



# Protector Forsikring ASA

Q2 results 2010

Investor presentation

16 July 2010

# Protector Forsikring ASA

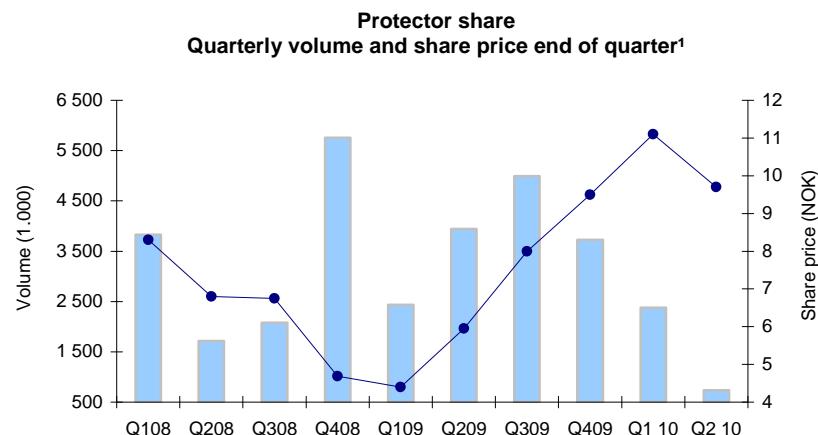
- A focused non-life Norwegian insurance company
- Established Jan.1, 2004. (Listed on Oslo Stock Exchange May 2007)
- Vision: "Protector will be the challenger to the established insurance companies"
- Main targets:
  - Being top three in Protector's defined business segments
  - Cost leadership
  - Being preferred by the brokers
- Ownership; ODIN, Franklin Mutual Funds, Alfred Berg Norge/Gambak, DnB NOR SMB, employees, etc.
- Strong results, average combined ratio 2004 - 2009, 92%
- GWP in 2009: MNOK 871, further growth in 2010
- Solid balance sheet, solvency capital of MNOK 711, investment portfolio > 1,78bn.

## Outlook 2010:

GWP + 10%  
CR ~ 90  
Operating profit, NOK 150m

## Dividend policy:

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



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

## Highlights Q2 2010

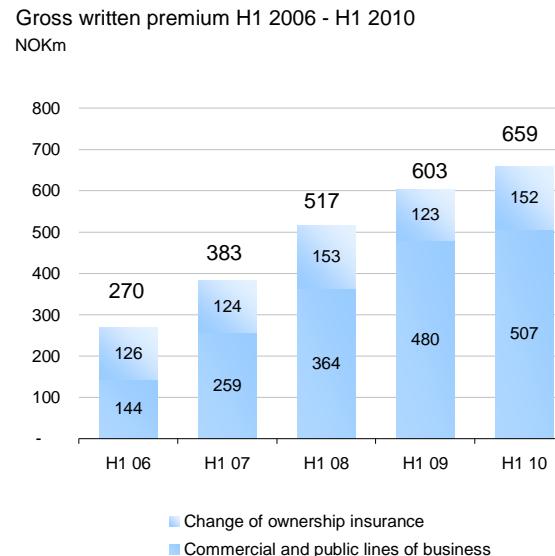
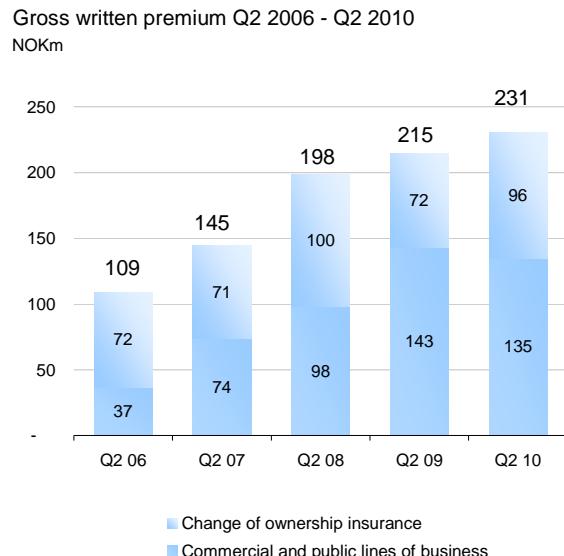
Strong technical result and continued growth

- 8% growth in GWP
- Strong net combined ratio, 85.2%, down 9.6 percentage points
  - Pole position in the Norwegian market (H1)
- Operating profit, NOK – 7.4m, down from NOK 96.6m
  - Negative return on investments, NOK - 38,7m (-2.1%) down from NOK 86.4m (6.6%)
- 19% growth in investment portfolio
- Gross cost ratio down from 15,5% to 14,2%

# Gross written premium Q2 2010

GWP up 8%, from NOK 215m to NOK 231.3m

- GWP down 6% within the commercial and public lines of business
  - Underlying growth stronger
  - Renewal rate, 85%, some segments left for profitability reasons
- Change of ownership insurance, 33% growth
  - Driven by a higher turn over rate in the real estate market and increased real estate prices

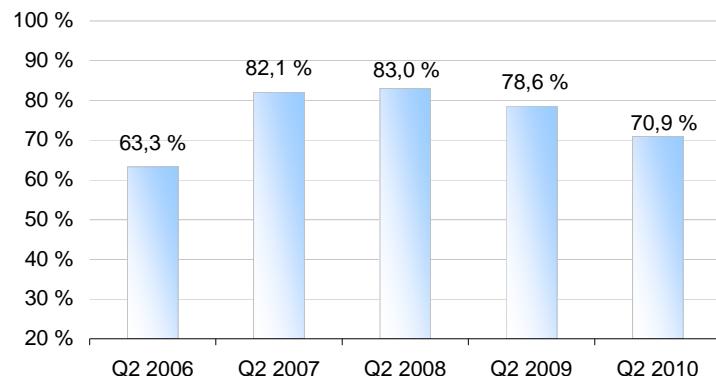


# Claims development Q2 2010

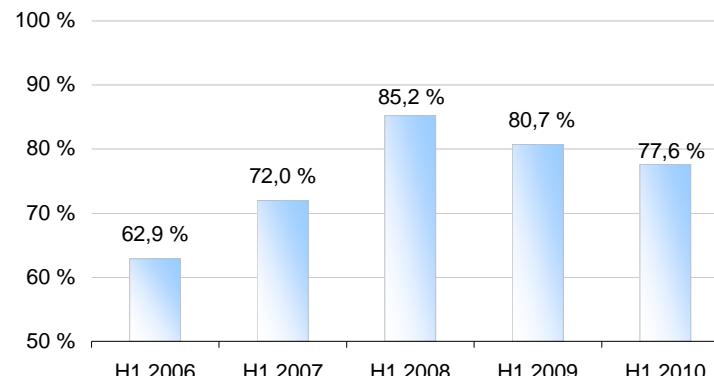
Net claims ratio 70,9%, down from 78,6%, stronger than expected

- Gross claims ratio 67,9% down from 84,2%
- Strong development within the commercial and public lines of business
  - Acceptable within change of ownership insurance
- Stable reserves
  - Run-off-gains of NOK 2m
- No large claims (> NOK 5m)
- Claims settlement Codfarmers ASA finalised, no effect on the Q2 result

Net claims ratio Q2 2006 - Q2 2010



Net claims ratio H1 2006 - H1 2010

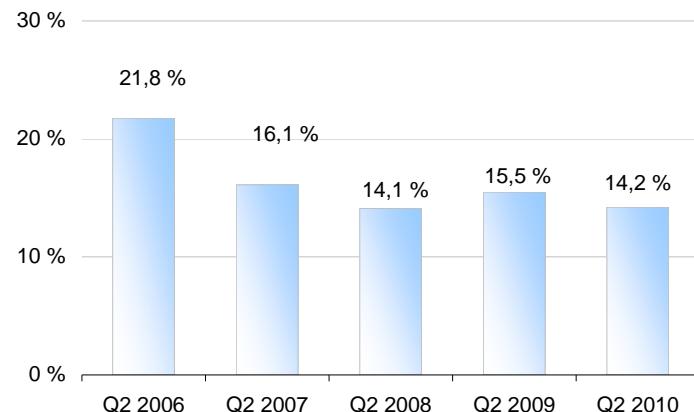


## Cost ratio Q2 2010

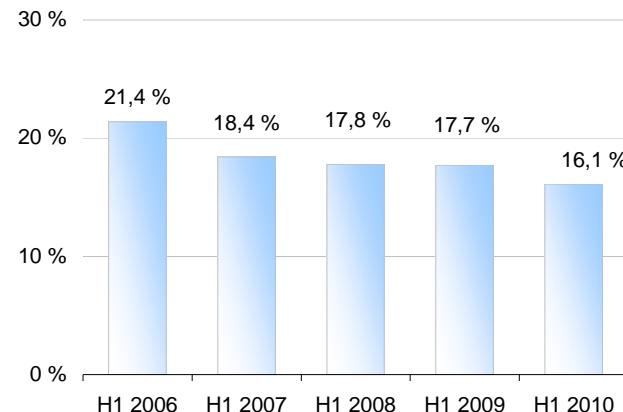
Gross cost ratio 14,2%, down from 15.5% in Q2 2009

- Guided gross cost ratio 16%, on schedule

Cost ratio Q2 2006 - Q2 2010

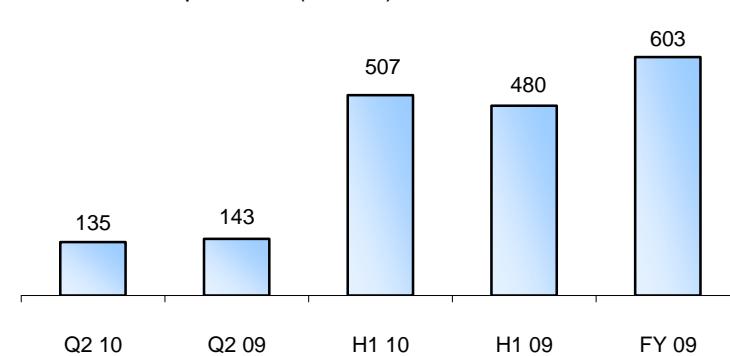


Cost ratio H1 2006 - H1 2010



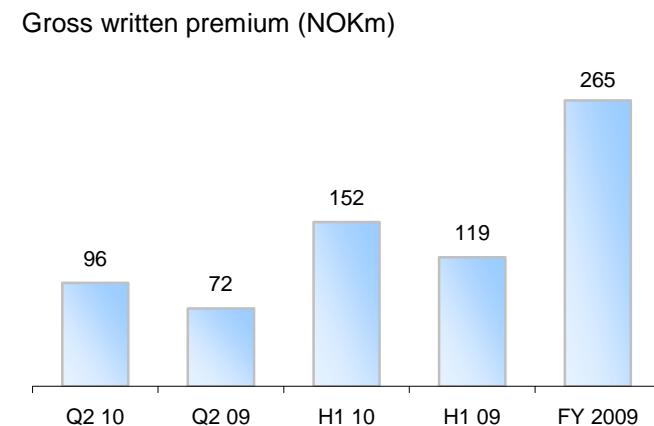
## Highlights Q2 2010 - Commercial and public lines of business

- Volume down 6%, underlying trend continued growth
  - Portfolio changes, volume moved from Q2 to Q3
  - Profitability actions
  - Renewal rate 85%
- Claims level in Q2 lower than normal
  - No large claims (> MNOK 5)
  - Claims settlement with Codfarmers finalised, no effect on the Q2 result
  - Strong development within all products
- Profitability actions on track
- Profitability actions and claims level development leads to good position relative to the reinsurance renewal season
- Q3 volume start on a good level
  - 2 large wins (NOK 15m in total premium) and 0 losses, Q3 growth expected above 30%



## Highlights Q2 2010 - Change of ownership insurance

- Volume up 33%, in line with guiding
  - Market share unchanged, well above 50%
  - Hit-ratio stable at 73%
- Improved market
  - Real estate prices in June up 8,4% relative to June 09 and up 7% in H1 relative to FY 2009
  - Average sales time down from 34 in June 09 to 25 days in June 10
- Strong results in court (21 - 6 - 4)
  - No. of lawsuits is still decreasing
- Continued operational improvements within claims handling



# Results Q2 2010

MNOK	Q2 2010	Q2 2009	YTD 2010	YTD 2009	2009
<b>Premiums written gross</b>	<b>231,3</b>	<b>215,0</b>	<b>659,2</b>	<b>603,1</b>	<b>871,4</b>
Premiums earned gross	256,4	217,9	465,1	398,8	843,1
Claims incurred gross	(174,2)	(183,5)	(339,2)	(325,2)	(649,2)
Premiums earned for own account	204,6	170,6	369,7	310,2	842,6
Claims incurred for own account	(145,0)	(134,0)	(286,8)	(250,2)	(694,7)
Operating costs	(29,3)	(27,8)	(36,1)	(47,9)	(118,6)
Net financial income	(38,7)	86,4	0,6	112,4	224,4
Other income	1,1	1,4	2,1	3,1	5,1
<b>Profit before change in security provision etc.</b>	<b>(7,4)</b>	<b>96,6</b>	<b>49,6</b>	<b>127,5</b>	<b>258,8</b>
Change in security provision etc.	(13,0)	(32,6)	(20,1)	(40,5)	(61,7)
<b>Profit after change in security provision etc.</b>	<b>(20,4)</b>	<b>64,0</b>	<b>29,4</b>	<b>87,0</b>	<b>197,2</b>
Net claims ratio	70,9 %	78,6 %	77,6 %	80,7 %	82,4 %
Net cost ratio	14,3 %	16,3 %	9,8 %	15,4 %	14,1 %
<b>Net combined ratio</b>	<b>85,2 %</b>	<b>94,8 %</b>	<b>87,3 %</b>	<b>96,1 %</b>	<b>96,5 %</b>
Retention rate	79,8 %	78,3 %	79,5 %	77,8 %	99,9 %

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

- Pole position in the Norwegian market, net combined ratio 87,3% (H1 10)
- H1 10, 7% return on the solvency capital despite net financial income close to zero

# Balance sheet Q2 2010

MNOK	30.06.2010	30.06.2009	31.12.2009
Financial assets	1 783,6	1 493,6	1 634,8
Bank deposits	123,5	117,2	85,6
Other assets	334,6	486,3	252,5
<b>Total assets</b>	<b>2 241,7</b>	<b>2 097,2</b>	<b>1 972,9</b>
Total equity	476,5	458,6	562,7
Total reserves	1 648,3	1 402,8	1 358,7
Other liabilities	117,0	235,7	51,5
<b>Total equity and liabilities</b>	<b>2 241,7</b>	<b>2 097,2</b>	<b>1 972,9</b>
 Solvency capital	711,2	652,1	777,3
Return on solvency capital	7 %	21 %	38 %
Solvency capital per share, end of period	8,6	7,6	9,4
Solvency margin	139 %	136 %	88 %
Capital adequacy ratio (risk weighted)	25 %	36 %	28 %
NAV	645,5	597,9	717,2
NAV per share, end of period	7,8	6,9	8,7

Note:

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

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

*Solvency margin = solvency capital / NPW*

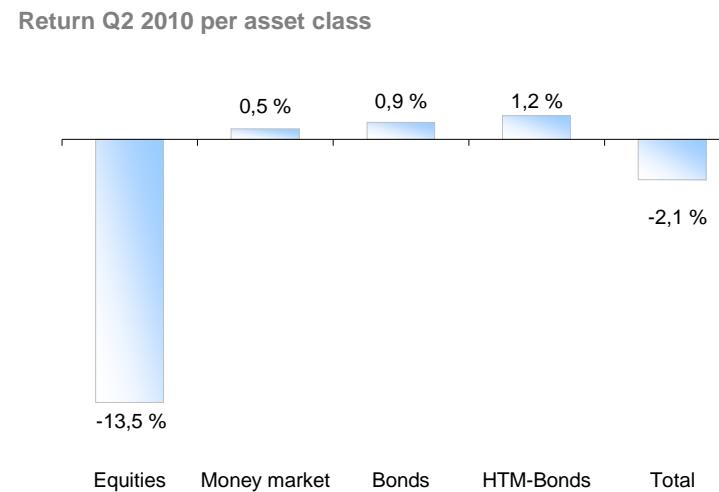
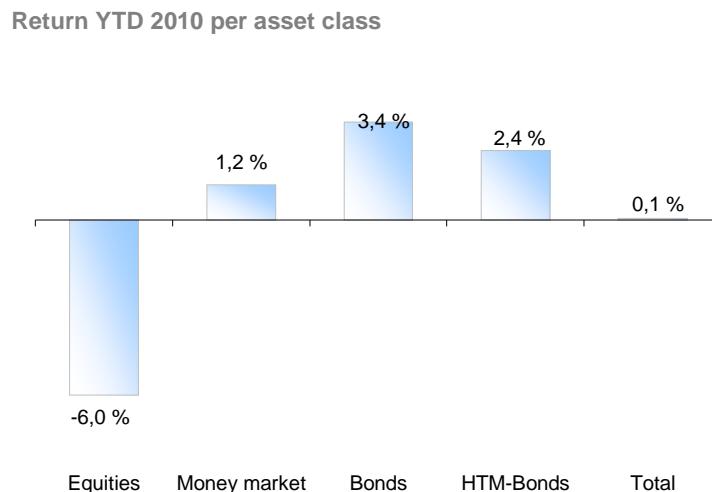
*NAV = total equity pluss 72% of the total security provision etc.*

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

- 19% growth in the investment portfolio

# Investment performance Q2 2010

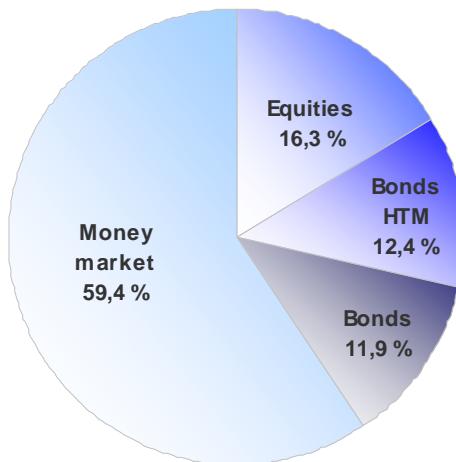
- Net investment result of NOK – 38.7m (NOK + 86.4m)
  - Equities; Return of -13,5% (6.6%), OSEBX -12.9%,
  - Bond portfolio (inc HTM-Bonds); Return of 0.7% (1,5%)
  - Equities have from 1 July to 15 July increased by NOK 16m i value
- Investment portfolio of NOK 1.784m (NOK 1.494m), 19% growth



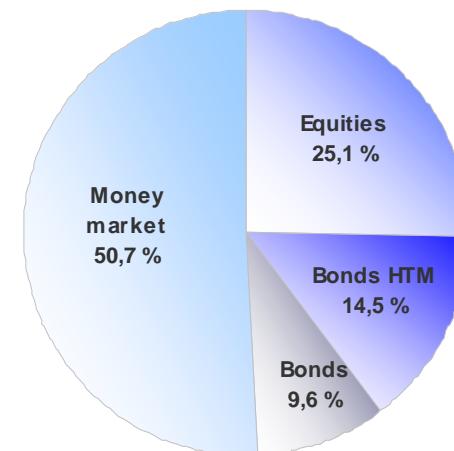
# Asset allocation

- Bonds 84% of portfolio, Norwegian equities 16%
  - Exposure in equities reduced in Q2, NOK 100m reallocated (21 April) from equities to bonds
  - Exposure in equities increased in the beginning of July, NOK 50m allocated to equities

Asset allocation 30 June 2010



Asset allocation 31 December 2009



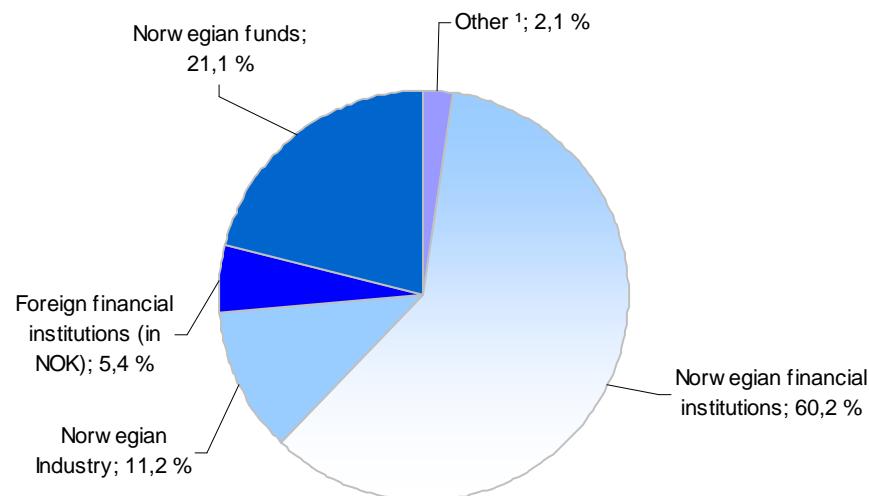
**Total financial assets 30.06.2010**  
NOK 1.784m

**Total financial assets 31.12.2009**  
NOK 1.635m

# Portfolio structure and quality bond portfolio

- Duration (credit) of bond portfolio (ex HTM) is 2,31 years (1,75 years)
  - Interest duration (ex HTM) 0,18 years (0,30 years)

**Bond portfolio 30 June 2010**



**Quality bond portfolio 30 June 2010**

Split of fixed income portfolio	NOK mill	%
Money market instruments	957 184	64 %
Money market funds	102 394	7 %
Total money market	1 059 577	71 %
Bonds:		
Bonds held to maturity	220 767	15 %
Bond funds	213 138	14 %
Total bonds	433 905	29 %
<b>Total</b>	<b>1 493 483</b>	<b>100 %</b>
<b>Rating including internal rating by Norwegian banks</b>		
Investmentgrade	1 098 528	74 %
High yield	79 423	5 %
Non rated (funds)	315 532	21 %
<b>Total</b>	<b>1 493 483</b>	<b>100 %</b>

<sup>1</sup> Municipalities and government bonds

# Shareholder matters 12 July 2010

Shareholder	No. shares	Percent
Verdipapirfond Odin Norden	7 209 655	8,37 %
MSF-Mutual Financial Services FD	4 479 410	5,20 %
Alfred Berg Gambak	3 709 742	4,31 %
DNB Nor Luxembourg SA	3 659 934	4,25 %
Ojada AS	3 563 116	4,14 %
Bergtor AS	3 083 300	3,58 %
Morgan Stanley & Co Internat. PLC	2 776 333	3,22 %
DnB Nor SMB	2 769 000	3,21 %
Tjøngsfjord Invest <sup>1</sup>	2 661 809	3,09 %
Gabler Rådgivning AS <sup>2</sup>	2 652 751	3,08 %
Protector Forsikring ASA	2 624 879	3,05 %
MP Pensjon	2 375 706	2,76 %
VPF Nordea Norge Verdi	1 942 497	2,25 %
Letra Invest AS	1 873 451	2,17 %
Hathon Holding AS	1 785 988	2,07 %
Alfred Berg Norge +	1 716 000	1,99 %
Frognes AS	1 649 916	1,92 %
Petroservice AS	1 479 712	1,72 %
Johan Vinje AS	1 437 841	1,67 %
Trafalgar AS	1 344 331	1,56 %
<b>Total 20 largest</b>	<b>54 795 371</b>	<b>63,60 %</b>
Others	31 360 234	36,40 %
<b>Total shares</b>	<b>86 155 605</b>	<b>100,00 %</b>

No. Shareholders 2.242

<sup>1</sup> CEO Sverre Bjerkeli

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

## Option program

- Outstanding options: 2.260.293  
Strike price of NOK 7,75  
Strike dates: 28 Aug. 2010, 28 Feb 2011, 28 Aug 2011
- Employees have in Q1 2010 exercised 724 041 options. Protector has used its own shares to cover this redemption in stock options.
- CEO Sverre Bjerkeli has in Q1 2010 exercised 400 000 options and holds after the transaction 100 000 options in Protector.

## Related parties shareholding

- Management's direct and indirect shareholding totals 4,5m shares or 5,3 % of current outstanding shares
- Board members directly and indirectly own a total of 6,5m shares or 7,5% of current outstanding shares
- 45 employees own directly a total of 5m shares or 5.8% of current outstanding shares (incl. management)
- Protector own 2.624.879 own shares or 3,05% of current outstanding shares

## Outlook 2010, changed

Guiding 29 April 2010



Guiding 16 July 2010

- GWP up 15%
  - Status per Q2, behind schedule
- Combined ratio 92%
  - Status per Q2, ahead of schedule
- Operating profit NOK 180m
  - Status per Q2, behind schedule
- Return on solvency capital 24%
  - Status per Q2, behind schedule

GWP up 10%

Combined ratio 90%

Operating profit NOK 150m

Return on solvency 20%

# Outlook 2010

NOKm	2009	2010 Feb	2010 April	2010 July
Premium growth (%)	20	15	15	10
Operating profit	258.8	150	180	150
Investment income	224.6	88	118	76
Gross cost ratio (%)	17.6	16	16	16
Net combined ratio (%)	96.5	92	92	90
Return on solvency cap (%)	38	20	24	20

**Return assumptions H2:**

Average invested volume NOK 1.900m

Average invested in equities in H2 approx 18%

Return equities: 4% from 12 July

Return bonds in H2: 2,5%

- Dividend in line with policy

## Summary Q2 2010

- Volume up 8%
- Strong net combined ratio 85.2%, down 9.6 percentage points
- Operating profit, NOK – 7.4m, down from NOK 96.6m
  - Return on investments, NOK - 38,7m (-2.1%), down from NOK 86.4m (6.6%)
- Gross cost ratio down from 15,5% to 14.2%
- Guiding changed
  - Operating profit NOK 150m, volume growth 10% and net combined ratio 90%
- Sunny start on Q3