

Interim report for the first half of 2010

Strong technical result and continued growth

H1 2010 shows following development compared to H1 2009:

- Gross premiums written NOK 659.2m, up 9% from NOK 603.1m
- Operating profit of NOK 49.6m, down from NOK 127.5m
- Net combined ratio 87.3%, down from 96.1%
- Investment return of 0.1% down from 8.8%

Financial highlights and key ratios

[1.000 NOK]	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Gross premiums written	231 267	215 048	659 182	603 070	871 374
Gross premiums earned	256 354	217 945	465 141	398 776	843 091
Gross claims incurred	(174 187)	(183 532)	(339 174)	(325 199)	(649 177)
Earned premiums, net of reinsurance	204 611	170 599	369 701	310 185	842 646
Claims incurred, net of reinsurance	(145 037)	(134 033)	(286 765)	(250 171)	(694 738)
Net commission income	4 233	3 785	33 085	18 859	21 022
Operating expenses	(33 528)	(31 546)	(69 171)	(66 763)	(139 665)
Other income/costs	1 077	1 433	2 060	3 066	5 126
Net financial income	(38 718)	86 408	642	112 356	224 426
Operating profit before security provision etc	(7 362)	96 648	49 551	127 532	258 817
Claims ratio, net of ceded business	(1)	70,9 %	78,6 %	77,6 %	80,7 %
Cost ratio, net of ceded business	(2)	14,3 %	16,3 %	9,8 %	15,4 %
Combined ratio, net of ceded business	(3)	85,2 %	94,8 %	87,3 %	96,1 %
Retention rate	(4)	79,8 %	78,3 %	79,5 %	77,8 %
Solvency capital	(5)			711 234	652 086
Capital adequacy ratio (risk weighted)	(6)			25 %	36 %
Operating profit before security provision etc per share	(7)	(0,09)	1,14	0,59	1,49
					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

Gross premiums written in H1 2010 totalled NOK 659.2m, representing 9% growth compared to H1 2009. Gross premiums earned increased by NOK 66.3m to a total of NOK 465.1m. Premiums earned for own account were NOK 369.7m, an increase of 19% compared to H1 2009. Premiums earned for own account in H1 2010 represented 79.5% of gross premiums earned, compared to 77.8% in H1 2009.

Gross premiums written in H1 within the commercial and public sector totalled NOK 402,7m, corresponding to a growth of 1% over H1 2009. The renewal rate within the commercial and public lines of business was

in H1 83%, down from 91% in H1 2009. The decline in renewal rate is driven by a market share loss within the municipality sector (Q1) and some profitability actions taken within selected segments.

Within the affinity segment, gross premiums written in H1 2010 amounted to NOK 256.5m compared to NOK 205.4 in H1 2009. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 151.9m, up 27% compared to H1 2009. The increase is mainly due to a higher turn over rate in the real estate market and higher real estate prices.

In the second quarter of 2010, gross premiums written rose by NOK 16.2m, or 8% compared to Q2 2009. Gross premiums written within the commercial/public sector totalled NOK 86.7m down from NOK 93.6m in Q2 2009. The renewal rate was 85% down from 96% in Q2 2009. Profitability actions and volume moved from Q2 to Q3 are the main reasons for the volume decline. Within the affinity segment, gross premiums written totalled NOK 144.6m, up 19% relatively to Q2 2009.

Results

Operating profit before changes in security provision etc. and tax totalled NOK 49.6m, down from 127.5m in H1 2009. The operating profit is driven by a strong technical result. In the second quarter, the operating result was NOK -7.3m against a profit of NOK 96.6m in the same period in 2009. The operating result in Q2 was hit by a negative financial result. The technical result in Q2 was NOK 30.1m before allocation of interest and changes in security reserves.

The combined ratio net was in H1 87.3%, compared with 96.1% in H1 2009. Net claims ratio was 77.6% compared to 80.7% in H1 2009. In H1, net run-off-losses amounted to NOK 7.9m compared to losses of NOK 22.4m in H1 2009. The gross cost ratio was in H1 2010 16.1% down from 17.7% in H1 2009.

The combined ratio net was in Q2 85.2% down from 94.8% in Q2 2009. Net claims ratio was 70.9% down from 78.6% in Q2 2009. In Q2 the company had run-off-gains of NOK 2m.

Investment return

The investment portfolio amounted to a total of NOK 1.78b at 30 June, up 19% compared to the portfolio end of H1 2009. In H1 2010, investment activities yielded a total return of NOK 0.6m compared with a return of NOK 112.4m in H1 2009. The decrease was primarily attributable to a loss in the value of equities of NOK 22.4m in aggregate, against a NOK 81.3m gain in H1 2009.

In the second quarter of 2010, the investment result amounted to a net loss of NOK 38.8m against a net profit of NOK 86.4m in the same period of 2009. Equities accounted for a NOK 48.9m loss in the second quarter of 2010 against a NOK 71m gain in Q2 2009.

End of H1 2010 16.3% of Protector's financial assets were invested in equities.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in H1 decreased by NOK 66m to NOK 711m. The decline in solvency capital is due to the dividend pay-out (NOK 104.4m) in April. End of H1 the capital adequacy ratio was 25%, against a minimum requirement of 8%. The return on the solvency capital was 7% in the first half year despite an investment income close to zero.

The Board of Directors holds a mandate granted by Protector's AGM 21 April 2010 to purchase up to 8 615 560 own shares. The authorization is valid until the next AGM in 2011. End of Q2 2010, the company has a holding of 2 624 879 own shares, unchanged from the end of Q1.

The Board is by the AGM 21 April 2010 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2011. 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 21 April 2010 resolved to pay out a dividend of NOK 1.25 per share (totalling NOK 104.4m) for the fiscal year 2009. The dividend is payback of paid-in capital and was paid out on 28 April 2010.

Risk factors

Protector is exposed to various types of risk through its business. Continuous monitoring and active risk management is an integrated core area in Protector's activities and organisation. Claims development and substantial changes in capital markets are regarded as the most important risk factors that could affect the company's profit in the next six months.

Prospects

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

Oslo, 15 July 2010

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 2009.

Income statement

[1.000 NOK]	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Premium income					
Gross written premiums	231 267	215 048	659 182	603 070	871 374
Ceded insurance premiums	(38 577)	(41 150)	(146 054)	(124 419)	12 923
Change in provisions for unearned premiums	25 086	2 897	(194 041)	(204 294)	(28 283)
Change in reinsurers' share of provisions for unearned premiums	(13 165)	(6 196)	50 614	35 828	(13 367)
Earned premiums, net of reinsurance	204 611	170 599	369 701	310 185	842 646
Allocated return on investment transferred from non-technical account	8 697	6 165	17 820	11 507	27 089
Claims incurred					
Claims paid	(144 502)	(94 418)	(263 787)	(192 698)	(405 955)
Reinsurers' share of paid claims	49 862	34 679	84 403	66 614	84 634
Change in provisions for claims	(29 686)	(89 113)	(75 387)	(132 500)	(243 222)
Change in reinsurers' share of claims provisions	(20 712)	14 820	(31 994)	8 414	(130 195)
Claims incurred, net of reinsurance	(145 037)	(134 033)	(286 765)	(250 171)	(694 738)
Operating expenses					
Sales costs	(2 979)	(2 286)	(5 930)	(3 839)	(8 379)
Administration costs	(33 528)	(31 546)	(69 171)	(66 763)	(139 665)
Commission from reinsurers	7 212	6 071	39 015	22 699	29 402
Total operating expenses, net of reinsurance	(29 296)	(27 761)	(36 086)	(47 903)	(118 642)
Technical result before changes in security provision etc.	38 976	14 971	64 670	23 617	56 354
Changes in security provision etc.	(13 023)	(32 608)	(20 140)	(40 504)	(61 663)
Technical result	25 953	(17 636)	44 530	(16 887)	(5 308)
Net income from financial assets	(38 718)	86 408	642	112 356	224 426
Allocated return on investment transferred to technical	(8 697)	(6 165)	(17 820)	(11 507)	(27 089)
Other income	1 077	1 433	2 060	3 066	5 126
Non-technical result	(46 338)	81 676	(15 118)	103 915	202 463
Profit before tax	(20 385)	64 040	29 412	87 029	197 155
Tax	(12 190)	5 431	(16 892)	3 162	(3 791)
Profit before components of comprehensive income	(32 575)	69 471	12 520	90 191	193 363
Profit for the period	(32 575)	69 471	12 520	90 191	193 363
Earnings per share	(0,39)	0,80	0,15	0,99	2,30
Earnings per share, diluted	(0,38)	0,78	0,15	0,95	2,22

Balance Sheet

[1.000 NOK]	30.06.2010	30.06.2009	31.12.2009
Assets			
Intangible fixed assets			
Goodwill	180	539	358
Deferred tax benefit	-	5 105	-
Other intangible fixed assets	9 160	6 220	7 849
Total intangible fixed assets	9 341	11 864	8 207
Financial assets			
Financial assets at amortised cost	220 767	246 730	237 616
Financial assets at fair value through profit or loss	1 562 837	1 246 885	1 397 168
Total financial assets	1 783 604	1 493 615	1 634 785
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	89 841	75 756	33 353
Reinsurers share of gross claims provisions	107 581	278 184	139 575
Total reinsurers share of gross technical provisions	197 422	353 940	172 928
Receivables			
Direct insurance receivables	82 595	116 338	46 913
Total receivables	82 595	116 338	46 913
Other assets			
Tangible fixed assets	3 301	3 372	2 932
Cash and bank deposits	123 504	117 244	85 597
Total other assets	126 804	120 616	88 529
Total prepaid expenses	41 896	791	21 491
Total assets	2 241 663	2 097 163	1 972 853
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(2 625)	(3 349)	(3 349)
Other paid-in equity	13 681	12 722	13 607
Total paid-in equity	97 212	95 528	96 413
Earned equity			
Technical provisions	150 917	113 492	134 416
Other equity	228 328	249 586	331 835
Total earned equity	379 244	363 078	466 250
Total equity	476 456	458 606	562 664
Technical provisions			
Provisions for unearned premiums	319 883	301 853	125 842
Provisions for claims	1 093 592	907 483	1 018 205
Security provision etc.	234 779	193 480	214 639
Total technical provisions	1 648 253	1 402 815	1 358 686
Provisions for other risks and liabilities			
Pension liabilities	12 437	6 604	9 289
Deferred tax liability	9 385	-	1 849
Total provisions for other risks and liabilities	21 822	6 604	11 138
Liabilities			
Liabilities in connection with insurance	5 219	1 307	4 308
Liabilities in connection with reinsurance	33 261	184 582	541
Other liabilities	40 990	38 016	16 084
Total liabilities	79 469	223 906	20 933
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	15 663	5 232	19 433
Total incurred expenses and prepaid income	15 663	5 232	19 433
Total equity and liabilities	2 241 663	2 097 163	1 972 853

Cash flow statement

[1.000 NOK]	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
Net cashflow from operational activities	68 616	(3 210)	339 827	235 121	338 100
Net invested in financial assets	49 512	(30 916)	(178 376)	(173 602)	(325 046)
Net cashflow from investment activities	(621)	(21 642)	2 755	(21 991)	(25 881)
Net cashflow from financial activities	(104 413)	(30 154)	(104 413)	(30 154)	(30 154)
Net change in cash and cash equivalents	13 093	(85 922)	59 793	9 374	(42 981)
Cash and cash equivalents at the beginning of the period	155 315	246 892	108 615	151 596	151 596
Cash and cash equivalents at the end of the period	168 408	160 970	168 408	160 970	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	278 699	503 202
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		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

Quarterly outline

[1.000 NOK]	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Gross premiums written	231 267	427 914	126 470	141 834	215 048	388 022	92 950	119 168	198 372
Gross premiums earned	256 354	208 787	223 242	221 072	217 945	180 831	166 747	184 674	204 799
Gross claims incurred	(174 187)	(164 986)	(161 261)	(162 718)	(183 532)	(141 667)	(157 481)	(110 040)	(153 813)
Earned premiums, net of reinsurance	204 611	165 090	352 330	180 131	170 599	139 585	113 612	126 805	146 201
Claims incurred, net of reinsurance	(145 037)	(141 728)	(311 495)	(133 072)	(134 033)	(116 138)	(95 577)	(81 588)	(121 400)
Total operating expenses, net of reinsurance	(29 296)	(6 791)	(38 952)	(31 786)	(27 761)	(20 143)	(31 331)	(23 520)	(17 006)
Other income	1 077	983	1 452	608	1 433	1 633	1 296	2 434	1 966
Net income from financial assets	(38 718)	39 359	62 759	49 311	86 408	25 948	(36 810)	(33 270)	46 438
Operating profit before changes in security provision	(7 362)	56 913	66 094	65 191	96 648	30 885	(48 810)	(9 138)	56 199
Changes in security provision etc.	(13 023)	(7 117)	(918)	(20 241)	(32 608)	(7 896)	(21 647)	(10 313)	(8 239)
Profit before tax	(20 385)	49 796	65 176	44 950	64 040	22 988	(70 457)	(19 451)	47 959
Tax	(12 190)	(4 702)	(5 881)	(1 073)	5 431	(2 268)	12 002	(12 454)	(6 200)
Net profit/loss	(32 575)	45 095	59 295	43 877	69 471	20 720	(58 456)	(31 905)	41 760
Key ratios									
Claims ratio, net of ceded business	70,9 %	85,8 %	88,4 %	73,9 %	78,6 %	83,2 %	84,1 %	64,3 %	83,0 %
Cost ratio, net of ceded business	14,3 %	4,1 %	11,1 %	17,6 %	16,3 %	14,4 %	27,6 %	18,5 %	11,6 %
Combined ratio, net of ceded business	85,2 %	90,0 %	99,5 %	91,5 %	94,8 %	97,6 %	111,7 %	82,9 %	94,7 %
Gross cost ratio	14,2 %	18,5 %	19,0 %	15,8 %	15,5 %	20,3 %	21,3 %	15,5 %	14,1 %

Protector Forsikring ASA

- The Board of Directors and the CEO's statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 15 July 2010

The Board of Directors of Protector Forsikring ASA

Jostein Sørvoll
(Chairman)

Benedicte Bakke Agerup

Giuditta Cordero Moss

Erik G. Braathen

Jørgen Stang Heffermehl

Hege Gran

Tor-Åge Schei

Sverre Bjerkeli
(CEO)