 644 239	3 383 899	3 765 562
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	4 847	4 847
Total paid-in equity	87 432	87 432	87 432
Earned equity			
Technical provisions	79 398	72 114	74 408
Other equity	499 552	328 827	420 278
Total earned equity	578 950	400 941	494 685
Total equity	666 382	488 373	582 117
Subordinated loan capital	148 125	-	148 125
Technical provisions			
Provisions for unearned premiums	731 385	515 618	226 786
Provisions for claims	2 166 345	1 676 279	2 017 886
Security provision etc.	544 179	368 603	503 298
Total technical provisions	3 441 909	2 560 500	2 747 969
Provisions for other risks and liabilities			
Pension liabilities	13 819	23 594	13 819
Deferred tax liability	15 945	(1 860)	11 061
Total provisions for other risks and liabilities	29 765	21 734	24 880
Liabilities			
Liabilities in connection with insurance	2 103	9 296	7 716
Liabilities in connection with reinsurance	276 362	186 214	130 515
Other liabilities	55 667	90 124	53 580
Total liabilities	334 133	285 635	191 812
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	23 926	27 659	70 659
Total incurred expenses and prepaid income	23 926	27 659	70 659
Total equity and liabilities	4 644 239	3 383 899	3 765 562

Reconciliation of changes in equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12.2011	86 156	(3 571)	4 847	76 074	221 014	384 520
Profit for the period				(3 960)	117 754	113 794
Change in accounting principles					(9 941)	(9 941)
Equity at 31.03.2012	86 156	(3 571)	4 847	72 114	328 827	488 373
Profit for the period				(4 184)	37 441	33 257
Equity at 30.06.2012	86 156	(3 571)	4 847	67 930	366 269	521 630
Profit for the period				5 071	72 958	78 029
Equity at 30.09.2012	86 156	(3 571)	4 847	73 001	439 227	599 659
Profit for the period				1 407	(27 856)	(26 449)
Change in accounting principles					8 908	8 908
Equity at 31.12.2012	86 156	(3 571)	4 847	74 408	420 278	582 117
Profit for the period				4 990	79 274	84 265
Equity at 31.03.2013	172 311	(7 141)	9 694	79 398	499 552	666 382

Cash flow statement

[1.000 NOK]	Q1 2013	Q1 2012	FY 2012
Net cashflow from operational activities	518 740	310 798	602 561
Net invested in financial assets	(509 314)	(310 000)	(672 788)
Net cashflow from investment activities	(1 678)	(1 669)	(11 354)
Net cashflow from financial activities	(3 067)	-	141 804
Net change in cash and cash equivalents	4 680	(871)	60 223
Cash and cash equivalents at the beginning of the period	206 185	145 962	145 962
Cash and cash equivalents at the end of the period	210 865	145 091	206 185

Quarterly outline Q1 2011 – Q1 2013

[1.000 NOK]	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Gross premiums written	903 993	198 240	251 625	398 672	668 481	179 459	211 153	289 149	522 718
Gross premiums earned	400 197	375 564	374 915	386 272	327 494	300 133	300 972	314 319	261 541
Gross claims incurred	(349 772)	(327 118)	(276 119)	(312 102)	(255 637)	(218 659)	(235 690)	(242 440)	(202 007)
Earned premiums, net of reinsurance	300 427	279 532	281 555	299 567	246 779	229 464	232 204	242 272	199 538
Claims incurred, net of reinsurance	(255 475)	(259 283)	(223 636)	(241 804)	(215 371)	(181 136)	(184 061)	(193 999)	(170 647)
Total operating expenses, net of reinsurance	22 955	(23 985)	(18 316)	156	27 736	(18 275)	(20 488)	(5 092)	2 841
Other income/costs	706	(705)	(2 815)	(2 207)	696	797	577	(180)	508
Net income from financial assets	77 862	61 151	87 796	7 852	88 773	48 020	(110 190)	(11 782)	22 563
Operating profit before changes in security provision	146 476	56 709	124 584	63 564	148 614	78 870	(81 958)	31 220	54 802
Changes in security provision etc.	(40 881)	(96 733)	(29 028)	(8 934)	(11 836)	2 981	(25 776)	(20 061)	(7 064)
Profit before tax	105 594	(40 023)	95 556	54 630	136 778	81 851	(107 734)	11 159	47 738
Tax	(21 329)	13 574	(17 527)	(21 373)	(22 985)	(19 991)	1 845	(10 760)	(11 682)
Net profit/loss	84 265	(26 449)	78 029	33 257	113 794	61 860	(105 889)	399	36 056
Key ratios									
Claims ratio, net of ceded business	85,0 %	92,8 %	79,4 %	80,7 %	87,3 %	78,9 %	79,3 %	80,1 %	85,5 %
Expense ratio, net of ceded business	-7,6 %	8,6 %	6,5 %	-0,1 %	-11,2 %	8,0 %	8,8 %	2,1 %	-1,4 %
Combined ratio, net of ceded business	77,4 %	101,3 %	85,9 %	80,7 %	76,0 %	86,9 %	88,1 %	82,2 %	84,1 %
Gross expense ratio	9,1 %	10,0 %	8,4 %	4,9 %	7,5 %	10,2 %	8,8 %	7,1 %	14,4 %