

Interim report Q4 2012

(Unaudited)

Highlights 2012 and Q4

Strong growth and excellent results for the year 2012

2012 shows following development compared to 2011:

- Gross premiums written NOK 1.517m, up 26 % from NOK 1.202.4m
- Net combined ratio 86.2%, up from 85.3 %
- Return on investments NOK 245.6m (8.9%), up from NOK -51.4m (– 2.3%)
- Operating profit of NOK 393.5m, up from NOK 82.9m

Q4 2012 shows following development compared to Q4 2011:

- Gross premiums written NOK 198.2m, up 10 % from NOK 179.5m
- Net combined ratio 101.3%, up from 86.9 %
- Return on investments NOK 61.2m (2.0%), up from NOK 48m (2.2%)
- Operating profit of NOK 56.7m, up from NOK 78.9m

Based on the company's dividend policy, strong results for the full year 2012 and strong financial position, the Board considers recommending a dividend of NOK 1.20 per share for 2012.

Financial highlights and key ratios

[1.000 NOK]	Q4 2012	Q4 2011	FY 2012	FY 2011
Gross premiums written	198 240	179 459	1 517 017	1 202 479
Gross premiums earned	375 564	300 133	1 464 244	1 176 965
Gross claims incurred	(327 118)	(218 659)	(1 170 976)	(898 796)
Earned premiums, net of reinsurance	279 532	229 464	1 107 433	903 478
Claims incurred, net of reinsurance	(259 283)	(181 136)	(940 094)	(729 843)
Net commission income	11 837	8 384	90 269	50 527
Operating expenses	(35 822)	(26 659)	(104 677)	(91 541)
Other income/costs	(705)	797	(5 030)	1 702
Net financial income	61 151	48 020	245 571	(51 388)
Operating profit before security provision etc	56 709	78 870	393 472	82 935
Claims ratio, net of ceded business	(1) 92,8 %	78,9 %	84,9 %	80,8 %
Expense ratio, net of ceded business	(2) 8,6 %	8,0 %	1,3 %	4,5 %
Combined ratio, net of ceded business	(3) 101,3 %	86,9 %	86,2 %	85,3 %
Retention rate	(4) 74,4 %	76,5 %	75,6 %	76,8 %
Solvency capital	(5)		1 086 448	741 288
Capital adequacy ratio (risk w eighted)	(6)		24 %	19 %
Solvency margin	(7)		342 %	219 %
Profit after tax per share	(8) -0,32	0,75	2,41	-0,09

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 2012 gross premiums written increased by 26% to a total of NOK 1.517m. Gross premiums written within the commercial and public sector totalled NOK 958.8m, a 47% growth from 2012. The growth is due to a high level of new sales in the commercial market. New business from Sweden and Denmark represented 13 percentage points of the growth. The renewal rate was 98%, up from 88% in 2011.

Within the public sector in Norway, the company experienced a 15% increase in gross premiums written. The competition in the Norwegian municipality sector is still strong with a continued rate pressure. In Sweden and Denmark the company had at year end 40 municipalities on the customer list. The gross premium written in Sweden and Denmark totalled NOK105.2m.

In the affinity segment, gross premiums written amounted to NOK 558.2m, a 1% growth compared to 2011. The weak growth is due to one large non-renewal in the commercial market. Gross premiums written within change of ownership insurance totalled NOK 426.3m, up 7% from 2011. The volume growth is mainly driven by higher real estate prices and an increased estate turnover rate. In 2012, the company experienced a stable hit-ratio of 80%,

Gross premiums earned increased by NOK 287.3m, to a total of NOK 1,464.2m. Premiums earned for own account totalled NOK 1,107.4m, an increase of 23 % compared to 2011. The retention rate is decreasing due to a stronger growth within the reinsured business. In 2012 the retention rate was 75.6% down from 76.8% in 2011. The retention rate is expected to increase slightly in 2013.

In Q4 2012, gross premiums written totalled NOK 198.2m, a 10% growth compared to Q4 2011. Gross premiums written within the commercial/public sector totalled NOK 81.6m against NOK 50.5m in Q4 2011. Within the affinity segment, gross premiums written totalled NOK 116.7m, a 10% decline compared to Q4 2011. The decline is due to a low renewal rate and a weak December month within change of ownership insurance. Premiums earned for own account totalled NOK 279.5m against NOK 229.5m in Q4 2011.

Results

In 2012, the operating profit before changes in security provision and tax totalled NOK 393.5m, compared to NOK 82.9m in 2011. The strong performance 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 152.8m an increase of NOK 21.6m or 16% compared with 2011. Net profit in 2012 amounted to NOK 198.6m, against a net loss of NOK 7.6m the year-earlier period. The return on the company's average solvency capital was 38 % compared to 5 % in 2011.

In Q4 2012, the operating result was NOK 56.7m, compared to NOK 78.9m in Q4 2011. The Q4 result is driven by a strong financial result covering up a weak technical result.

In 2012, the combined ratio net was 86.2%, compared to 85.3% in 2011. From 2012 new regulations requiring claims handling costs to be classified as claims paid. This entails an allocation of claims handling costs from administration costs to claims paid. The effect in 2012 is an increase in claims paid by NOK 73.3m (NOK 59.6m in 2011) and a decrease in administration costs by the same amount. Comparable figures have been revised.

Net claims ratio in 2012 (exclusive of claims handling costs of 6.6 percentage points) was 78.3%, compared to 74.2% (exclusive of claims handling costs of 6.6 percentage points) in 2011. Net run-off gains in 2012 amounted to NOK 11.9m against NOK 21.8m the year-earlier period. Net cost ratio (claims handling costs included with 6.6 percentage points) was 7.9%, 3.2 percentage points down from the 11.1 % (including claims handling costs of 6.6 percentage points) in 2011. The improvement is caused by premiums earned as well as commissions from reinsurers increasing at a faster rate than nominal costs.

The combined ratio net was in Q4 101.3%, 14.4 percentage points higher than the 86.9% reported in the year-earlier period. The net claims ratio was 85.8% (exclusive of claims handling costs of 7 percentage points) against 72.3% (exclusive of claims handling costs of 6.7 percentage points) in Q4 2011.

Within the commercial and public sector as well in the affinity segment, the technical result is weak in Q4 and strong for the full year. The weak technical result in Q4 is due to seasonality and some strengthening of the reserves.

Investment return

The investment portfolio amounted to a total of NOK 3.193m at 31 December up 36% compared to the portfolio end of Q4 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 Q1.

8.9 % of Protector's financial assets were invested in equities against 17.8% end of 2011. The decline is due reallocation from equities and allocation of new capital to bonds. The risk in the bond portfolio is during 2012 increased.

In 2012, investment activities yielded a net gain of NOK 245.6m (8.9%) against a loss of NOK 51.4m (-2.3%) in 2011. Equities accounted for a NOK 79.5m gain (25.2%) in aggregate, against a NOK 104m loss (-20.4%) in 2011. The return on the fixed income portfolio amounted to NOK 166.1m or 6.8%. In 2011 the return on the fixed income portfolio was 52.6 million or 3.0%.

In the fourth quarter of 2012, the investment result amounted to a net profit of NOK 61.2m (2.0%) against a net profit of NOK 48m (2.2%) in the same period of 2011.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2012 increased by NOK 345.2m to NOK 1.086.4m.

End of Q4 2012, the capital adequacy ratio was 16% against a minimum requirement of 8%. Including the year-end-result the capital adequacy was 24%.

Excess coverage above the required solvency margin capital amounted to NOK 630m by end of 2012, corresponding to 342% of the legal requirement.

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 in Q3 been revised. Protector's target is to maintain a solvency margin (calculated according to regulations from 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.

Based on the new dividend policy, strong results, strong financial position and solid position in the market, the Board considers to recommend a dividend of NOK per share for 2012.

Prospects

The Board is satisfied with the company's growth, combined ratio and investment result for the full year.

The company expects continued strong growth in 2013 despite strong competition both in the commercial sector and public sector. The expected growth is based on a very good start in 2013, breakthrough in Sweden and Denmark, continued access to profitable business in Norway and expected market growth in the change of ownership insurance market (increased real-estate prices).

Already implemented and new profitability initiatives are expected to lead to continued strong profitability.

Oslo, February 27th 2013

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000 NOK]	Q4 2012	Q4 2011	FY 2012	FY 2011
Premium income				
Gross written premiums	198 240	179 459	1 517 017	1 202 479
Ceded insurance premiums	(36 276)	(25 017)	(347 394)	(272 868)
Change in provisions for unearned premiums	177 324	120 674	(52 773)	(25 514)
Change in reinsurers' share of provisions for unearned premiums	(59 757)	(45 652)	(9 417)	(619)
Earned premiums, net of reinsurance	279 532	229 464	1 107 433	903 478
Allocated return on investment transferred from non-technical account	663	9 402	24 663	42 456
Other income	710	1 152	3 929	2 700
Claims incurred				
Claims paid	(200 968)	(153 423)	(753 826)	(597 186)
Reinsurers' share of paid claims	43 243	27 168	166 453	127 447
Change in provisions for claims	(126 149)	(65 237)	(417 150)	(301 610)
Change in reinsurers' share of claims provisions	24 591	10 355	64 429	41 506
Claims incurred, net of reinsurance	(259 283)	(181 136)	(940 094)	(729 843)
Operating expenses				
Sales costs	(1 667)	(4 045)	(8 245)	(25 592)
Administration costs	(35 822)	(26 659)	(104 677)	(91 541)
Commission from reinsurers	13 504	12 430	98 515	76 119
Total operating expenses, net of reinsurance	(23 985)	(18 275)	(14 408)	(41 013)
Other expenses	867	(1 043)	(4 055)	(4 109)
Technical result before changes in security provision etc.	(1 497)	39 564	177 467	173 668
Changes in security provision etc.	(96 733)	2 981	(146 531)	(49 921)
Technical result	(98 230)	42 545	30 936	123 747
Net income from financial assets	61 151	48 020	245 571	(51 388)
Allocated return on investment transferred to technical account	(663)	(9 402)	(24 663)	(42 456)
Other income	831	688	3 887	3 111
Other costs	(3 113)	-	(8 790)	-
Non-technical result	58 207	39 306	216 005	(90 734)
Profit before tax	(40 023)	81 851	246 941	33 014
Tax	13 574	(19 991)	(48 311)	(40 587)
Profit before components of comprehensive income	(26 449)	61 860	198 630	(7 573)
Profit for the period	(26 449)	61 860	198 630	(7 573)
Earnings per share	(0,32)	0,75	2,41	(0,09)
Earnings per share, diluted	(0,32)	0,75	2,41	(0,09)

Balance Sheet

[1.000 NOK]	31.12.2012	31.12.2011
Assets		
Intangible fixed assets		
Other intangible fixed assets	8 908	9 720
Total intangible fixed assets	8 908	9 720
Financial assets		
Financial assets at fair value through profit or loss	3 192 820	2 354 751
Total financial assets	3 192 820	2 354 751
Reinsurers share of gross technical provisions		
Reinsurers share of gross premium provisions	68 625	56 334
Reinsurers share of gross claims provisions	220 419	156 207
Total reinsurers share of gross technical provisions	289 045	212 541
Receivables		
Direct insurance receivables	74 967	69 774
Total receivables	74 967	69 774
Other assets		
Tangible fixed assets	9 336	4 297
Cash and bank deposits	141 890	112 685
Deferred tax benefit	-	3 302
Total other assets	151 226	120 284
Total prepaid expenses	48 596	32 735
Total assets	3 765 562	2 799 804
Equity and liabilities		
Shareholders' equity		
Share capital [86.155.605 shares]	86 156	86 156
Own shares	(3 571)	(3 571)
Other paid-in equity	4 847	4 847
Total paid-in equity	87 432	87 432
Earned equity		
Technical provisions	74 408	76 074
Other equity	421 311	221 014
Total earned equity	495 719	297 088
Total equity	583 151	384 520
Subordinated loan capital	148 125	-
Technical provisions		
Provisions for unearned premiums	226 786	174 631
Provisions for claims	2 017 886	1 601 249
Security provision etc.	503 298	356 767
Total technical provisions	2 747 969	2 132 647
Provisions for other risks and liabilities		
Pension liabilities	12 384	9 787
Deferred tax liability	11 462	-
Total provisions for other risks and liabilities	23 847	9 787
Liabilities		
Liabilities in connection with insurance	7 716	12 163
Liabilities in connection with reinsurance	130 515	116 320
Other liabilities	53 580	74 947
Total liabilities	191 812	203 430
Incurred expenses and prepaid income		
Other incurred expenses and prepaid income	70 659	69 420
Total incurred expenses and prepaid income	70 659	69 420
Total equity and liabilities	3 765 562	2 799 804

Cash flow statement

[1.000 NOK]	Q4 2012	Q4 2011	FY 2012	FY 2011
Net cashflow from operational activities	58 928	113 368	602 561	599 077
Net invested in financial assets	(184 647)	(99 494)	(672 788)	(434 738)
Net cashflow from investment activities	(6 616)	(2 696)	(11 354)	(8 247)
Net cashflow from financial activities	(3 155)	-	141 804	(123 877)
Net change in cash and cash equivalents	(135 490)	9 713	60 223	30 749
Cash and cash equivalents at the beginning of the period	341 675	136 249	145 962	115 213
Cash and cash equivalents at the end of the period	206 185	145 962	206 185	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
Profit for the period				1 407	(27 856)	(26 449)
Equity at 31.12.2012	86 156	(3 571)	4 847	74 408	421 311	583 151

Quarterly outline

[1.000 NOK]	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Gross premiums written	198 240	251 625	398 672	668 481	179 459	211 153	289 149	522 718	162 560
Gross premiums earned	375 564	374 915	386 272	327 494	300 133	300 972	314 319	261 541	267 670
Gross claims incurred	(327 118)	(276 119)	(312 102)	(255 637)	(218 659)	(235 690)	(242 440)	(202 007)	(238 819)
Earned premiums, net of reinsurance	279 532	281 555	299 567	246 779	229 464	232 204	242 272	199 538	217 020
Claims incurred, net of reinsurance	(259 283)	(223 636)	(241 804)	(215 371)	(181 136)	(184 061)	(193 999)	(170 647)	(193 855)
Total operating expenses, net of reinsurance	(23 985)	(18 316)	156	27 736	(18 275)	(20 488)	(5 092)	2 841	(37 329)
Other income/costs	(705)	(2 815)	(2 207)	696	797	577	(180)	508	(2 281)
Net income from financial assets	61 151	87 796	7 852	88 773	48 020	(110 190)	(11 782)	22 563	107 410
Operating profit before changes in security provision	56 709	124 584	63 564	148 614	78 870	(81 958)	31 220	54 802	90 964
Changes in security provision etc.	(96 733)	(29 028)	(8 934)	(11 836)	2 981	(25 776)	(20 061)	(7 064)	(59 215)
Profit before tax	(40 023)	95 556	54 630	136 778	81 851	(107 734)	11 159	47 738	31 748
Tax	13 574	(17 527)	(21 373)	(22 985)	(19 991)	1 845	(10 760)	(11 682)	16 046
Net profit/loss	(26 449)	78 029	33 257	113 794	61 860	(105 889)	399	36 056	47 795
Key ratios									
Claims ratio, net of ceded business	92,8 %	79,4 %	80,7 %	87,3 %	78,9 %	79,3 %	80,1 %	85,5 %	89,3 %
Expense ratio, net of ceded business	8,6 %	6,5 %	-0,1 %	-11,2 %	8,0 %	8,8 %	2,1 %	-1,4 %	17,2 %
Combined ratio, net of ceded business	101,3 %	85,9 %	80,7 %	76,0 %	86,9 %	88,1 %	82,2 %	84,1 %	106,5 %
Gross expense ratio	10,0 %	8,4 %	4,9 %	7,5 %	10,2 %	8,8 %	7,1 %	14,4 %	15,7 %

Accounting principles

These interim accounts have been prepared in accordance with Norwegian accounting regulations for insurance companies and in line with the accounting principles described in the annual report for 2011, with the following amendments:

Interest rates on bank deposits classified as other assets are recognized in the non-technical result as other income. Comparable figures have been revised.

From 2012 new regulations requiring insurance companies to classify claims handling costs as paid claims. This entails an allocation of claims handling costs from administration costs to claims paid. Comparable figures for 2011 are restated. The implementation effect in the profit and loss statement 31.12.2012 was a reduction in administration costs (under operational expenses) of NOK 73.3 million and an increase of claims paid (under Claims incurred) of NOK 73.3 million. The implementation effect in the profit and loss statement 31.12.2011 was a reduction in administration costs of NOK 59.6 million and an increase of claims paid of NOK 59.6 million.