

# First quarter 2010 report

## Continued growth and strong results

Q1 2010 shows following development compared to Q1 2009:

- Gross premiums written NOK 427,9m, up 10% from NOK 388m
- Net combined ratio 90%, down from 97.6%
- Operating profit of NOK 56.9m, up from NOK 30.9m
- Return on investments NOK 39.4m (2.2%), up from NOK 25.9m (2.1%)

## Financial highlights and key ratios

[1.000 NOK]	Q1 2010	Q1 2009	FY 2009
Gross premiums written	427 914	388 022	871 374
Gross premiums earned	208 787	180 831	843 091
Gross claims incurred	(164 986)	(141 667)	(649 177)
Earned premiums, net of reinsurance	165 090	139 585	842 646
Claims incurred, net of reinsurance	(141 728)	(116 138)	(694 738)
Net commission income	28 852	15 074	21 022
Operating expenses	(35 643)	(35 217)	(139 665)
Other income/costs	983	1 633	5 126
Net financial income	39 359	25 948	224 426
<b>Operating profit before security provision etc</b>	<b>56 913</b>	<b>30 885</b>	<b>258 817</b>
Claims ratio, net of ceded business	(1) 85,8 %	83,2 %	82,4 %
Cost ratio, net of ceded business	(2) 4,1 %	14,4 %	14,1 %
<b>Combined ratio, net of ceded business</b>	<b>(3) 90,0 %</b>	<b>97,6 %</b>	<b>96,5 %</b>
Retention rate	(4) 79,1 %	77,2 %	99,9 %
Solvency capital	(5) 835 163	598 992	777 303
Capital adequacy ratio (risk weighted)	(6) 27 %	34 %	28 %
Operating profit before security provision etc per share	(7) 0,69	0,36	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 totalled NOK 427.9m, representing a 10% growth compared to Q1 2009. Gross premiums earned increased by NOK 28m to a total of NOK 208.8m. Premiums earned for own account was NOK 165.1m, an increase of 18% compared to Q1 2009. Premiums earned for own account in Q1 2010 represented 79.1% of gross premiums earned, compared to 77.2% in Q1 2009.

Gross premiums written within the commercial and public sector totalled NOK 316m, corresponding to a growth of 4% over Q1 2009. The renewal rate within the commercial and public lines of business was in Q1 78%, down from 87% in Q1 2009. The weak renewal rate is driven by a market share loss within the municipality sector.

Within the affinity segment, gross premiums written amounted to NOK 111.9m compared to NOK 84m in Q1 2009. Premium income within change of ownership insurance, the company's largest affinity

program, totalled NOK 56.1 million, up 18% compared to Q1 2009. The increase is mainly due to a higher turn-over-rate in the real estate market and higher real estate prices.

## Results

Operating profit before changes in security provision and tax amounted to NOK 56.9m, against NOK 30.9m in Q1 2009. Net profit for Q1 2010 amounted to NOK 45.1m, against a net profit of NOK 20.7m in Q1 2009.

The combined ratio net was in the first quarter 90%, 7.6 percentage points lower than the 97.6% reported in Q1 2009. The decrease is driven by lower net costs mainly due to an increase in reinsurance commissions. Net claims ratio was 85.8% compared to 83.2% the year-earlier period. A tough winter influenced negatively on the claims ratio. In Q1, the company experienced a large number of frequency claims within Auto and a large number of water-related claims. In Q1, net run-off-losses amounted to NOK 9,7m compared to losses of NOK 9.2m in Q1 2009. The run-off-losses had a negative impact on the claims ratio of 5.9 percentage points.

In Q1, investment activities yielded a total return of NOK 39.4m compared to a return of NOK 25.9m in the first quarter of 2009. Equities accounted for a NOK 26.4m gain, against a NOK 10.4m gain in Q1 2009.

The investment portfolio amounted to a total of NOK 1.899m at 31 March 2010. 23 % of Protector's financial assets were invested in equities. The weight of equity investments end of Q1 2009 was 15.8%. In April 2010, the company has reduced the exposure in equities by reallocating NOK 100m from equities to bonds.

## Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in Q1 increased by NOK 57.9m to NOK 835.2m.

End of Q1 2010 the capital adequacy ratio was 24%, against a minimum requirement of 8%.

In connection with Protector's share option program, employees have in Q1 exercised 724 041 options. Protector has used its own shares to cover this redemption of stock options. Protector holds 2 624 879 own shares after the transaction.

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.

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 on 21 April 2010 approved the payment of a dividend of NOK 1,25 per share. The dividend is payback of paid-in-capital. This pay out will reduce the equity and solvency capital by NOK 104.4m in the second quarter.

## Prospects

The Board is satisfied with the premium growth and the operating profit for the first quarter and expects in 2010 further growth and improved operating profit.

Oslo, 28 April 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]	Q1 2010	Q1 2009	FY 2009
<b>Premium income</b>			
Gross written premiums	427 914	388 022	871 374
Ceded insurance premiums	(107 476)	(83 270)	12 923
Change in provisions for unearned premiums	(219 127)	(207 191)	(28 283)
Change in reinsurers' share of provisions for unearned premium	63 779	42 023	(13 367)
<b>Earned premiums, net of reinsurance</b>	<b>165 090</b>	<b>139 585</b>	<b>842 646</b>
Allocated return on investment transferred from non-technical account	9 123	5 341	27 089
<b>Claims incurred</b>			
Claims paid	(119 285)	(98 280)	(405 955)
Reinsurers' share of paid claims	34 541	31 935	84 634
Change in provisions for claims	(45 701)	(43 387)	(243 222)
Change in reinsurers' share of claims provisions	(11 283)	(6 406)	(130 195)
<b>Claims incurred, net of reinsurance</b>	<b>(141 728)</b>	<b>(116 138)</b>	<b>(694 738)</b>
<b>Operating expenses</b>			
Sales costs	(2 951)	(1 553)	(8 379)
Administration costs	(35 643)	(35 217)	(139 665)
Commission from reinsurers	31 803	16 628	29 402
<b>Total operating expenses, net of reinsurance</b>	<b>(6 791)</b>	<b>(20 143)</b>	<b>(118 642)</b>
<b>Technical result before changes in security provision etc.</b>	<b>25 694</b>	<b>8 646</b>	<b>56 354</b>
Changes in security provision etc.	(7 117)	(7 896)	(61 663)
<b>Technical result</b>	<b>18 577</b>	<b>749</b>	<b>(5 308)</b>
Net income from financial assets	39 359	25 948	224 426
Allocated return on investment transferred to technical	(9 123)	(5 341)	(27 089)
Other income	983	1 633	5 126
<b>Non-technical result</b>	<b>31 219</b>	<b>22 239</b>	<b>202 463</b>
<b>Profit before tax</b>	<b>49 796</b>	<b>22 988</b>	<b>197 155</b>
Tax	(4 702)	(2 268)	(3 791)
<b>Profit before components of comprehensive income</b>	<b>45 095</b>	<b>20 720</b>	<b>193 363</b>
<b>Profit for the period</b>	<b>45 095</b>	<b>20 720</b>	<b>193 363</b>
Earnings per share	0,54	0,24	2,30
Earnings per share, diluted	0,53	0,23	2,22

## Balance Sheet

[1.000 NOK]	31.03.2010	31.03.2009	31.12.2009
<b>Assets</b>			
<b>Intangible fixed assets</b>			
Goodwill	270	628	358
Other intangible fixed assets	8 729	4 188	7 849
<b>Total intangible fixed assets</b>	<b>8 999</b>	<b>4 816</b>	<b>8 207</b>
<b>Financial assets</b>			
Financial assets at amortised cost	222 482	266 119	237 616
Financial assets at fair value through profit or loss	1 676 547	1 096 031	1 397 168
<b>Total financial assets</b>	<b>1 899 029</b>	<b>1 362 150</b>	<b>1 634 785</b>
<b>Reinsurers share of gross technical provisions</b>			
Reinsurers share of gross premium provisions	100 047	79 319	33 353
Reinsurers share of gross claims provisions	128 293	263 364	139 575
<b>Total reinsurers share of gross technical provisions</b>	<b>228 340</b>	<b>342 683</b>	<b>172 928</b>
<b>Receivables</b>			
Direct insurance receivables	50 328	93 269	46 913
<b>Total receivables</b>	<b>50 328</b>	<b>93 269</b>	<b>46 913</b>
<b>Other assets</b>			
Tangible fixed assets	3 159	3 690	2 932
Cash and bank deposits	118 875	154 921	85 597
<b>Total other assets</b>	<b>122 035</b>	<b>158 611</b>	<b>88 529</b>
<b>Total prepaid expenses</b>	<b>35 601</b>	<b>2 593</b>	<b>21 491</b>
<b>Total assets</b>	<b>2 344 332</b>	<b>1 964 121</b>	<b>1 972 853</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(2 625)	-	(3 349)
Other paid-in equity	13 644	11 423	13 607
<b>Total paid-in equity</b>	<b>97 174</b>	<b>97 579</b>	<b>96 413</b>
<b>Earned equity</b>			
Technical provisions	141 629	98 680	134 416
Other equity	374 604	241 861	331 835
<b>Total earned equity</b>	<b>516 232</b>	<b>340 541</b>	<b>466 250</b>
<b>Total equity</b>	<b>613 407</b>	<b>438 120</b>	<b>562 664</b>
<b>Technical provisions</b>			
Provisions for unearned premiums	344 969	304 750	125 842
Provisions for claims	1 063 906	818 369	1 018 205
Security provision etc.	221 756	160 872	214 639
<b>Total technical provisions</b>	<b>1 630 631</b>	<b>1 283 991</b>	<b>1 358 686</b>
<b>Provisions for other risks and liabilities</b>			
Pension liabilities	9 289	3 974	9 289
Deferred tax liability	4 471	325	1 849
<b>Total provisions for other risks and liabilities</b>	<b>13 760</b>	<b>4 300</b>	<b>11 138</b>
<b>Liabilities</b>			
Liabilities in connection with insurance	4 932	6 010	4 308
Liabilities in connection with reinsurance	49 709	200 731	541
Other liabilities	18 594	28 853	16 084
<b>Total liabilities</b>	<b>73 236</b>	<b>235 593</b>	<b>20 933</b>
<b>Incurred expenses and prepaid income</b>			
Other incurred expenses and prepaid income	13 298	2 117	19 433
<b>Total incurred expenses and prepaid income</b>	<b>13 298</b>	<b>2 117</b>	<b>19 433</b>
<b>Total equity and liabilities</b>	<b>2 344 332</b>	<b>1 964 121</b>	<b>1 972 853</b>

## Reconciliation of changes in 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

## Cash flow statement

[1.000 NOK]	Q1 2010	Q1 2009	FY 2009
Net cashflow from operational activities	271 211	238 331	338 100
Net invested in financial assets	(227 888)	(142 686)	(325 046)
Net cashflow from investment activities	3 376	(348)	(25 881)
Net cashflow from financial activities	-	-	(30 154)
Net change in cash and cash equivalents	46 700	95 296	(42 981)
Cash and cash equivalents at the beginning of the period	108 615	151 596	151 596
Cash and cash equivalents at the end of the period	155 315	246 892	108 615

## Quarterly outline Q1 2008 – Q1 2010

[1.000 NOK]	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
<b>Gross premiums written</b>	<b>427 914</b>	<b>126 470</b>	<b>141 834</b>	<b>215 048</b>	<b>388 022</b>	<b>92 950</b>	<b>119 168</b>	<b>198 372</b>	<b>318 506</b>
Gross premiums earned	208 787	223 242	221 072	217 945	180 831	166 747	184 674	204 799	164 271
Gross claims incurred	(164 986)	(161 261)	(162 718)	(183 532)	(141 667)	(157 481)	(110 040)	(153 813)	(127 735)
Earned premiums, net of reinsurance	165 090	352 330	180 131	170 599	139 585	113 612	126 805	146 201	205 752
Claims incurred, net of reinsurance	(141 728)	(311 495)	(133 072)	(134 033)	(116 138)	(95 577)	(81 588)	(121 400)	(178 498)
Total operating expenses, net of reinsurance	(6 791)	(38 952)	(31 786)	(27 761)	(20 143)	(31 331)	(23 520)	(17 006)	(13 337)
Other income	983	1 452	608	1 433	1 633	1 296	2 434	1 966	1 841
Net income from financial assets	39 359	62 759	49 311	86 408	25 948	(36 810)	(33 270)	46 438	(4 575)
<b>Operating profit before changes in security provision</b>	<b>56 913</b>	<b>66 094</b>	<b>65 191</b>	<b>96 648</b>	<b>30 885</b>	<b>(48 810)</b>	<b>(9 138)</b>	<b>56 199</b>	<b>11 183</b>
Changes in security provision etc.	(7 117)	(918)	(20 241)	(32 608)	(7 896)	(21 647)	(10 313)	(8 239)	(14 628)
Profit before tax	49 796	65 176	44 950	64 040	22 988	(70 457)	(19 451)	47 959	(3 446)
Tax	(4 702)	(5 881)	(1 073)	5 431	(2 268)	12 002	(12 454)	(6 200)	4 100
<b>Net profit/loss</b>	<b>45 095</b>	<b>59 295</b>	<b>43 877</b>	<b>69 471</b>	<b>20 720</b>	<b>(58 456)</b>	<b>(31 905)</b>	<b>41 760</b>	<b>655</b>
<b>Key ratios</b>									
Claims ratio, net of ceded business	85,8 %	88,4 %	73,9 %	78,6 %	83,2 %	84,1 %	64,3 %	83,0 %	86,8 %
Cost ratio, net of ceded business	4,1 %	11,1 %	17,6 %	16,3 %	14,4 %	27,6 %	18,5 %	11,6 %	6,5 %
<b>Combined ratio, net of ceded business</b>	<b>90,0 %</b>	<b>99,5 %</b>	<b>91,5 %</b>	<b>94,8 %</b>	<b>97,6 %</b>	<b>111,7 %</b>	<b>82,9 %</b>	<b>94,7 %</b>	<b>93,2 %</b>
Gross cost ratio	18,5 %	19,0 %	15,8 %	15,5 %	20,3 %	21,3 %	15,5 %	14,1 %	22,5 %