

Interim report Q4 2014

(Unaudited)

Highlights 2014 and Q4

Best year ever – Sweden and Denmark in profit

2014 shows following development compared to 2013:

- Gross premiums written NOK 2.374,5m, up 28% from NOK 1.860,6m
- Net combined ratio improved to 84,5% (86,7%)
 - Norway: Improved to 80,6% (81,2%)
 - Sweden: Improved to 98,5% (120,7%)
 - Denmark: Improved to 96,2% (123,4%)
- Operating profit NOK 502,0m, up from NOK 430,3m
- Return on investments NOK 236,8m (5,3%), down from NOK 256,7m (7,0%)
- Gross expense ratio improved to 7,6% (8,8%)
 - Norway: Improved to 5,3% (7,3%)
 - Sweden: Improved to 16,5% (19,0%)
 - Denmark: Improved to 14,3% (15,0%)

Q4 2014 shows following development compared to Q4 2013:

- Gross premiums written NOK 281,8m, up 19% from NOK 237,7m
- Net combined ratio 82,7% down from 93,0%
- Operating profit NOK 89,8m, down from NOK 106,6m
- Return on investments NOK 13,6m (0,3%), down from NOK 83,9m (2,2%)

Based on the company's dividend policy, strong results for the full year 2014 and strong financial position, the Board considers recommending a dividend of NOK 2,00 per share for 2014.

Financial highlights and key ratios

[1.000.000 NOK]		Q4 2014	Q4 2013	FY 2014	FY 2013
Gross premiums written		281,8	237,7	2 374,5	1 860,6
Gross premiums earned		593,7	468,4	2 306,8	1 814,6
Gross claims incurred		(451,6)	(362,4)	(1 854,5)	(1 450,6)
Earned premiums, net of reinsurance		453,4	352,5	1 775,3	1 373,6
Claims incurred, net of reinsurance		(337,7)	(291,9)	(1 439,5)	(1 133,5)
Net commission income		4,5	9,6	98,4	94,3
Operating expenses		(42,0)	(45,6)	(158,7)	(151,3)
Other income/costs		(2,0)	(1,8)	(10,2)	(9,5)
Net financial income		13,6	83,9	236,8	256,7
Operating profit before security provision etc		89,8	106,6	502,0	430,3
Claims ratio, net of ceded business	(1)	74,5 %	82,8 %	81,1 %	82,5 %
Expense ratio, net of ceded business	(2)	8,3 %	10,2 %	3,4 %	4,1 %
Combined ratio, net of ceded business	(3)	82,7 %	93,0 %	84,5 %	86,7 %
Gross claims ratio	(4)	76,1 %	77,4 %	80,4 %	79,9 %
Gross expense ratio	(5)	8,2 %	10,0 %	7,6 %	8,8 %
Gross combined ratio	(6)	84,3 %	87,4 %	88,0 %	88,7 %
Retention rate	(7)	76,4 %	75,3 %	77,0 %	75,7 %
Solvency capital	(8)			1 575,9	1 335,3
Capital adequacy ratio (risk weighted)	(9)			18 %	20 %
Solvency margin	(10)			296 %	315 %
Earnings per share	(11)	1,24	1,14	4,63	3,47

(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) Gross claims incurred in %of gross premiums earned

(5) Sales and administration costs in %of gross premiums earned

(6) Gross claims ratio + gross expense ratio

(7) Earned premiums, net of reinsurance in %of gross earned premiums

(8) Equity + security provision etc

(9) Net primary capital (including net profit/loss for the period) in %of risk weighted assets.

(10) Solvency margin calculated according to regulations from the FSA of Norway (including net profit/loss for the period)

(11) Profit before other comprehensive income divided by weighted number of shares

Protector's operations

Protector Forsikring ASA is a general insurance company (P&C) operating in Scandinavia. Protector started its business in Norway in 2004, and 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 2014 gross premiums written increased by 28% to a total of NOK 2,374,5m. Gross premiums earned increased by NOK 492,2m to a total of NOK 2.306,8m. Premiums earned for own account totalled NOK 1.775,3m, an increase of 29,2 % compared to 2013. The retention rate for 2014 is 77,0%, increasing slightly from 75,7% at year end 2013.

Gross premiums written in Norway increased NOK 210,7m in 2014, a 13 % growth from 2013. Gross premiums written in Sweden increased MNOK 177,9m in 2014, a 121 % growth from 2013. Gross premiums written in Denmark increased MNOK 125,2m in 2014, a 89,0% growth from 2013. The growth is due to high level of new sales in both the commercial and public sector markets. In Norway change of ownership insurance contributed to the growth due to higher real estate prices and increased number of policies contributed sold.

In Q4, gross written premiums totalled NOK 281,8m, representing 19 % growth compared to Q4 2013. Gross premiums earned increased by NOK 125,3m to a total of NOK 593,7m. Premiums earned for own account were NOK 453,4m, an increase of 29 % compared to Q4 2013.

Gross premiums written in Norway during Q4 totalled NOK 211,5m, up 6 % compared to Q4 2013. Both Sweden and Denmark experienced material increases in gross premiums written. Gross written premium in Sweden was NOK 22m, a 47% growth compared to Q4 2013, whilst in Denmark it was NOK 48,3m up 102% from Q4 2013.

Results

In 2014, the operating profit before changes in security provision and tax totalled NOK 502,0m, compared to NOK 430,3m in 2013. Norway with NOK 480,3m (466,0m), Sweden NOK 14,5m (-15,4m) and Denmark NOK 7,2m (-20,3m). The strong result is primarily driven by increased volumes and stable claims ratios. Returns on investment shows a slight decrease, down 19,9m. The technical result before allocated return on investment and changes in security provisions was NOK 330,0m an increase of NOK 99,2m or 43% compared to 2013. Net profit for the year amounted to NOK 358,8m, compared to NOK 292,6m in 2013. The return on the company's average solvency capital was 28%, on par with 28% in 2013.

The company's accumulated security provisions was NOK 584,5m. The minimum requirement was NOK 404,8m, up from NOK 328,4m in 2013. The company has reduced its security provision in excess of the minimum requirement due to reduced uncertainty in Sweden and Denmark.

In Q4 2014, the operating result was NOK 89,8m, down 16,8m compared to NOK 106,6m in Q4 2013. The Q4 result is driven by stronger technical result, but weaker financial results.

In 2014, the net combined ratio was 84,5%, compared to 86,7% in 2013. Net claims ratio in 2014 was 81,1%, compared to 82,5% in 2013. Net run-off gains in 2014 amounted to NOK 91,3m (5,1 percentage points on the net claims ratio), against NOK 61,0m in 2013. Net cost ratios (excluding claims handling costs of 6,5 percentage points) was 3,4%, compared to 4,1% in 2013. The fall in cost ratio is in line with the company's expectations as it achieves critical mass in Sweden and Denmark.

In Q4, the combined net ratio was 82,7%, a 10,3 percentage points reduction from 2013. The net claims ratio for the period was 74,5% (including 7,1 percentage points in claims handling costs) compared to 82,8% (including 6,8 percentage points in claims handling costs) in Q4 2013.

Investment return

The investment portfolio amounted to a total of NOK 5bn at 31 December 2014, up 24 % compared to the portfolio end of 2013.

In full year 2014, the investment result was NOK 236,8m (5,3%) against NOK 256,7m (7,0%) full year 2013. Equities accounted for a NOK 130,8m gain (26,8%) against a NOK 62,8m gain (17,3%) in 2013. Return on the fixed income portfolio totalled NOK 106,0m or 2,6% against NOK 193,9m or 5,9% in 2013. End of Q4, 14,0% of Protector's financial assets were invested in equities.

In Q4, investment activities yielded a total return of NOK 13,6m or 0,3% compared to a return of 83,9m or 2,2% in Q4 2013. Equities accounted for a gain of NOK 73,9m (14,6%) against a NOK 20,0m gain (4,8%) in Q4 2013. The return on the fixed income portfolio was negative NOK 60,3m (-1,6%) in Q4 2014 compared to a return of NOK 63,9m (1,9%) in Q4 2013.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q4 increased by NOK 60,8m to NOK 1.576m. In 2014, the solvency capital has increased by NOK 240,6m.

End of 2014 the capital adequacy ratio result was 14%, against a minimum requirement of 8%. Including the periods result, the capital adequacy ratio was 18%.

Excess coverage above the required solvency margin capital amounted to NOK 754.9m by the end of 2014, corresponding to 296 % of the legal requirement.

Based on the company's dividend policy, strong results for the full year 2014 and strong financial position, the Board considers recommending a dividend of NOK 2.00 per share for 2014.

Prospects

Protector expects continued strong growth in 2015, despite strong competition in all markets. The expected growth is based on a very good start in 2015 in all three geographic markets and continued good access to profitable business.

The company's underlying profitability is expected to be maintained.

Claims development and substantial changes in capital markets are regarded as the most important risk factors that could affect the company's profit in 2015.

Oslo, 11 February 2015

The Board of Directors of Protector Forsikring ASA

Income statement

[1.000.000 NOK]	Q4 2014	Q4 2013	FY 2014	FY 2013
Premium income				
Gross written premiums	281,8	237,7	2.374,5	1.860,6
Ceded insurance premiums	(32,2)	(36,7)	(510,5)	(432,1)
Change in provisions for unearned premiums	311,9	230,7	(67,7)	(46,0)
Change in reinsurers' share of provisions for unearned premiums	(108,1)	(79,2)	(20,9)	(9,0)
Earned premiums, net of reinsurance	453,4	352,5	1.775,3	1.373,6
Allocated return on investment transferred from non-technical account	12,5	13,7	55,3	47,4
Other income	1,2	1,4	3,7	3,4
Claims incurred				
Claims paid	(353,1)	(244,3)	(1.243,0)	(940,3)
Reinsurers' share of paid claims	99,7	61,7	307,4	215,4
Change in provisions for claims	(98,5)	(118,2)	(611,5)	(510,2)
Change in reinsurers' share of claims provisions	14,2	8,8	107,6	101,7
Claims incurred, net of reinsurance	(337,7)	(291,9)	(1.439,5)	(1.133,5)
Operating expenses				
Sales costs	(6,7)	(1,5)	(17,4)	(7,5)
Administration costs	(42,0)	(45,6)	(158,7)	(151,3)
Commission from reinsurers	11,2	11,0	115,8	101,9
Total operating expenses, net of reinsurance	(37,5)	(36,0)	(60,3)	(56,9)
Other expenses	(1,2)	(0,9)	(4,5)	(3,0)
Technical result before changes in security provision etc.	90,7	38,7	330,0	230,8
Changes in security provision etc.	27,0	19,6	(26,3)	(54,8)
Technical result	117,7	58,3	303,7	176,0
Net income from financial assets	13,6	83,9	236,8	256,7
Allocated return on investment transferred to technical account	(12,5)	(13,7)	(55,3)	(47,4)
Other income	1,0	0,7	2,3	2,2
Other costs	(3,0)	(3,1)	(11,8)	(12,1)
Non-technical result	(0,9)	67,8	172,0	199,5
Profit before tax	116,8	126,2	475,7	375,5
Tax	(14,1)	(32,4)	(93,0)	(88,5)
Profit before components of comprehensive income	102,7	93,8	382,8	287,0
Actuarial gain and loss from defined benefit pension plans- benefits to employees	(4,9)	(7,1)	(11,3)	(7,1)
Currency changes from foreign enterprise	(15,6)	5,1	(21,7)	15,1
Taxes on components of comprehensive income	5,5	0,5	9,0	(2,3)
Profit for the period	87,8	92,3	358,8	292,6
Earnings per share	1,24	1,14	4,63	3,47
Earnings per share, diluted	1,24	1,14	4,63	3,47

Balance Sheet

[1.000.000 NOK]	31.12.2014	31.12.2013
Assets		
Intangible fixed assets		
Other intangible fixed assets	13,3	11,2
Total intangible fixed assets	13,3	11,2
Financial assets		
Shares	693,9	529,0
Securities, bonds etc	3.754,7	3.422,9
Financial derivatives	60,1	-
Other financial assets	449,3	47,9
Total financial assets	4.957,9	3.999,8
Reinsurers share of gross technical provisions		
Reinsurers share of gross premium provisions	91,2	81,4
Reinsurers share of gross claims provisions	438,1	324,5
Total reinsurers share of gross technical provisions	529,3	405,9
Receivables		
Policyholders	33,2	39,5
Intermediaries	58,1	44,4
Other receivables	18,0	18,7
Total receivables	109,3	102,6
Other assets		
Tangible fixed assets	8,2	8,5
Cash and bank deposits	207,9	153,3
Deferred tax benefit	20,1	-
Total other assets	236,2	161,8
Total prepaid expenses	106,7	62,8
Total assets	5.952,7	4.744,1
[1.000.000 NOK]	31.12.2014	31.12.2013
Equity and liabilities		
Shareholders' equity		
Share capital [86.155.605 shares]	86,2	86,2
Own shares	(3,6)	(3,6)
Other paid-in equity	4,8	4,8
Total paid-in equity	87,4	87,4
Earned equity		
Natural perils fund	16,7	15,4
Guarantee scheme	70,5	61,6
Other equity	816,9	612,7
Total earned equity	904,0	689,7
Total equity	991,4	777,2
Subordinated loan capital	148,1	148,1
Technical provisions		
Provisions for unearned premiums	352,4	275,5
Provisions for claims	3.176,5	2.535,1
Security provision etc.	584,4	558,1
Total technical provisions	4.113,3	3.368,8
Provisions for other risks and liabilities		
Pension liabilities	19,0	8,6
Deferred tax liability	-	21,8
Total provisions for other risks and liabilities	19,0	30,4
Liabilities		
Liabilities in connection with insurance	15,3	17,3
Liabilities in connection with reinsurance	197,4	182,4
Financial derivatives	63,9	-
Other liabilities	174,9	112,0
Total liabilities	451,5	311,7
Incurred expenses and prepaid income		
Other incurred expenses and prepaid income	229,4	107,9
Total incurred expenses and prepaid income	229,4	107,9
Total equity and liabilities	5.952,7	4.744,1

Segment information

		Norway		Sweden		Denmark	
[1.000.000 NOK]		FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Gross premiums written		1 783,2	1 572,5	325,4	147,4	265,9	140,7
Gross premiums earned		1 770,1	1 549,5	298,9	137,3	237,8	127,9
Gross claims incurred		(1 449,4)	(1 179,3)	(233,8)	(129,7)	(171,4)	(141,5)
Earned premiums, net of reinsurance		1 369,4	1 188,4	229,7	96,6	176,1	88,6
Claims incurred, net of reinsurance		(1 104,2)	(933,6)	(188,7)	(99,6)	(146,7)	(100,3)
Net commission income		91,1	79,1	(3,8)	5,0	11,1	10,2
Operating expenses		(91,1)	(110,1)	(33,7)	(22,0)	(33,9)	(19,2)
Other income/costs		(10,0)	(9,8)	(0,6)	0,1	0,4	0,2
Net financial income		225,0	252,0	11,6	4,5	0,3	0,3
Operating profit before security provision etc		480,3	466,0	14,5	(15,4)	7,2	(20,3)
Claims ratio, net of ceded business	✔ (1)	80,6 %	78,6 %	82,1 %	103,2 %	83,3 %	113,2 %
Expense ratio, net of ceded business	✔ (2)	0,0 %	2,6 %	16,3 %	17,6 %	13,0 %	10,2 %
Combined ratio, net of ceded business	✔ (3)	80,6 %	81,2 %	98,5 %	120,7 %	96,2 %	123,4 %
Gross claims ratio	✔ (4)	81,9 %	76,1 %	78,2 %	94,5 %	72,0 %	110,7 %
Gross expense ratio	✔ (5)	5,3 %	7,3 %	16,5 %	19,0 %	14,3 %	15,0 %
Gross combined ratio	✔ (6)	87,1 %	83,4 %	94,7 %	113,5 %	86,3 %	125,7 %

Cash flow statement

[1.000.000 NOK]	Q4 2014	Q4 2013	FY 2014	FY 2013
<u>Cash flow from operations</u>				
Paid in premiums	397,2	279,9	2 434,2	1 853,7
Paid claims	(348,5)	(301,4)	(1 234,6)	(928,8)
Paid reinsurance	4,4	(0,5)	(101,3)	(89,6)
Paid operating expenses including commissions	(39,6)	51,1	(208,7)	(120,3)
Interest / dividend income	38,9	85,8	61,7	111,0
Payments in from financial instruments	3 503,4	2 567,4	6 040,7	1 916,9
Payments out from financial instruments	(2 989,5)	(2 592,4)	(6 289,5)	(2 592,4)
Payable tax	(44,1)	14,6	(78,5)	(34,4)
Net cash flow from operations	522,1	104,5	623,9	116,0
<u>Cash flow from investment activities</u>				
Invested in inventory	(0,6)	(0,6)	(3,1)	(2,2)
Invested in intangible assets	(3,2)	(7,8)	(8,7)	(7,8)
Net cash flow from investment activities	(3,8)	(8,4)	(11,7)	(9,9)
<u>Cash flow from financial activities</u>				
Dividend paid	-	-	(144,5)	(99,1)
Interest payments on subordinated loan	(2,9)	(3,0)	(11,7)	(12,0)
Net cash flow from financial activities	(2,9)	(3,0)	(156,2)	(111,1)
Net cash flow for the period	515,4	93,1	456,0	(5,0)
Net change in cash and cash equivalents	515,4	93,1	456,0	(5,0)
Cash and cash equivalents opening balance	141,8	108,1	201,2	206,2
Cash and cash equivalents closing balance	657,2	201,2	657,2	201,2

Statement of changes in equity

[1.000.000 NOK]	Share Capital	Own shares	Other paid-in equity	Natural perils fund	Guarantee scheme	Other equity	Total
Equity at 31.12.2012	86,2	(3,6)	4,8	21,2	53,2	421,8	583,7
Profit for the period				3,0	2,0	79,3	84,3
Equity at 31.03.2013	86,2	(3,6)	4,8	24,2	55,2	501,1	667,9
Dividend pay out						(99,1)	(99,1)
Profit for the period				(3,9)	2,4	59,1	57,6
Equity at 30.06.2013	86,2	(3,6)	4,8	20,4	57,6	461,1	626,5
Profit for the period				3,7	2,2	52,5	58,4
Equity at 30.09.2013	86,2	(3,6)	4,8	24,1	59,8	513,6	684,9
Profit for the period				(8,6)	1,8	99,1	92,3
Equity at 31.12.2013	86,2	(3,6)	4,8	15,4	61,6	612,7	777,2
Profit for the period				0,2	2,1	96,1	98,4
Equity at 31.03.2014	86,2	(3,6)	4,8	15,6	63,7	708,8	875,5
Dividend pay out						(144,5)	(144,5)
Profit for the period				3,6	2,3	123,4	129,3
Equity at 30.06.2014	86,2	(3,6)	4,8	19,2	66,0	687,7	860,3
Profit for the period				2,9	2,3	38,1	43,3
Equity at 30.09.2014	86,2	(3,6)	4,8	22,1	68,4	725,8	903,7
Profit for the period				(5,5)	2,1	91,1	87,8
Equity at 31.12.2014	86,2	(3,6)	4,8	16,7	70,5	816,9	991,4

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 2013. The company's financial statements are prepared in accordance with the Norwegian Accounting Act, financial statement regulations for insurance companies and generally accepted accounting principles. For further information, please see the 2013 annual report.

Financial assets, fair value estimation

Financial assets through profit or loss [1000.000 NOK]	Currency	Level 1	Level 2	Level 3	Total
Shares	NOK	515	179	-	694
Bonds and other fixed income securities	NOK	880	2.874	0	3.755
Bank deposits	NOK	449	-	-	449
Other	NOK	0	60	0	60
Total assets Q4 2014		1844	3.113	0	4.958
Total assets Q4 2013		1309	2.686	5	4.000

Fair value of financial assets traded in active markets are based on market value on the accounting day. A market is considered active if the market rates are easily and regularly available from a stock exchange, distributor, broker, industrial classification, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at arm's length. The market price applied to financial assets is the existing bid price. These instruments are included in level 1

Fair value of financial instruments not traded in an active market are determined by using valuation methods. These valuation methods maximise the use of observable data where available, and are based as little as possible on own estimates. The instrument is included in level 2 if all essential data are based on observable market data.

The instrument is included in level 3 if one or more essential data are not based on observable market data.

Quarterly outline

[1.000.000 NOK]	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Gross premiums written	281,8	341,8	542,2	1.208,6	237,7	270,4	448,5	904,0	198,2
Gross premiums earned	593,7	591,5	590,9	530,7	468,4	468,6	477,4	400,2	375,6
Gross claims incurred	(451,6)	(457,7)	(473,2)	(472,0)	(362,4)	(384,0)	(354,4)	(349,8)	(327,1)
Earned premiums, net of reinsurance	453,4	458,0	460,7	403,2	352,5	357,9	362,8	300,4	279,5
Claims incurred, net of reinsurance	(337,7)	(370,6)	(387,8)	(343,5)	(291,9)	(297,3)	(288,8)	(255,5)	(259,3)
Total operating expenses, net of reinsurance	(37,5)	(36,9)	(7,3)	21,3	(36,0)	(36,9)	(7,0)	23,0	(24,0)
Other income/costs	(2,0)	(3,1)	(2,7)	(2,4)	(1,8)	(2,6)	(2,3)	(2,8)	(0,7)
Net income from financial assets	13,6	27,9	111,6	83,8	83,9	75,6	19,4	77,9	61,2
Operating profit before changes in security provision	89,8	75,3	174,5	162,4	106,6	96,7	84,1	143,0	56,7
Changes in security provision etc.	27,0	(12,5)	(12,3)	(28,5)	19,6	(31,2)	(2,4)	(40,9)	(96,7)
Profit before tax	116,8	62,8	162,2	133,9	126,2	65,5	81,7	102,1	(40,0)
Tax	(14,1)	(17,7)	(30,1)	(31,1)	(32,4)	(9,5)	(26,3)	(20,4)	13,6
Profit before components of comprehensive income	102,7	45,2	132,1	102,8	93,8	56,0	55,4	81,8	(26,4)
Components of comprehensive income	(20,4)	(2,5)	(4,0)	(6,0)	(2,0)	3,4	3,1	3,5	12,4
Taxes on components of comprehensive income	5,5	0,7	1,1	1,6	0,5	(1,0)	(0,9)	(1,0)	(3,5)
Profit for the period	87,8	43,3	129,3	98,4	92,3	58,4	57,6	84,3	(17,5)
Key ratios									
Claims ratio, net of ceded business	74,5 %	80,9 %	84,2 %	85,2 %	82,8 %	83,1 %	79,6 %	85,0 %	92,8 %
Expense ratio, net of ceded business	8,3 %	8,1 %	1,6 %	-5,3 %	10,2 %	10,3 %	1,9 %	-7,6 %	8,6 %
Combined ratio, net of ceded business	82,7 %	89,0 %	85,8 %	79,9 %	93,0 %	93,4 %	81,5 %	77,4 %	101,3 %
Gross expense ratio	8,2 %	8,4 %	6,0 %	8,1 %	10,0 %	10,1 %	5,9 %	9,1 %	10,0 %