

Interim report Q4 2010

(Unaudited)

Highlights 2010

16% premium growth and a strong operating result

2010 shows following development compared to 2009:

- Gross premiums written NOK 1.011m, up 16% from NOK 871.4m
- Net combined ratio 92.7%, down from 96.4%
- Operating profit of NOK 234m, down from NOK 258.8m
- Return on investments 9.7%, down from 16.1%

Based on the company's dividend policy, strong results and strong financial position, the Board considers recommending a dividend of NOK 1.50 per share for 2010.

Financial highlights and key ratios

[1,000 NOK]	Q4 2010	Q4 2009	2010	2009	FY 2009
Gross premiums written	162 560	126 470	1 010 991	871 374	871 374
Gross premiums earned	267 670	223 242	987 716	843 091	843 091
Gross claims incurred	(218 247)	(161 261)	(743 659)	(649 177)	(649 177)
Earned premiums, net of reinsurance	217 020	352 330	792 342	842 646	842 646
Claims incurred, net of reinsurance	(173 284)	(311 495)	(608 377)	(694 738)	(694 738)
Net commission income	(11 824)	(189)	23 896	21 022	21 022
Operating expenses	(41 953)	(38 448)	(149 772)	(138 903)	(138 903)
Other income/costs	(2 281)	1 137	(247)	4 364	4 364
Net financial income	107 410	62 759	176 184	224 426	224 426
Operating profit before security provision etc	95 088	66 094	234 026	258 817	258 817
Claims ratio, net of ceded business	(1)	79,8 %	88,4 %	76,8 %	82,4 %
Cost ratio, net of ceded business	(2)	24,8 %	11,0 %	15,9 %	14,0 %
Combined ratio, net of ceded business	(3)	104,6 %	99,4 %	92,7 %	96,4 %
Retention rate	(4)	81,1 %	157,8 %	80,2 %	99,9 %
Solvency capital	(5)			894 313	777 303
Capital adequacy ratio (risk weighted)	(6)			28 %	28 %
Operating profit before security provision etc per share	(7)	1,15	0,80	2,83	3,08

(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.

Premiums

In 2010 gross premiums written increased by 16% to a total of NOK 1.011m. Gross premiums written within the commercial and public sector totalled NOK 524.4m, a 10% growth relatively to 2009. The growth is due to a high level of new sales in the middle market. Within the public sector, the company experienced a 10% decline in gross premiums written. The competition in the municipality sector is still strong.

In the affinity segment, gross premiums written amounted to NOK 486.6m, a 32% growth compared to the year-earlier period. The strong growth is driven by a high level of new sales in the SME sector and a strong growth within change of ownership insurance. Gross premiums written within change of ownership insurance totalled NOK 332m, up 26% relatively to 2009. The volume growth is driven by increased real estate prices, a higher real estate turnover rate and an increased market share. In 2010, the company experienced a hit-ratio of 75%, compared to 73% in 2009.

Gross premiums earned increased by NOK 144.6m to a total of NOK 987.7m. Premiums earned for own account totalled NOK 792.3m, corresponding to a decline of 6 % compared to 2009. The decline is due to changes in the reinsurance structure in 2009.

In Q4 2010, gross premiums written totalled NOK 162.6m, corresponding to a 29% growth relatively to Q4 2009. Gross premiums written within the commercial/public sector totalled NOK 45.2m against NOK 21.4m in Q4 2009. Within the affinity segment, gross premiums written totalled NOK 117.4m, a 11% growth relatively to Q4. Premiums earned for own account totalled NOK 217m against NOK 352.3m in Q4 2009. The decline is due to changes in the reinsurance structure in Q4 2009.

Results

In 2010, the operating profit was NOK 234m, compared to NOK 258.8m in 2009. The return on the company's average solvency capital amounted to 28% compared to 38% in 2009. The strong operating result year-to-date is driven by a strong net combined ratio and a strong investment return.

In Q4 2010, the operating result was NOK 95.1m, compared to NOK 66.1m in Q4 2009. The Q4 result is driven by a strong investment return.

In 2010, the combined ratio net was 92.7%, compared with 96.4% in 2009. Net run-off losses amounted to NOK 16.2m against NOK 15m in losses the year-earlier period. Net claims ratio was 76.8%, down from 82.4 % in 2009. Gross cost ratio was 17.9%, against 17.5% in 2009. The gross cost ratio is increasing despite the strong growth in premiums. The reason is higher manning and higher commissions within the commercial lines of business. The cost development within the commercial- and public lines of business is not good enough and cost initiatives are taken.

The combined ratio net was in Q4 104.6%, 5.3 percentage points higher than the 99.4% reported in the year-earlier period. The weak development in Q4 is driven by a strengthening of the claims reserves and high sales costs (commissions). The cold winter in Q4 has minor effect on the claims ratio.

Within the commercial and public sector, the technical result in Q4 and in the full year is satisfactory. Within the affinity segment, the technical result is weak both in Q4 and in the full year.

Investment return

Year-to-date, investment activities yielded a net profit of NOK 176.2m against a gain of NOK 224.4m in 2009. Equities accounted for a NOK 115.7m gain in aggregate, against a NOK 156.2m gain in 2009.

In the fourth quarter of 2010, the investment result amounted to a net profit of NOK 107.4m against a net profit of NOK 62.8m in the same period of 2009. Equities accounted for a NOK 92.4m gain, against a NOK 45.5m gain in Q4 2009.

The Company has in Q4 sold out an interest paper (in the Held to maturity portfolio) to reduce the concentration risk. The portfolio is reclassified to held for trading. The total effect was a NOK 1m loss.

The investment portfolio amounted to a total of NOK 2.022m at 31 December. 24.6% of Protector's financial assets were invested in equities against 25.1% end of 2009.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2010 increased by NOK 117m to NOK 894m. Purchase of own shares (NOK 9.3m), termination of the company's stock option scheme (NOK 8.9m) and dividend for the fiscal year 2009 (NOK 104.4m) have a NOK 122.6m negative effect on the solvency capital.

In 2010, Protector has purchased 955.782 own shares at an average price of NOK 9.7. End of Q4, Protector has a holding of 3.570.661 own shares.

In Q4, the company terminated the stock option scheme. The reason was the new legislation regarding remuneration schemes in financial institutions. 39 employees have received a payment due to the lapse of the future rights linked to the options. The valuation of the options was based on the difference between the option strike price, NOK 7.75 and the average trading price of Protector's share on 30 December 2010, NOK 11.91. The total cash payment of NOK 8.9 million (2 137 793 options) is booked against other-paid-in equity.

End of Q4 2010 the capital adequacy ratio was 21% against a minimum requirement of 8%. Including the year-end-result the capital adequacy was 28%.

Excess coverage above the required solvency margin capital amounted to NOK 389.9m by end of 2010, corresponding to 290% of the requirement.

Based on the current dividend policy, strong results, strong financial position and solid position in the market, the Board considers to recommend a dividend of NOK 1.50 per share for 2010.

Prospects

The Board is satisfied with the strong growth and strong operating result and expects continued growth and an improved technical result in 2011.

Oslo, February 23th 2011

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000 NOK]	Q4 2010	Q4 2009	2010	2009
Premium income				
Gross written premiums	162 560	126 470	1 010 991	871 374
Ceded insurance premiums	(21 289)	155 392	(193 945)	12 923
Change in provisions for unearned premiums	105 110	96 772	(23 276)	(28 283)
Change in reinsurers' share of provisions for unearned premium	(29 361)	(26 304)	(1 429)	(13 367)
Earned premiums, net of reinsurance	217 020	352 330	792 342	842 646
Allocated return on investment transferred from non-technical account	8 624	8 438	34 989	27 089
Other income	1 066	1 452	3 681	5 126
Claims incurred				
Claims paid	(148 218)	(106 798)	(528 460)	(405 955)
Reinsurers' share of paid claims	46 992	(8 767)	160 156	84 634
Change in provisions for claims	(70 029)	(54 463)	(215 199)	(243 222)
Change in reinsurers' share of claims provisions	(2 029)	(141 467)	(24 874)	(130 195)
Claims incurred, net of reinsurance	(173 284)	(311 495)	(608 377)	(694 738)
Operating expenses				
Sales costs	(16 607)	(3 746)	(26 579)	(8 379)
Administration costs	(41 953)	(38 448)	(149 772)	(138 903)
Commission from reinsurers	4 783	3 557	50 475	29 402
Total operating expenses, net of reinsurance	(53 777)	(38 637)	(125 876)	(117 881)
Other expenses	(3 347)	(316)	(3 928)	(761)
Technical result before changes in security provision	(3 698)	11 773	92 831	61 480
Changes in security provision etc.	(59 215)	(918)	(92 207)	(61 663)
Technical result	(62 913)	10 855	624	(182)
Net income from financial assets	107 410	62 759	176 184	224 426
Allocated return on investment transferred to technical	(8 624)	(8 438)	(34 989)	(27 089)
Non-technical result	98 786	54 321	141 195	197 337
Profit before tax	35 873	65 176	141 818	197 155
Tax	16 184	(5 751)	(242)	(3 791)
Profit before components of comprehensive income	52 057	59 425	141 576	193 363
Profit for the period	52 057	59 425	141 576	193 363
Earnings per share	0,63	0,83	1,71	2,30
Earnings per share, diluted	0,61	0,80	1,67	2,22

Balance Sheet

[1.000 NOK]	31.12.2010	31.12.2009
Assets		
Intangible fixed assets		
Goodwill	-	358
Other intangible fixed assets	9 554	7 849
Total intangible fixed assets	9 554	8 207
Financial assets		
Financial assets at amortised cost	-	237 616
Financial assets at fair value through profit or loss	2 021 520	1 397 168
Total financial assets	2 021 520	1 634 785
Reinsurers share of gross technical provisions		
Reinsurers share of gross premium provisions	44 229	33 353
Reinsurers share of gross claims provisions	114 701	139 575
Total reinsurers share of gross technical provisions	158 931	172 928
Receivables		
Direct insurance receivables	65 896	46 913
Total receivables	65 896	46 913
Other assets		
Tangible fixed assets	3 512	2 932
Cash and bank deposits	99 924	85 597
Deferred tax benefit	3 080	-
Total other assets	106 515	88 529
Total prepaid expenses	23 575	21 491
Total assets	2 385 990	1 972 853
Equity and liabilities		
Shareholders' equity		
Share capital [86.155.605 shares]	86 156	86 156
Own shares	(3 571)	(3 349)
Other paid-in equity	4 847	13 607
Total paid-in equity	87 432	96 413
Earned equity		
Technical provisions	164 805	134 416
Other equity	335 229	331 835
Total earned equity	500 034	466 250
Total equity	587 466	562 664
Technical provisions		
Provisions for unearned premiums	149 117	125 842
Provisions for claims	1 233 404	1 018 205
Security provision etc.	306 846	214 639
Total technical provisions	1 689 367	1 358 686
Provisions for other risks and liabilities		
Pension liabilities	8 388	9 289
Deferred tax liability	-	1 849
Total provisions for other risks and liabilities	8 388	11 138
Liabilities		
Liabilities in connection with insurance	7 277	4 308
Liabilities in connection with reinsurance	13 361	541
Other liabilities	29 084	16 084
Total liabilities	49 722	20 933
Incurred expenses and prepaid income		
Other incurred expenses and prepaid income	51 047	19 433
Total incurred expenses and prepaid income	51 047	19 433
Total equity and liabilities	2 385 990	1 972 853

Cash flow statement

[1.000 NOK]	Q4 2010	Q4 2009	2010	2009
Kontantstrøm fra operasjonelle aktiviteter	48 422	50 592	430 683	338 100
Netto investering i finansielle eiendeler	(14 485)	(87 970)	(309 746)	(325 046)
Kontantstrøm fra investeringsaktiviteter	(1 867)	(2 341)	(9 925)	(25 881)
Kontantstrøm fra finansieringsaktiviteter	-	-	(104 413)	(30 154)
Netto endring i kontanter og kontantekvivalenter	32 070	(39 718)	6 598	(42 981)
Beholdning av kontanter og kontantekvivalenter ved periodens begynnelse	83 143	148 333	108 615	151 596
Beholdning av kontanter og kontantekvivalenter ved periodens slutt	115 213	108 615	115 213	108 615

Reconciliation of equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12.2008	86 156	-	10 171	92 237	227 585	416 148
Option cost, effect on equity			1 252			1 252
Profit for the period				6 443	14 277	20 720
Equity at 31.03.2009	86 156	-	11 423	98 680	241 862	438 121
Option cost, effect on equity			1 299			1 299
Own shares		(3 349)			(16 779)	(20 128)
Dividend					(30 154)	(30 154)
Profit for the period				14 812	54 658	69 471
Equity at 30.06.2009	86 156	(3 349)	12 722	113 492	249 586	458 607
Option cost, effect on equity			847			847
Profit for the period				14 635	29 112	43 747
Equity at 30.09.2009	86 156	(3 349)	13 569	128 127	278 698	503 201
Option cost, effect on equity			38			38
Profit for the period				6 288	53 137	59 425
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

Quarterly outline

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

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 2009, with the following amendments: Deferred tax benefit is in the balance sheet recognized under other assets. Interest rates on bank deposits classified as other assets are recognized in the technical result as other income. Comparable figures have been revised.