

# Interim report Q3 2012

(Unaudited)

## Highlights Q3 2012

### Strong and profitable growth continues

Q3 2012 shows following development compared to Q3 2011:

- Gross premiums written NOK 251.6 m, up 19% from NOK 211.2 m
- Net combined ratio 85.9%, down from 88.1%
- Return on investments NOK 87.8 m (2.8%), up from NOK -110.2 (-4.9%)
- Operating profit of NOK 124.6m, up from NOK -82m
- New dividend policy, 30 – 50% of profit after tax, target solvency margin > 250%

### Financial highlights and key ratios

[1.000 NOK]	Q3 2012	Q3 2011	YTD 2012	YTD 2011	FY 2011
Gross premiums written	251 625	211 153	1 318 777	1 023 019	1 202 479
Gross premiums earned	374 915	300 972	1 088 680	876 832	1 176 965
Gross claims incurred	(259 884)	(222 862)	(790 116)	(635 883)	(839 243)
Earned premiums, net of reinsurance	281 555	232 204	827 901	674 014	903 478
Claims incurred, net of reinsurance	(207 401)	(171 233)	(627 069)	(504 453)	(670 290)
Net commission income	11 521	4 894	78 432	42 143	50 527
Operating expenses	(46 072)	(38 209)	(122 597)	(109 135)	(151 094)
Other income/costs	(2 815)	577	(4 326)	905	1 702
Net financial income	87 796	(110 190)	184 421	(99 409)	(51 388)
<b>Operating profit before security provision etc</b>	<b>124 584</b>	<b>(81 958)</b>	<b>336 762</b>	<b>4 064</b>	<b>82 935</b>
Claims ratio, net of ceded business	(1) 73,7 %	73,7 %	75,7 %	74,8 %	74,2 %
Cost ratio, net of ceded business	(2) 12,3 %	14,3 %	5,3 %	9,9 %	11,1 %
<b>Combined ratio, net of ceded business</b>	<b>(3) 85,9 %</b>	<b>88,1 %</b>	<b>81,1 %</b>	<b>84,8 %</b>	<b>85,3 %</b>
Retention rate	(4) 75,1 %	77,2 %	76,0 %	76,9 %	76,8 %
Solvency capital	(5)		1 016 165	682 408	741 288
Capital adequacy ratio (risk weighted)	(6)		26 %	18 %	19 %
Operating profit before security provision etc per share	(7) 1,51	-0,99	4,08	0,05	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 Q3, gross written premiums written totalled NOK 251.6m, representing 19% growth, compared to Q3 2011. Gross premiums earned increased by NOK 73.9m to a total of NOK 374,9m. Premiums earned for own account were NOK 281.6m, an increase of 21% compared to Q3 2011.

Gross premiums written in Q3 within the commercial and public sector totalled NOK 121.3m, corresponding to a growth of 49 % over Q3 2011. The strong growth is driven by new customers and a high renewal rate. New business in Sweden and Denmark represented 22% percentage points of the growth. The renewal rate was 103%, up from 94% in Q3 2011.

Within the affinity segment, gross premiums written in Q3 amounted to NOK 130.3m, approximately unchanged from Q3 2011. The lack of growth is due to non-renewals within the SME sector. Premium income within change of ownership insurance, the company's largest affinity program, totalled

NOK 108.9m, up 3.4% compared to Q3 2011. The increase in premiums is due to higher real estate prices. The real estate property turnover is slowing down.

YTD gross written premiums totalled NOK 1,318.8m, representing 29% growth compared to the same period last year. Gross premiums earned increased by NOK 211.8m to a total of NOK 1,088.7m. Premiums earned for own account were NOK 828m, an increase of 23% compared to the same period in 2011. Premiums earned for own account represented 76.0% of gross premiums earned, compared to 76.9% in 2011.

Year-to-date, gross premiums written within the commercial/public sector totalled NOK 877.2m up from NOK 600.6m in the same period last year. Within the affinity segment, gross premiums written totalled NOK 441.6m, up 4.5% relatively to the same period in 2011. The increase is due to premium growth within change of ownership insurance.

## Results

Operating profit before changes in security provisions and tax totalled NOK 124.6m, compared to a NOK 82m loss in Q3 2011. The strong performance change is largely due to the difference in investment returns between the two periods. The technical result before allocation of interest and changes in security provisions was NOK 39.3m an increase of NOK 12m or 44% compared with Q3 2011. Year-to-date, the operating result was NOK 336.8m, up from NOK 4.1m Y 2011. The increase is driven by both a strong technical result and a high investment result. The technical result was NOK 155m before allocation of interest and changes in security provisions, against NOK 101.1m in 2011. Net profit year-to-date amounted to NOK 225.1m, against a net loss of NOK 69.4m the year-earlier period.

The combined ratio net was in the third quarter 85.9%, down from 88.1% in Q3 2011. Net claims ratio was 73.7%, identical with the 73.7% in Q3 2011. In Q3, the company had run-off-losses of NOK 6.8m against run-off-gains of NOK 1m the year-earlier period. Net cost-ratio was 12.3%, 2 percentage points down from 14.3% in Q3 2011. The improvement is caused by premiums earned as well as commissions from reinsurers increasing at a faster rate than nominal costs.

Year-to-date the combined ratio net was 81.1%, 3.7 percentage points lower than the 84.8% reported in the same period of 2011. The net claims ratio was 75.7%, slightly up from 74.8%. Year-to-date, net run-off-losses amounted to NOK 7.3m compared to losses of NOK 3.4m year-to-date 2011. The net cost ratio was 5.3%, down from 9.9% in 2011. The strong development in the net cost ratio is driven by a lower gross cost ratio and increased ceded premiums and higher reinsurance commissions. Due to seasonality the net cost ratio will increase in Q4.

## Investment return

The investment portfolio amounted to a total of NOK 3.17b at 30 September 2012, up 41% compared to the portfolio end of Q3 2011. 7 percentage points of the growth is due to a placement of a NOK 150m 10 year Tier 2 loan (subordinated loan capital).

In the third quarter, the investment result amounted to a net gain of NOK 87.8m (2.8%), against a loss of NOK 110.2m (-4.9%) in Q3 2011. Equities accounted for a NOK 29.7m gain, against a NOK 106.5m loss in Q3 2011.

Year-to-date, investment activities yielded a total return of NOK 184.4m (6.8%) compared with a loss of NOK 99.4m (-4.5%) in the first nine months of 2011. Equities accounted for a NOK 71m gain, against a NOK 133.4m loss in the same period of 2011.

End of Q3, 8.7% of Protector's financial assets were invested in equities, compared to 17.3% end of Q3 2011. During the third quarter NOK 150m were reallocated from investments in equities to corporate bonds (high yield).

## Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in the first nine months increased by NOK 333.8m to NOK 1,016.2m. End of Q3 the capital adequacy ratio was 17%, against a

minimum requirement of 8%. Excess coverage above the required solvency margin capital amounted to NOK 578m by end of Q3 2012, corresponding to 348% of the requirement.

In the first nine months of the year, the return on the solvency capital before tax was 38%.

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 Q3, 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.

The company's dividend policy has been revised. Protector's target is to maintain a solvency margin (as defined by the Financial Supervisory Authority of Norway) of at least 250%. The Board will propose to the general meeting a dividend policy where the intention is to distribute 30 – 50 % of the profit after tax as ordinary cash dividends, provided however that the capital requirements inclusive acceptable buffers and necessary flexibility for growth and development of the company are met.

### Prospects

The Board of Directors is satisfied with the growth in premium income and operating result and expects continued growth and an improved operating profit for the full year.

Oslo, 31 October 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, with the following amendment: Interest rates on bank deposits classified as other assets are recognized in the non-technical result as other income. Comparable figures have been revised.

## Income statement

[1.000 NOK]	Q3 2012	Q3 2011	YTD 2012	YTD 2011	FY 2011
<b>Premium income</b>					
Gross written premiums	251 625	211 153	1 318 777	1 023 019	1 202 479
Ceded insurance premiums	(47 711)	(32 576)	(311 118)	(247 852)	(272 868)
Change in provisions for unearned premiums	123 290	89 819	(230 098)	(146 187)	(25 514)
Change in reinsurers' share of provisions for unearned premiums	(45 649)	(36 193)	50 340	45 033	(619)
<b>Earned premiums, net of reinsurance</b>	<b>281 555</b>	<b>232 204</b>	<b>827 901</b>	<b>674 014</b>	<b>903 478</b>
Allocated return on investment transferred from non-technical account	7 890	9 766	24 000	33 054	42 456
<b>Other income</b>	<b>1 034</b>	<b>641</b>	<b>3 219</b>	<b>1 547</b>	<b>2 700</b>
<b>Claims incurred</b>					
Claims paid	(150 781)	(115 804)	(499 116)	(399 510)	(537 633)
Reinsurers' share of paid claims	45 192	34 133	123 210	100 279	127 447
Change in provisions for claims	(109 103)	(107 058)	(291 001)	(236 373)	(301 610)
Change in reinsurers' share of claims provisions	7 292	17 496	39 838	31 151	41 506
<b>Claims incurred, net of reinsurance</b>	<b>(207 401)</b>	<b>(171 233)</b>	<b>(627 069)</b>	<b>(504 453)</b>	<b>(670 290)</b>
<b>Operating expenses</b>					
Sales costs	(1 777)	(1 185)	(6 578)	(21 547)	(25 592)
Administration costs	(46 072)	(38 209)	(122 597)	(109 135)	(151 094)
Commission from reinsurers	13 298	6 079	85 010	63 690	76 119
<b>Total operating expenses, net of reinsurance</b>	<b>(34 551)</b>	<b>(33 315)</b>	<b>(44 165)</b>	<b>(66 992)</b>	<b>(100 567)</b>
<b>Other expenses</b>	<b>(1 372)</b>	<b>(1 025)</b>	<b>(4 922)</b>	<b>(3 066)</b>	<b>(4 109)</b>
<b>Technical result before changes in security provision etc.</b>	<b>47 155</b>	<b>37 037</b>	<b>178 964</b>	<b>134 104</b>	<b>173 668</b>
Changes in security provision etc.	(29 028)	(25 776)	(49 798)	(52 901)	(49 921)
<b>Technical result</b>	<b>18 127</b>	<b>11 261</b>	<b>129 166</b>	<b>81 202</b>	<b>123 747</b>
Net income from financial assets	87 796	(110 190)	184 421	(99 409)	(51 388)
Allocated return on investment transferred to technical account	(7 890)	(9 766)	(24 000)	(33 054)	(42 456)
Other income	727	960	3 056	2 423	3 111
Other costs	(3 204)	-	(5 678)	-	-
<b>Non-technical result</b>	<b>77 429</b>	<b>(118 995)</b>	<b>157 798</b>	<b>(130 040)</b>	<b>(90 734)</b>
<b>Profit before tax</b>	<b>95 556</b>	<b>(107 734)</b>	<b>286 965</b>	<b>(48 837)</b>	<b>33 014</b>
Tax	(17 527)	1 845	(61 885)	(20 596)	(40 587)
<b>Profit before components of comprehensive income</b>	<b>78 029</b>	<b>(105 889)</b>	<b>225 080</b>	<b>(69 433)</b>	<b>(7 573)</b>
<b>Profit for the period</b>	<b>78 029</b>	<b>(105 889)</b>	<b>225 080</b>	<b>(69 433)</b>	<b>(7 573)</b>
Earnings per share	0,94	(1,28)	2,73	(0,84)	(0,09)
Earnings per share, diluted	0,94	(1,28)	2,73	(0,84)	(0,09)

## Balance Sheet

[1.000 NOK]	30.09.2012	30.09.2011	31.12.2011
<b>Assets</b>			
<b>Intangible fixed assets</b>			
Other intangible fixed assets	9 505	9 687	9 720
<b>Total intangible fixed assets</b>	<b>9 505</b>	<b>9 687</b>	<b>9 720</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss	3 173 290	2 248 847	2 354 751
<b>Total financial assets</b>	<b>3 173 290</b>	<b>2 248 847</b>	<b>2 354 751</b>
<b>Reinsurers share of gross technical provisions</b>			
Reinsurers share of gross premium provisions	124 367	97 262	56 334
Reinsurers share of gross claims provisions	196 028	145 852	156 207
<b>Total reinsurers share of gross technical provisions</b>	<b>320 395</b>	<b>243 114</b>	<b>212 541</b>
<b>Receivables</b>			
Direct insurance receivables	94 121	78 715	69 774
<b>Total receivables</b>	<b>94 121</b>	<b>78 715</b>	<b>69 774</b>
<b>Other assets</b>			
Tangible fixed assets	4 087	4 189	4 297
Cash and bank deposits	153 559	103 453	112 685
Deferred tax benefit	-	-	3 302
<b>Total other assets</b>	<b>157 646</b>	<b>107 641</b>	<b>120 284</b>
<b>Total prepaid expenses</b>	<b>50 301</b>	<b>35 735</b>	<b>32 735</b>
<b>Total assets</b>	<b>3 805 258</b>	<b>2 723 739</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	73 001	87 265	76 074
Other equity	449 167	147 963	221 014
<b>Total earned equity</b>	<b>522 168</b>	<b>235 228</b>	<b>297 088</b>
<b>Total equity</b>	<b>609 600</b>	<b>322 660</b>	<b>384 520</b>
<b>Subordinated loan capital</b>	<b>148 125</b>	-	-
<b>Technical provisions</b>			
Provisions for unearned premiums	404 677	295 305	174 631
Provisions for claims	1 892 351	1 536 012	1 601 249
Security provision etc.	406 565	359 748	356 767
<b>Total technical provisions</b>	<b>2 703 593</b>	<b>2 191 064</b>	<b>2 132 647</b>
<b>Provisions for other risks and liabilities</b>			
Pension liabilities	9 787	9 123	9 787
<b>Total provisions for other risks and liabilities</b>	<b>30 619</b>	<b>17 862</b>	<b>9 787</b>
<b>Liabilities</b>			
Liabilities in connection with insurance	2 845	4 810	12 163
Liabilities in connection with reinsurance	154 119	113 942	116 320
Other liabilities	114 152	43 118	74 947
<b>Total liabilities</b>	<b>271 117</b>	<b>161 870</b>	<b>203 430</b>
<b>Incurred expenses and prepaid income</b>			
Other incurred expenses and prepaid income	42 203	30 282	69 420
<b>Total incurred expenses and prepaid income</b>	<b>42 203</b>	<b>30 282</b>	<b>69 420</b>
<b>Total equity and liabilities</b>	<b>3 805 258</b>	<b>2 723 739</b>	<b>2 799 804</b>

## Cash flow statement

[1.000 NOK]	Q3 2012	Q3 2011	YTD 2012	YTD 2010	FY 2011
Net cashflow from operational activities	413 041	432 709	636 960	485 709	599 077
Net invested in financial assets	(335 974)	(366 355)	(584 634)	(335 245)	(436 733)
Net cashflow from investment activities	(3 322)	(3 132)	(4 738)	(5 551)	(7 718)
Net cashflow from financial activities	-	-	148 125	(123 877)	(123 877)
<b>Net change in cash and cash equivalents</b>	<b>73 745</b>	<b>63 222</b>	<b>195 713</b>	<b>21 036</b>	<b>30 749</b>
Cash and cash equivalents at the beginning of the period	267 058	168 650	145 962	115 213	115 213
Cash and cash equivalents at the end of the period	340 804	231 872	341 675	136 249	145 962

## Reconciliation of 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
Profit for the period				(4 184)	37 441	33 257
Equity at 30.06.2012	86 156	(3 571)	4 847	67 930	376 209	531 571
Profit for the period				5 071	72 958	78 029
Equity at 30.09.2012	86 156	(3 571)	4 847	73 001	449 167	609 600

## Quarterly outline

[1.000 NOK]	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
<b>Gross premiums written</b>	<b>251 625</b>	<b>398 672</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>
Gross premiums earned	374 915	386 272	327 494	300 133	300 972	314 319	261 541	267 670	254 906
Gross claims incurred	(259 884)	(292 152)	(238 080)	(203 360)	(222 862)	(225 023)	(187 999)	(222 371)	(189 749)
Earned premiums, net of reinsurance	281 555	299 567	246 779	229 464	232 204	242 272	199 538	217 020	205 620
Claims incurred, net of reinsurance	(207 401)	(221 854)	(197 814)	(165 836)	(171 233)	(176 582)	(156 638)	(177 408)	(151 839)
Total operating expenses, net of reinsurance	(34 551)	(19 794)	10 180	(33 575)	(33 315)	(22 509)	(11 168)	(53 777)	(36 293)
Other income/costs	(2 815)	(2 207)	696	797	577	(180)	508	(2 281)	254
Net income from financial assets	87 796	7 852	88 773	48 020	(110 190)	(11 782)	22 563	107 410	68 133
<b>Operating profit before changes in security provision</b>	<b>124 584</b>	<b>63 564</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>
Changes in security provision etc.	(29 028)	(8 934)	(11 836)	2 981	(25 776)	(20 061)	(7 064)	(59 215)	(12 852)
Profit before tax	95 556	54 630	136 778	81 851	(107 734)	11 159	47 738	31 748	73 023
Tax	(17 527)	(21 373)	(22 985)	(19 991)	1 845	(10 760)	(11 682)	16 046	231
Net profit/loss	78 029	33 257	113 794	61 860	(105 889)	399	36 056	47 795	73 254
<b>Key ratios</b>									
Claims ratio, net of ceded business	73,7 %	74,1 %	80,2 %	72,3 %	73,7 %	72,9 %	78,5 %	81,7 %	73,8 %
Cost ratio, net of ceded business	12,3 %	6,6 %	-4,1 %	14,6 %	14,3 %	9,3 %	5,6 %	24,8 %	17,7 %
<b>Combined ratio, net of ceded business</b>	<b>85,9 %</b>	<b>80,7 %</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>
Gross cost ratio	12,8 %	10,1 %	12,9 %	15,3 %	13,1 %	12,6 %	19,8 %	21,9 %	16,9 %