

Q3 results 2014

Investor presentation

29 October 2014



Facts about Protector

- A focused Norwegian non-life insurance company
- Established Jan.1, 2004. (Listed Oslo Stock Exchange May 2007)
- Entered the Swedish market in 2011 and Denmark 1 Jan. 2012
- Ownership; ODIN, Stenshagen Invest, Ojada, Alfred Berg Norge/Gambak, Handelsbanken, Nordea, DnB NOR SMB, employees etc.
- Strong results, average combined ratio 2004 - 2013, 89.5%
- GWP in 2013: MNOK 1.861
- Solvency capital of MNOK 1.515, investment portfolio ~ NOK 4,8 bn.
- Market cap. 27 October 2014, NOK 3,4bn.

- Vision: “The challenger”
- Main targets:
 - Cost and quality leadership
 - Profitable growth
 - Being top three in Protector’s defined business segments

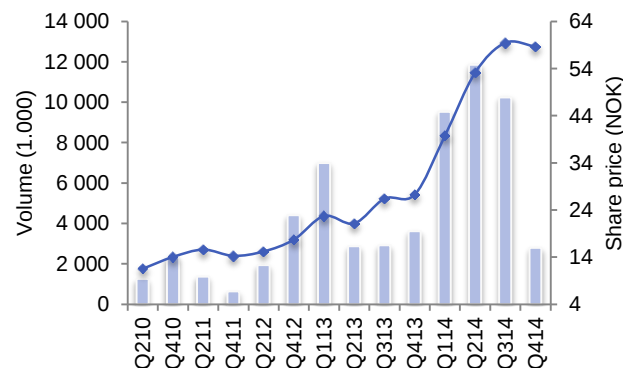
Outlook 2014:

GWP up 27 %
CR ~ 88 %

Dividend policy:

30 – 50% of profit after tax
Target solvency margin > 250%

Protector share
Quarterly volume and share price end of quarter¹



¹ Share buy back not included in the volume figures
Share price adjusted for dividends
Data pr. 27.10.2014



Highlights Q3 2014

26 % growth and strong result

- GWP up 26 %
 - Scandinavian commercial and public lines 23 percentage points of total growth
 - Growth in Sweden/Denmark 16 percentage points of total growth
 - GWP up 29 % in local currencies
- Net combined ratio improved to 89.0% (93.4%)
- Gross cost ratio down to 8,4% (10,1%)
- Return on investments, NOK 27.9m (0.6%), down from NOK 75.6m (2.0%)
 - Driven by lower bond and equity return
- Operating profit of NOK 75.3m (NOK 96.7m) impacted by lower investment income
- Guiding 2014
 - 27 % growth and CR 88 %, ahead of schedule
 - Return on investments down from NOK 290 m to NOK 240m due to the turmoil in the financial markets

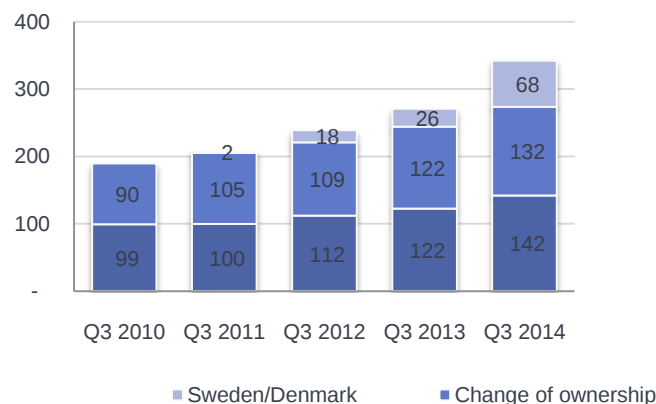


Gross written premium Q3 2014

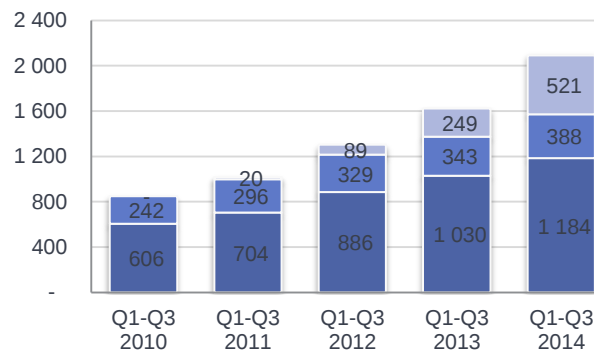
GWP up 26 %, from NOK 270,4m to NOK 341,8m

- GWP up 41 % within the Scandinavian commercial and public lines
 - 23 percentage points of total growth
- GWP up 16 % within the Norwegian commercial and public lines of business
 - High renewal rate, 99%, up from 90 % in Q3 2013.
 - Very good access to quotations, hit-ratio improving in commercial sector
- GWP in Sweden and Denmark 160 % growth
 - 16 percentage points of total growth
 - High renewal rate, above 100 %
- Change of ownership insurance, 8 % growth
 - Increased no. of policies sold (up 5 %) and increased real estate prices
- Next volume guiding will as usual be communicated to the market ultimo January 2015

GWP Q3 2010 – Q3 2014 (MNOK)



GWP Q1-Q3 2010 – Q1-Q3 2014 (MNOK)

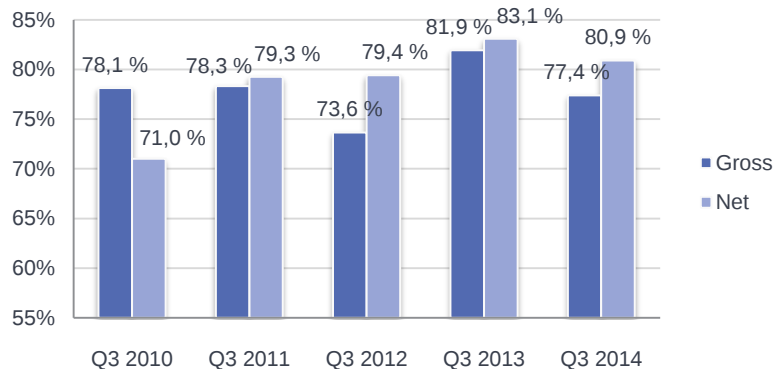




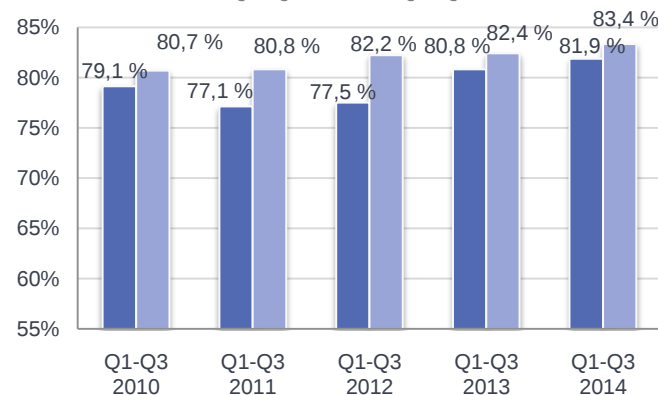
Claims development Q3 2014

- Gross claims ratio 77.4%, down from 81.9 % in Q3 2013
 - All products in Norway are doing well
 - Satisfactory claims ratio both in Sweden and Denmark despite cloudburst claims
 - 1 large claim (> MSEK 5) in Sweden
- Net run-off-gains of 4,5% (stable reserves in Q3 2013)
 - Run-off-gains of MNOK 17 (MNOK 24 loss in Q2 14) within change of ownership insurance
 - Low level of paid claims decreases the reserves
 - Run-off-gains of 26 mill YTD (18 mill within commercial and public lines and 8 mill within COI)
- Net claims ratio 80.9%, down from 83.1%
 - Higher claims ratio than peers

Claims ratio Q3 2010 - Q3 2014



Claims ratio Q1-Q3 2010 – Q1-Q3 2014

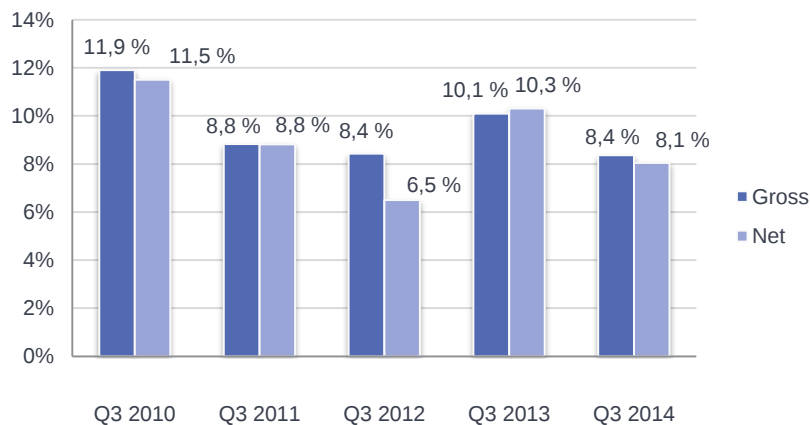




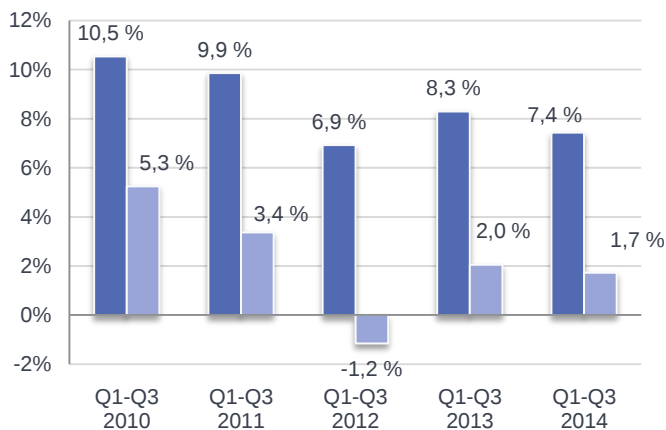
Cost ratio Q3 2014

- Gross cost ratio 8.4 %, down from 10.1%
 - Gross cost ratio including claims handling 12.6% down from 14.6 %
 - Increased staffing in all 3 countries, but slowing down
 - Average no of employees Q3 2014 177 up from 152 in Q3 2013
- Net cost ratio 8.1 %, down from 10.3%
- Driven by decreased gross costs
- Improved competitive position

Cost ratio Q3 2010 – Q3 2014



Cost ratio Q1-Q3 2010 – Q1-Q3 2014



Highlights Q3 2014 – Norwegian Commercial/public lines

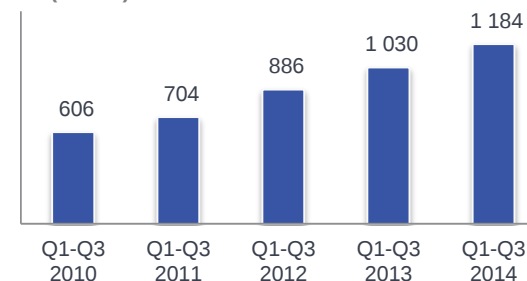
16% growth

- Volume up 16 %
 - Strong renewal rate of 99 % (90%)
 - No large wins or non-renewals
 - 39 % growth in the public sector (low volume quarter)
 - 15 % growth in the commercial sector
- Single digit growth in Q4 expected
 - Good access to quotations
- Reinsurance renewal season started
 - Quota share contracts renewed on similar terms and conditions
 - Improved terms and conditions expected on other contracts
- “Hunting” and renewal season started
 - Good start on the renewals and good access to new business
- All time high relationship with leading brokers
 - Rated no. 1 eight years in a row

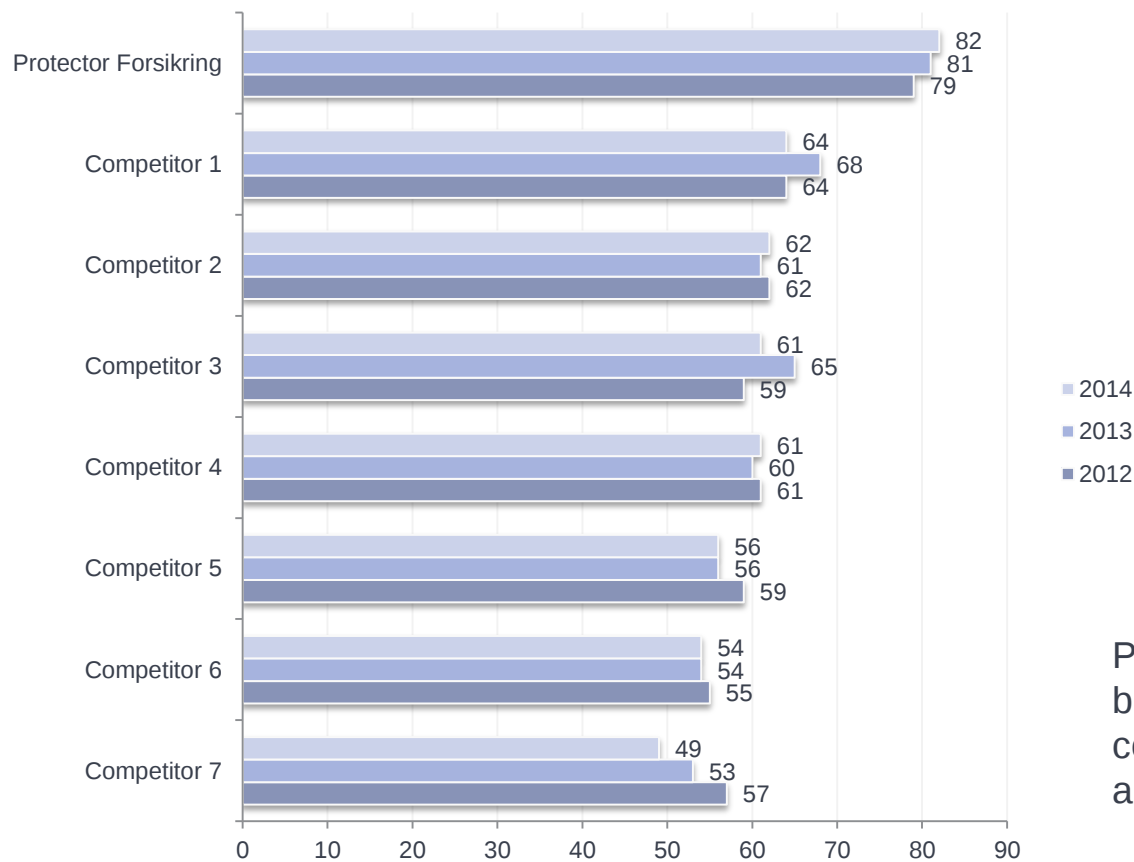
GWP Q3 2010 – Q3 2014
(MNOK)



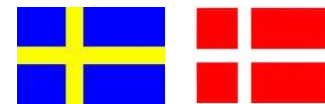
GWP Q1-Q3 2010 – Q1-Q3 2014
(MNOK)



Quality leader among insurance brokers eight years in a row



Protector receives the highest score when brokers are asked to rank insurance companies according to how satisfied they are with their service and offerings

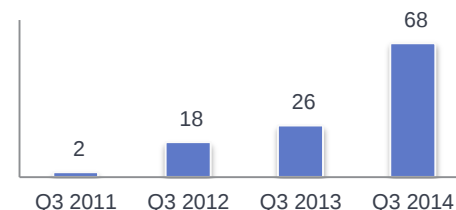


Highlights Q3 2014 – Sweden and Denmark

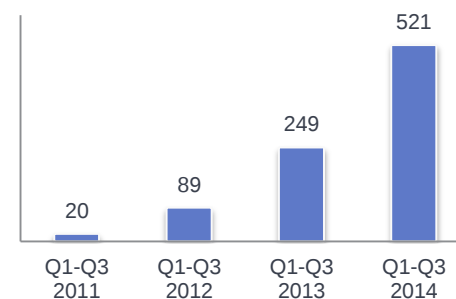
GWP > 500 mill YTD, critical mass reached

- 160 % growth, 16 percentage points of total company growth
 - 1 very large win in Sweden
 - No large non-renewals
 - Renewal rate above 100 %
- Well prepared for “hunting” and renewal season
 - 22 on board in Sweden per 30.09, 20 on board in Denmark
 - Minor increase in human capital in Q4
- Combined ratios above 100%
 - Claims development behind schedule, but no significant profitability issues
 - Cost ratios still high but will fall rapidly
 - A combined ratio slightly above 100 % expected in 2014 (up from < 100%)
- Sweden and Denmark will support double digit growth on company level in 2015 and 2016
- Country number 4, analytical work started

GWP Q3 2010-Q3 2014 (MNOK)



GWP Q1-Q3 2010 – Q1-Q3 2014 (MNOK)



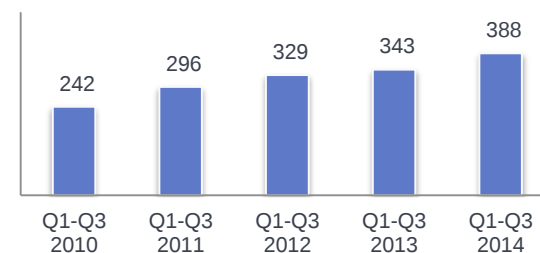
Highlights Q3 2014 – Change of ownership insurance

- Volume up 8%
 - No. of policies sold up 5 %
 - Real estate prices up 3.4 % relatively to Q3 2013.¹
 - Hit-ratio stable on a high level, approx. 80 %
- Good profitability in Q3
 - Run-off-gains of MNOK 17 (MNOK 24 in losses in Q2 14)
 - High recovery level, up 12 %
 - Increased claims handling capacity improves quality
- No. of lawsuits remains high but stable
 - Continued good results in court supported by internal high technical competence
 - Win – draw – losses: 62% - 19% - 19%
- «Mandatory» home sales report (technical survey)
 - « Mandatory» from 1.1.2015
 - Technical survey quality will be a challenge
- 10 % volume growth expected in 2014

GWP Q3 2010 – Q3 2014 (MNOK)



GWP Q1-Q3 2010 – Q1-Q3 2014 (MNOK)



¹ Source: SSB



Results Q3 2014

NOKm	Q3 2014	Q3 2013	Q1-Q3 2014	Q1-Q3 2013	2013
Premiums written gross	341,8	270,4	2 092,6	1 622,9	1 860,6
Premiums earned gross	591,5	468,6	1 713,1	1 346,2	1 814,6
Claims incurred gross	(457,7)	(384,0)	(1 402,9)	(1 088,2)	(1 450,6)
Premiums earned for own account	458,0	357,9	1 321,9	1 021,1	1 373,6
Claims incurred for own account	(370,6)	(297,3)	(1 101,8)	(841,6)	(1 133,5)
Operating costs for own account	(36,9)	(36,9)	(22,9)	(20,9)	(56,9)
Other income/costs	(3,1)	(2,6)	(8,2)	(7,7)	(9,5)
Net financial income	27,9	75,6	223,3	172,9	256,7
Profit before change in security provision etc	75,3	96,7	412,3	323,8	430,3
Change in security provision etc.	(12,5)	(31,2)	(53,3)	(74,5)	(54,8)
Profit after change in security provision etc.	62,8	65,5	358,9	249,3	375,5
Tax	(17,7)	(9,5)	(78,9)	(56,1)	(88,5)
Profit before comprehensive income	45,2	56,0	280,1	193,1	287,0
Comprehensive income inc. tax	(1,8)	2,4	(9,1)	7,2	5,7
Profit for the period	43,3	58,4	271,0	200,3	292,6
Gross claims ratio	77,4 %	81,9 %	81,9 %	80,8 %	79,9 %
Gross expense ratio	8,4 %	10,1 %	7,4 %	8,3 %	8,8 %
Gross combined ratio	85,7 %	92,0 %	89,3 %	89,1 %	88,7 %
Net claims ratio	80,9 %	83,1 %	83,4 %	82,4 %	82,5 %
Net expense ratio	8,1 %	10,3 %	1,7 %	2,0 %	4,1 %
Net combined ratio	89,0 %	93,4 %	85,1 %	84,5 %	86,7 %
Retention rate	77,4 %	76,4 %	77,2 %	75,8 %	75,7 %
Return on investment assets	0,6 %	2,0 %	4,1 %	4,7 %	7,0 %
Earnings per share	0,7	1,0	3,9	3,0	4,0

- GWP up 29% YTD
- No. 1 Nordic

- CR YTD 85,1%
- Top 3 Nordic

Note:

Retention rate = NPE in % of GPE

Earnings per share = (Profit before comp. income + Change in security provision - 27% tax on Change in security provision) /

(No. of outstanding shares - own shares)



Balance Sheet Q3 2014

NOKm	30.09.2014	30.09.2013	31.12.2013
Financial assets	4 834,8	3 943,4	3 999,8
Bank deposits	138,1	92,1	153,3
Other assets	899,4	651,7	590,9
Total assets	5 872,4	4 687,3	4 744,1
Total equity	903,7	684,9	777,2
Subordinated loan capital	148,1	148,1	148,1
Total reserves	4 290,6	3 501,1	3 368,8
Other liabilities	530,0	353,1	450,0
Total equity and liabilities	5 872,4	4 687,3	4 744,1
Solvency capital	1 515,1	1 262,7	1 335,3
Return on solvency capital, after tax	23 %	23 %	28 %
Solvency capital per share, end of period	18,3	15,3	16,2
Solvency ratio	94 %	103 %	93 %
Solvency margin	373 %	353 %	315 %
Capital adequacy ratio (risk weighted)	18 %	21 %	20 %
NAV	1 350,0	1 106,7	1 184,6
NAV per share, end of period	16,3	13,4	14,3

Note:

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

Return on solvency capital: Operating profit after tax / average solvency capital

Solvency ratio = solvency capital / NPW

Solvency margin calculated according to regulations from the FSA of Norway.

NAV = total equity plus 73% of the total security provision etc.

No. of shares = total outstanding shares ex own shares

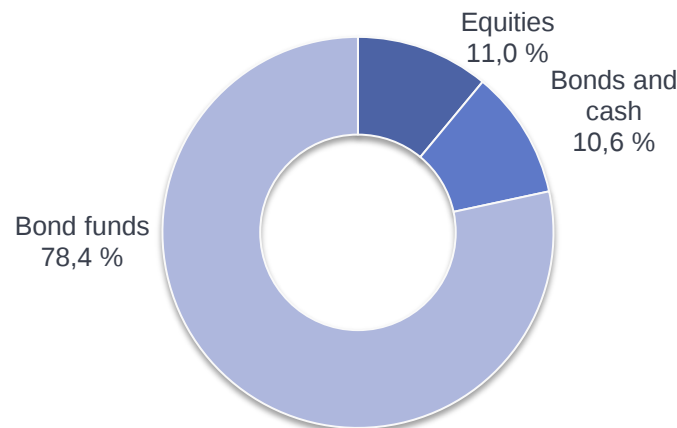
- 23% growth in investment portfolio
- Implementation of Solvency II
 - The Norwegian FSA has sent a letter¹ to the Norwegian Dep. of Finance discussing some country specific topics related to the implementation of Solvency II. Most important for Protector are the potential tax implications. The topics are not new and it's too early to predict the outcome of the discussions.
- Solvency margin 373 %,
 - NOK 921 mill above the minimum requirement
 - Minimum requirement will increase in Q4

¹ Link to the letter: http://www.finanstilsynet.no/no/Artikkelarkiv/Aktuelt/2014/2_kvartal/Problemstillinger-knyttet-til-gjennomforingen-av-Solvens-II/

Asset allocation

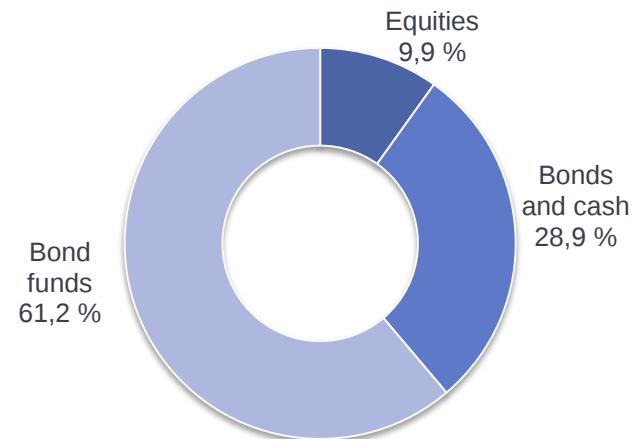
- End of Q3 2014; Fixed income 92,2% of portfolio, Nordic equities 7,8%
 - Duration bond portfolio 0.7 years (1.2), average maturity is 3.4 years (3.5)
- Further decreased exposure in equities ultimo August
 - NOK 100 mill re-allocated from Norwegian equities to fixed income funds
- Discretionary fixed income portfolio allocated to funds
 - Improved risk adjusted return
- Discretionary equity portfolio established early October
 - Limited exposure to the oil and oil-service sector

Money-weighted allocation of investments 30.09.2014



Total financial assets end of Q3 2014; NOK 4.835m

Money-weighted allocation of investments 31.12.2013



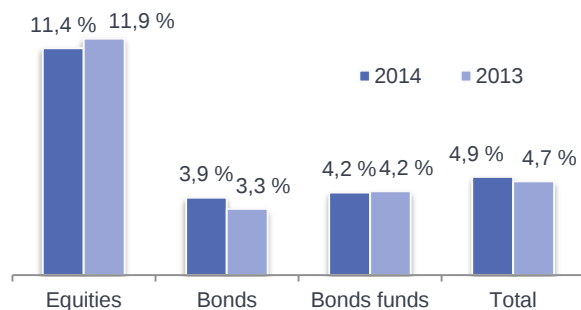
Total financial assets end year; NOK 3.999m

Investment performance Q3 2014

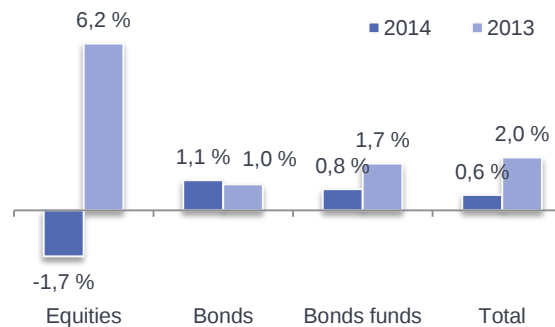
0,6% return on the investment portfolio

- Net investment result of NOK 27,9m, 0,6% return (NOK 75,6m, 2,0%)
 - Q1-Q3; Net investment result of NOK 223,3m, 4,9% return (NOK 172,9m, 4,7%)
- Equities, return of -1,7% (6,2%), OSEBX -1,4%, OSEFX -1,2%
- Fixed income portfolio, return of 0,8% (1,5%)
 - Yield end of Q3; 4,9 %
- Investment portfolio of NOK 4.835 m (NOK 3.943m), 23% growth

Return Q1-Q3 per asset class



Return Q3 per asset class





Shareholder matters 21 October 2014

Shareholder	No. shares	Percent
ODIN NORDEN	6 611 211	7,67 %
STENSHAGEN INVEST AS	5 000 000	5,80 %
PROTECTOR FORSIKRING ASA	3 570 661	4,14 %
OJADA AS	3 563 116	4,14 %
HANSARD EUROPE LTD	3 393 835	3,94 %
AVANZA BANK AB	3 368 957	3,91 %
TJONGSFJORD INVEST AS	2 811 809	3,26 %
VERDIPAPIRFONDET HANDELSBANKEN	2 375 706	2,76 %
MP PENSJON PK	2 300 000	2,67 %
JP MORGAN CHASE BANK, NA	1 900 000	2,21 %
ARTEL HOLDING A/S	1 873 451	2,17 %
NORDNET BANK AB	1 815 118	2,11 %
GABLER RÅDGIVNING AS	1 702 751	1,98 %
FROGNES AS	1 649 916	1,92 %
VARMA MUTUAL PENSION INSURANCE	1 642 329	1,91 %
JOHAN VINJE AS	1 437 841	1,67 %
PETROSERVICE AS	1 343 815	1,56 %
NORDEA NORDIC SMALL CAP FUND	1 303 467	1,51 %
VERDIPAPIRFONDET ALFRED BERG NORGE	1 295 092	1,50 %
VEVLEN GÅRD AS	1 279 569	1,49 %
TOTAL 20 LARGEST	50 238 644	58,31 %
OTHERS	35 916 961	41,69 %
TOTAL SHARES	86 155 605	100,00 %

No. Shareholders 3.190

¹ CEO Sverre Bjerkeli

² Chairman of the Board, Jostein Særvoll

Related parties shareholding

- Management's direct and indirect shareholding totals 3,2m shares or 3,7% of current outstanding shares
- Board members directly and indirectly own a total of 10,3m shares or 11,9% of current outstanding shares
- 32 employees own directly a total of 3,4m shares or 3,9% of current outstanding shares (incl. management)
- Protector own 3.570.661 own shares or 4,14% of current outstanding shares



Outlook 2014

Guiding 11 July 2014



Guiding 29 Oct 2014

- GWP up 27%
 - Status per Q3, ahead of schedule
- Combined ratio 88%
 - Status per Q3, ahead of schedule
 - Gross claims ratio slightly behind schedule
- Gross cost ratio < 8 %, on schedule
- Operating profit NOK 490m
 - Status per Q3, behind schedule
- Return on solvency capital 28%
 - Status per Q3, behind schedule

GWP up 27%

Combined ratio 88 %

Gross cost ratio < 8 %

Operating profit NOK 440m

Return on solvency 25%



Outlook 2014, changed

	Res 2013	26 Feb 2014e	9 May 2014e	11 July 2014e	New 2014e
Premium growth in NOK (%)	23	16	20	27	27
Investment Income (NOKm)	257	190	250	290	240
Operating profit (NOKm)	430	330	430	490	440
Gross cost ratio (%)	8.8	< 8	< 8	< 8	< 8
Net combined ratio (%)	86.7	90	88	88	88
Change in Security prov. (NOKm)	54.8	N/A	58	73	68
Return on solvency capital (%)	28	20	24	28	25
Earnings per share (NOK)	3,96	N/A	4	4,6	4,1

Return assumptions Q4 2014:

Equity allocation approx. 8%

Return equities: 0%

Return bonds: 0,4 %

Average inv. capital: NOK 4.900m



Summary Q3 2014

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- Net combined ratio improved to 89.0% (93.4%)
- Gross cost ratio down to 8,4% (10,1%)
- Return on investments, NOK 27.9m (0.6%), down from NOK 75.6m (2.0%)
- Operating profit of NOK 75.3m (NOK 96.7m) impacted by lower investment income
- Guiding 2014
 - 27 % growth and CR 88 %, ahead of schedule
 - Return on investments down from NOK 290 m to NOK 240m due to the turmoil in the financial markets