

# PROTECTOR

forsikring

Q2 results 2012  
Investor presentation

13 July 2012

# Facts about Protector

- A focused non-life Norwegian insurance company
- Established Jan.1, 2004. (Listed on Oslo Stock Exchange May 2007)
- Entered the Swedish market in 2011 and the Danish market in 2012
- Ownership; ODIN, Franklin Mutual Funds, Alfred Berg Norge/Gambak, DnB, Nordea, employees etc.
- Strong results, average combined ratio 2004 - 2011, 91%
- GWP in 2011: MNOK 1.202
- Solvency capital of MNOK 909, investment portfolio > 3 bn.
- Market cap. 8th July 2012, MNOK 1.021

## Outlook 2012:

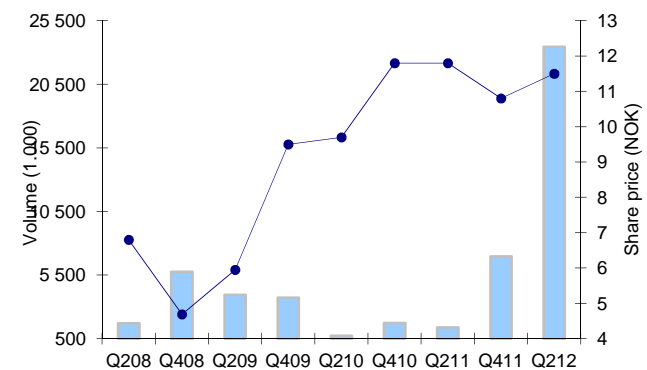
GWP + 26%  
CR ~ 85%

## Dividend policy:

5-15% of the solvency capital  
Share buy backs for additional surplus capital

- Vision:  
“Protector will be the challenger to the established insurance companies”
- Main targets:
  - Being top three in Protector's defined business segments
  - Cost leadership
  - Being preferred by the brokers

Protector share  
Quarterly volume and share price end of quarter<sup>1</sup>



<sup>1</sup> Share buy back not included in the volume figures

# Highlights Q2 2012



## 38% growth, increased margins

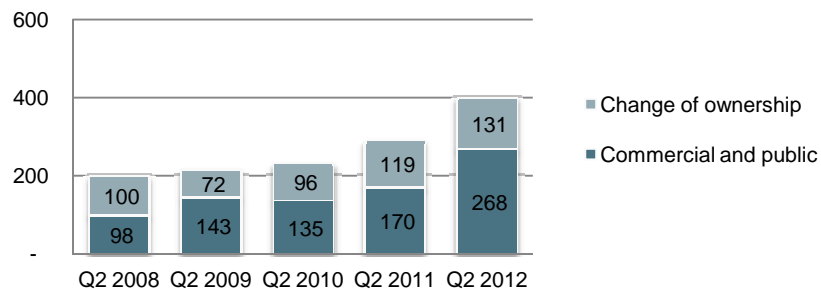
- GWP up 38 %
  - Commercial and public lines of business, up 57%
  - Change of ownership insurance, up 10%
- Net combined ratio, 80.7%, down 1.5 percentage points
- Return on investments, NOK 7.9m (0.3%), up from NOK -11.8m (-0.5%)
- 38% growth in investment portfolio
- Operating profit, NOK 63.6m, up from 31.2m
- Gross cost ratio down from 12,6% to 10.1%
- Outlook 2012 increased
  - Operating profit NOK 315m, up from previously guided NOK 270m
  - Volume growth 26%, up from previously guided 22%

# Gross written premium Q2 2012

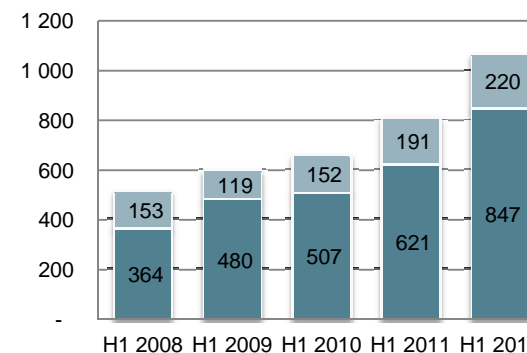
GWP up 38%, from NOK 289.1m to NOK 398.7m

- GWP up 53% within the Norwegian commercial and public lines of business
  - Low renewal rate, 84 %, down from 96% in Q2 2011
  - Strong new sales and good access to quotations
  - One new customer accounts for more than 50% of the growth
- GWP in Sweden and Denmark, 5 percentage points of the total growth
  - 50% commercial sector and 50% municipality sector
- Change of ownership insurance, 10% growth
  - Increased real estate prices and higher real estate turnover rate

GWP Q2 2008 – Q2 2012 (NOKm)



GWP H1 2008 – H1 2012 (NOKm)

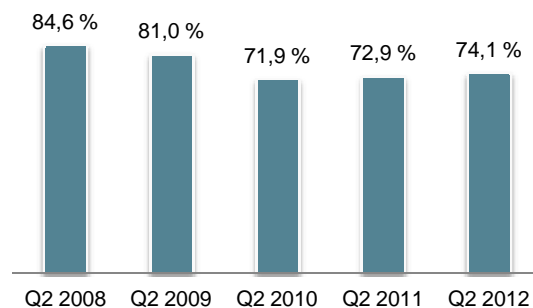


# Claims development Q2 2012

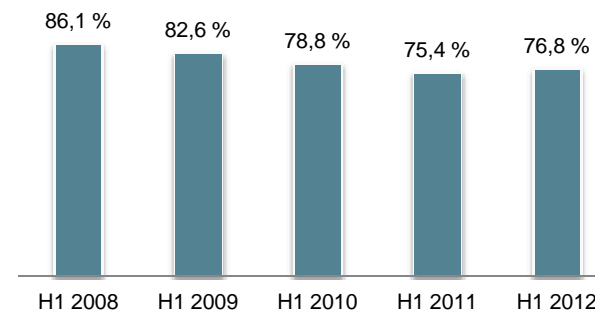
Net claims ratio 74.1%, up from 72.9%

- Claims ratios in line with target
- Stable reserves
- 1 large claim (> NOK 5m) in Q2, no large claims in Q2 2011
- Gross claims ratio 75.6%, up from 71.6%

Net claims ratio Q2 2008 – Q2 2012



Net claims ratio H1 2008 – H1 2012

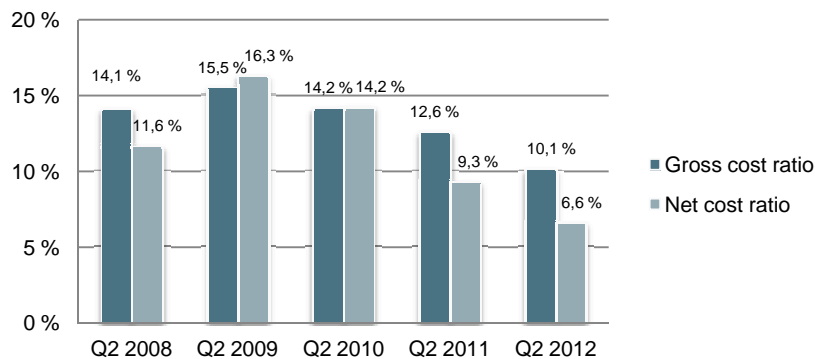


# Cost ratio Q2 2012

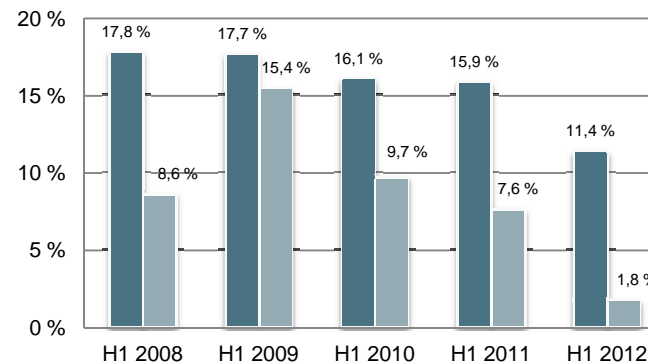
Gross cost ratio 10,1%, down from 12,6% in Q2 2011

- Costs lower than in Q2 2011 (in nominal value)
  - Reduced commissions to agents due to a non renewal of a very large customer
  - Administration costs increasing in nominal value due to increased manning
- Guided gross cost ratio < 13%, ahead of schedule
- Net cost ratio 1,8% (H1), seasonality effect and will increase
- Strong development in net cost ratio driven by 3 factors
  - Lower gross cost ratio, higher level of ceded premiums and higher reinsurance commissions

Cost ratio Q2 2008 – Q2 2012



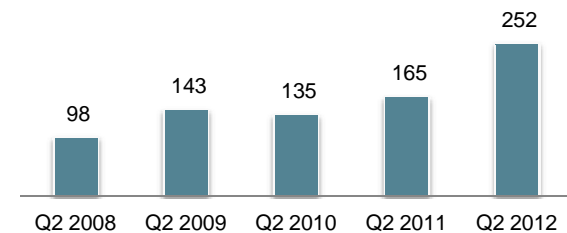
Cost ratio H1 2008 – H1 2012



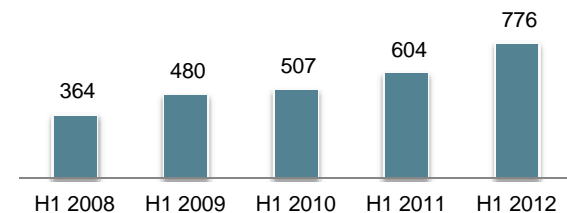
## Highlights Q2 12 – Norwegian Commercial/public lines

- Volume up 53%
  - 37 % growth in the municipality sector
    - 1 large win and 1 large non renewal
  - 56 % growth in the commercial sector
    - 2 very large and 1 large wins and 1 very large non renewal
  - One new customer accounts for more than 50% of the growth
  -
- Personal lines of business , 80% of volume
  - Swedish and Danish business will reduce the personal business exposure
- Renewal rate 84%, down from 96% in Q2 2011
  - 1 very large non renewal
- Continued strong volume growth in Q3 expected
  - Very good access to quotations
  - 2 large wins
- Value chain improvements continues, new people on board before hunting season

GWP Q2 2008 – Q2 2012 (NOKm)



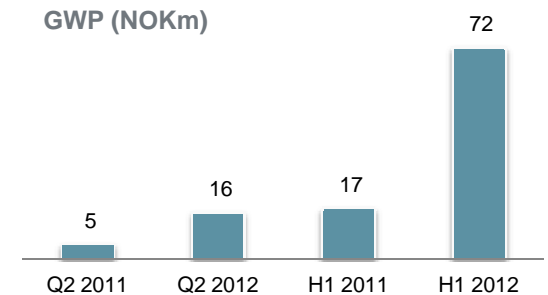
GWP H1 2008 – H1 2012 (NOKm)



Very large, GWP > 10 mill, large GWP > 3 mill

## Highlights Q2 12 – Sweden and Denmark

- Steady growth in Sweden and Denmark
  - Posten (Motor) in Sweden and Denmark on board July 1<sup>st</sup>
  - New business in municipality sector
  - Some new commercial clients
  - 100 mill in GWP end year still realistic
- Well received among Swedish and Danish leading Brokers
- Generally no negative UW experiences so far
- 6-10 new employees on board year-end
- Sweden and Denmark will support double digit growth on company level in 2013 and 2014

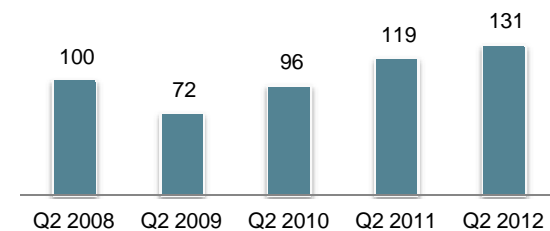




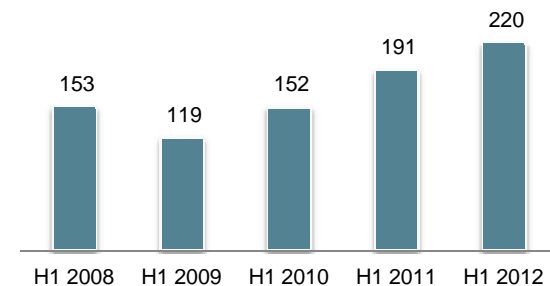
## Highlights Q2 2012 - Change of ownership insurance

- Volume up 10%
  - Stable market share well above 50%
  - Hit-ratio stable on a high level approx. 80%
  - Real estate prices in H1 up 6,4% relatively to H1 2011<sup>1</sup>
  - Turnover rate down approx one day in Q2 relatively to Q2 2011
  
- Profitable in Q2
  - Profitability actions yields results
  
- Good results in court in H1 , 21-15 -11 (wins, draws, losses)
  
- The growth rate is expected to slow down
  - Single digit growth expected in H2

GWP Q2 2008 – Q2 2012 (NOKm)



GWP H1 2008 – H1 2012 (NOKm)



<sup>1</sup> Source: NEF

## Results Q2 2012

NOKm	Q2 2012	Q2 2011	YTD 2012	YTD 2011	2011
<b>Premiums written gross</b>	<b>398,7</b>	<b>289,1</b>	<b>1 067,2</b>	<b>811,9</b>	<b>1 202,5</b>
Premiums earned gross	386,3	314,3	713,8	575,9	1 177,0
Claims incurred gross	(292,2)	(225,0)	(530,2)	(413,0)	(839,2)
Premiums earned for own account	299,6	242,3	546,3	441,8	903,5
Claims incurred for own account	(221,9)	(176,6)	(419,7)	(333,2)	(670,3)
Operating costs for own account	(19,8)	(22,5)	(9,6)	(33,7)	(100,6)
Other income/costs	(2,2)	(0,2)	(1,5)	0,3	1,7
Net financial income	7,9	(11,8)	96,6	10,8	(51,4)
<b>Profit before change in security provision etc.</b>	<b>63,6</b>	<b>31,2</b>	<b>212,2</b>	<b>86,0</b>	<b>82,9</b>
Change in security provision etc.	(8,9)	(20,1)	(20,8)	(27,1)	(49,9)
<b>Profit after change in security provision etc.</b>	<b>54,6</b>	<b>11,2</b>	<b>191,4</b>	<b>58,9</b>	<b>33,0</b>
Net claims ratio	74,1 %	72,9 %	76,8 %	75,4 %	74,2 %
Net cost ratio	6,6 %	9,3 %	1,8 %	7,6 %	11,1 %
<b>Net combined ratio</b>	<b>80,7 %</b>	<b>82,2 %</b>	<b>78,6 %</b>	<b>83,0 %</b>	<b>85,3 %</b>
Retention rate	77,6 %	77,1 %	76,5 %	76,7 %	76,8 %

Note:

*Net claims ratio = claims incurred for own account / NPE*

*Net cost ratio = (sales costs + admin costs + commission on reinsurance ceded)/NPE*

*Retention rate = NPE in % of GPE*

## Balance sheet Q2 2012

NOKm	30.06.2012	30.06.2011	31.12.2011
Financial assets	3 079,8	2 229,6	2 354,8
Bank deposits	115,2	143,0	112,7
Other assets	547,1	417,7	332,4
<b>Total assets</b>	<b>3 742,0</b>	<b>2 790,3</b>	<b>2 799,8</b>
Total equity	531,6	428,5	384,5
Subordinated loan capital	148,1	0,0	-
Total reserves	2 688,5	2 148,0	2 132,6
Other liabilities	373,9	213,7	282,6
<b>Total equity and liabilities</b>	<b>3 742,0</b>	<b>2 790,3</b>	<b>2 799,8</b>
Solvency capital	909,1	762,5	741,3
Return on solvency capital	26 %	12 %	11 %
Solvency capital per share, end of period	11,0	9,2	9,0
Solvency margin	113 %	128 %	80 %
Capital adequacy ratio (risk weighted)	24 %	18 %	19 %
NAV	803,4	669,0	641,4
NAV per share, end of period	9,7	8,1	7,8

Note:

*Solvency Capital = shareholder's funds + security provision etc.*

*Return on solvency capital: Operating profit / average solvency capital*

*Solvency margin = solvency capital / NPW*

*NAV = total equity pluss 72% of the total security provision etc.*

*No. of shares = total outstanding shares ex own shares*

- Investment portfolio, 38% growth
  - Issue of Tier 2 bond, 7 percentage points of the growth

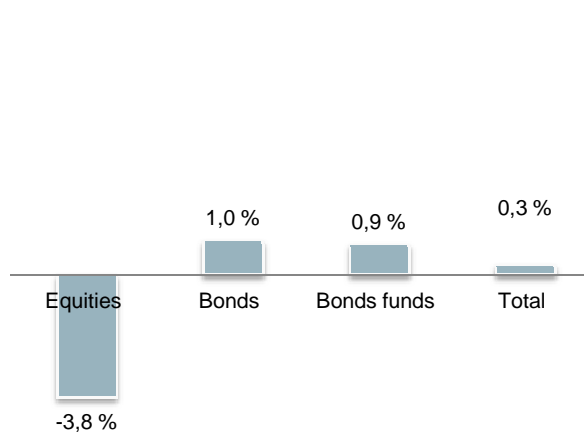
- Subordinated loan capital (NOK 150m) strengthens the capital adequacy and solvency margin capital

Floating rate 3 month NIBOR + 600 bp.  
10 year maturity, callable after 5 years

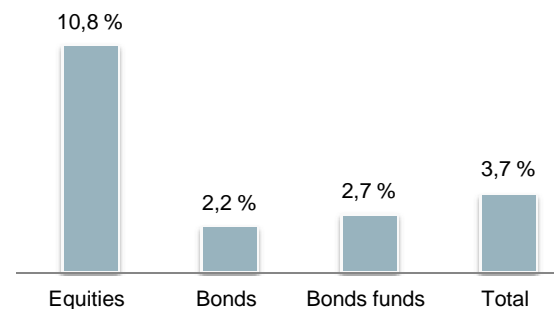
## Investment performance Q2 2012

- Net investment result of NOK 7.9 m, 0,3% return (NOK -11.8m, -0,5%)  
- H1; Net investment result of NOK 96.6m, 3,7% return (NOK 10.8m, 0,5%)
- Equities, return of -3,8% (-5.8%), OSEBX -4.6%, OSEFX -4.4%
- Bond portfolio, return of 1.0% (1.0%), slightly increased risk exposure
- Investment portfolio of NOK 3.080m (NOK 2.230m), 38% growth  
- Subordinated loan capital, 7 percentage points of the growth

Return Q2 2012 per asset class



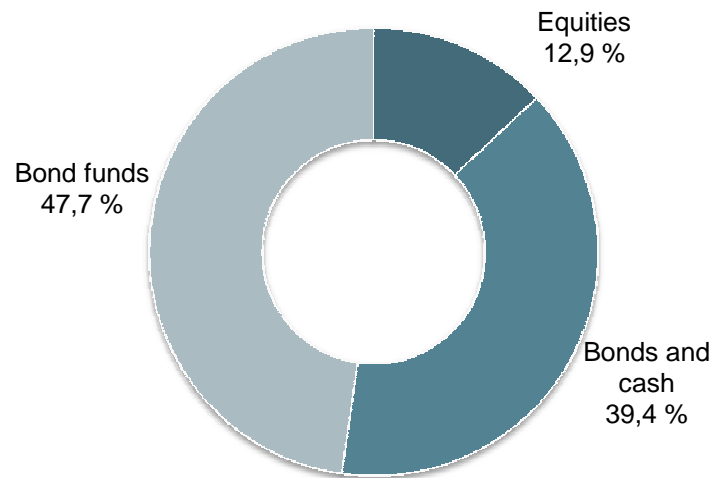
Return YTD 2012 per asset class



# Asset allocation

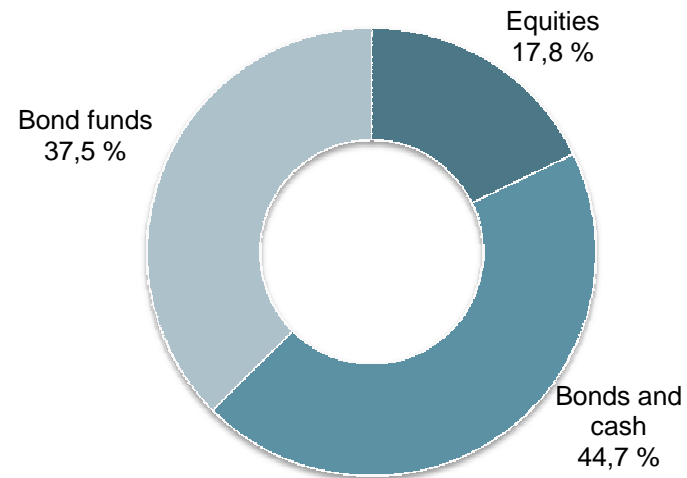
- Bonds 87.1% of portfolio, Norwegian equities 12.9%
- Reduced risk in the investment portfolio
  - Allocation in equities reduced from 15% end of Q1 12 to 12.9% end of Q2 2012
  - All new capital in H1 2012 allocated to bonds

Allocation of investments 30.06.2012



Total financial assets; NOK 3.080m

Allocation of investments 31.12.2011

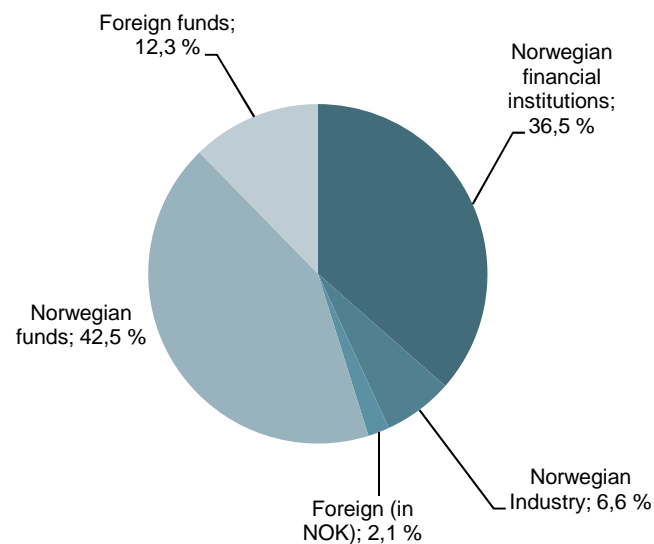


Total financial assets; NOK 2.355m

## Portfolio structure and quality - bond portfolio

- Duration (credit) of bond portfolio is 2,53 years (2,5 years)  
- Interest duration years 0,50 (0,22 years)
- Increased risk in non rated funds

Bond portfolio 30 June 2012



Quality bond portfolio 30 June 2012

<b>Split of fixed income portfolio</b>	<b>NOK mill</b>	<b>%</b>
Bonds	1 059 352	40 %
Bond funds	1 469 867	55 %
Bank deposits	152 632	6 %
<b>Total</b>	<b>2 681 850</b>	<b>100 %</b>
<b>Rating including internal rating by Norwegian financial institutions</b>		
Investmentgrade	1 204 525	45 %
BB	64 639	2 %
B	4 073	0 %
Non rated (funds)	1 408 613	53 %
<b>Total</b>	<b>2 681 850</b>	<b>100 %</b>

# Shareholder matters 6 July 2012

Shareholder	No. shares	Percent
ODIN NORDEN	7 429 155	8,62 %
MSF-MUTUAL FINANCIAL SERVI FD	4 479 410	5,20 %
HANSARD EUROPE LTD	3 727 086	4,33 %
PROTECTOR FORSIKRING ASA	3 570 661	4,14 %
OJADA AS	3 563 116	4,14 %
VPF ALFRED BERG GAMBA	3 401 642	3,95 %
VPF NORDEA NORGE VERDI	3 056 401	3,55 %
DNB NOR SMB	2 976 859	3,46 %
TJONGSFJORD INVEST AS	2 661 809	3,09 %
GABLER RÅDGIVNING AS	2 652 751	3,08 %
MP PENSJON PK	2 375 706	2,76 %
MORGAN STANLEY & CO INTERNAT. PLC	2 236 751	2,60 %
LETRA INVEST AS	1 873 451	2,17 %
FROGNES AS	1 649 916	1,92 %
VPF ALFRED BERG NORGE	1 649 030	1,91 %
JOHAN VINJE AS	1 437 841	1,67 %
PETROSERVICE AS	1 403 938	1,63 %
NORDEA NORDIC SMALL CAP FUND	1 343 815	1,56 %
TROND HØYE	1 256 653	1,46 %
VPF ALFRED BERG AKTIV	1 235 562	1,43 %
<b>TOTAL 20 LARGEST</b>	<b>53 981 553</b>	<b>62,66 %</b>
OTHERS	32 174 052	37,34 %
<b>TOTAL SHARES</b>	<b>86 155 605</b>	<b>100,00 %</b>

No. Shareholders 2.724

<sup>1</sup> CEO Sverre Bjerkeli

<sup>2</sup> Chairman of the Board, Jostein Sørvoll

## Related parties shareholding

- Management's direct and indirect shareholding totals 3m shares or 3,5 % of current outstanding shares
- Board members directly and indirectly own a total of 6,5m shares or 7,5% of current outstanding shares
- 34 employees own directly a total of 4.7 m shares or 5.4% of current outstanding shares (incl. management)
- Protector own 3.570.661 own shares or 4,14% of current outstanding shares

## Outlook 2012, changed

Guiding 7 May 2012

- GWP up 22%
  - Status per Q2, ahead of schedule
- Combined ratio 88%
  - Status per Q2, ahead of schedule
- Return on investments 5 %
  - Status per Q2, ahead of schedule
- Operating profit NOK 270m
  - Status per Q2, ahead of schedule
- Return on solvency capital 31%
  - Status per Q2, ahead of schedule



Guiding 13 July 2012

- GWP up 26 %
- Combined ratio 85%
- Return on investments 5,8 %
- Operating profit NOK 315m
- Return on solvency 36%



## Outlook 2012, changed

NOKm	Res 2011	29 Feb 2012e	7 May 2012e	New 2012e
Premium growth (%)	19	18	22	26
Operating profit	82.9	250	270	315
Investment Income	-51.4	125	136	167
Gross cost ratio (%)	15.0	13	13	13
Net combined ratio (%)	85.3	88	88	85
Return on solvency (%)	11	29	31	36

**Return assumptions H2 2012:**

Equity allocation approx. 13%

Return equities: 4%

Return bonds: 2%

Average invested capital: NOK 3 100m

## Summary

38% growth, increased margins

- GWP up 38 %
- Net combined ratio, 80.7%
- 38% growth in investment portfolio
- Gross cost ratio down from 12,6% to 10.1%
- Outlook 2012 increased
  - Volume growth up to 26%
  - Combined Ratio down to 85%
  - Operating profit up to NOK 315m

Very good start on Q3