

Interim report H1 2011

(Unaudited)

Highlights H1 2011

Strong growth and a strong combined ratio

H1 2011 shows following development compared to H1 2010:

- Gross premiums written NOK 811.9m, up 23% from NOK 659.2m
- Net combined ratio 81.5%, down from 87.3%
- Operating profit of NOK 92.7m, up from NOK 49.6m
- Return on investments NOK 10.8m (0.5%), up from NOK 0.6m (0.1%)

Financial highlights and key ratios

[1.000 NOK]	Q2 2011	Q2 2010	YTD 2011	YTD 2010	FY 2010	
Gross premiums written	289 149	231 267	811 866	659 182	1 010 991	
Gross premiums earned	314 319	256 354	575 860	465 141	987 716	
Gross claims incurred	(221 168)	(174 187)	(406 389)	(339 174)	(743 659)	
Earned premiums, net of reinsurance	242 272	204 611	441 810	369 701	792 342	
Claims incurred, net of reinsurance	(172 727)	(145 037)	(326 588)	(286 765)	(608 377)	
Net commission income	9 111	4 233	37 249	33 085	23 896	
Operating expenses	(31 620)	(33 326)	(70 926)	(68 891)	(149 772)	
Other income/costs	(180)	874	328	1 780	(247)	
Net financial income	(11 782)	(38 718)	10 781	642	176 184	
Operating profit before security provision etc	35 074	(7 362)	92 654	49 551	234 026	
Claims ratio, net of ceded business	(1)	71,3 %	70,9 %	73,9 %	77,6 %	76,8 %
Cost ratio, net of ceded business	(2)	9,3 %	14,2 %	7,6 %	9,7 %	15,9 %
Combined ratio, net of ceded business	(3)	80,6 %	85,1 %	81,5 %	87,3 %	92,7 %
Retention rate	(4)	77,1 %	79,8 %	76,7 %	79,5 %	80,2 %
Solvency capital	(5)			840 508	711 234	894 313
Capital adequacy ratio (risk weighted)	(6)			18 %	25 %	20 %
Operating profit before security provision etc per share	(7)	0,42	-0,09	1,12	0,59	2,83

(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 mainly. 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.

Protector entered the Swedish municipality market 1 January 2011. End of H1, 8 % of Protector's total municipality business, came from Sweden.

Premiums

Gross premiums written in H1 2011 totalled NOK 811.9m, representing 23% growth compared to H1 2010. Gross premiums earned increased by NOK 110.7m to a total of NOK 575.9m. Premiums earned for own account were NOK 441.8m, an increase of 20% compared to H1 2010. Premiums earned for own account in H1 2011 represented 76.7% of gross premiums earned, compared to 79.5% in H1 2010.

Gross premiums written in H1 within the commercial and public sector totalled NOK 519.3m, corresponding to a growth of 29% over H1 2010. The strong growth is driven by a high new sale and by the circumstances that some volume has been moved from Q4 to Q1/Q2. The renewal rate within the commercial and public lines of business was in H1 87%, up from 83% in H1 2010.

Within the affinity segment, gross premiums written in H1 amounted to NOK 292.5m, 14% growth compared H1 2010. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 190.9m, up 26% compared to H1 2010. The increase in premiums is due to a higher turn-over-rate in the real estate market, higher real estate prices and a continued increased market share.

In the second quarter of 2011, gross premiums written rose by NOK 57.9m, or 25% compared to Q2 2010. Gross premiums written within the commercial/public sector totalled NOK 123.6m up from NOK 86.7m in Q2 2010. The renewal rate was 96% up from 85% in Q2 2010. Within the affinity segment, gross premiums written totalled NOK 144.6m, up 14% relatively to Q2 2010. The premium growth within change of ownership insurance was 25%.

Results

Operating profit before changes in security provisions and tax totalled NOK 92.7m, up from NOK 49.6m in H1 2010. The increase is mainly driven by a strong technical result. The technical result was NOK 81.9m before allocation of interest and changes in security provisions, against NOK 48.9m in H1 2010. In the second quarter, the operating result was NOK 35.1m against a loss of NOK -7.3m in the same period in 2010. The operating result was in Q2 as in Q2 2010 influenced by weak financial markets and a negative return on the investment portfolio. The technical result in Q2 was NOK 46.9m before allocation of interest and changes in security provisions, against NOK 31.4m the year-earlier period.

The combined ratio net was in H1 81.5%, 5.8 percentage points lower than the 87.3% reported in H1 2010. Net claims ratio was 73.9%, down from 77.6% in H1 2010. The decline is driven by a strong development within the commercial and public lines. A normalized winter (Q1 2010 was affected by an extraordinary cold winter) and a single contract with a very low claims ratio, drives the claims ratio downwards. In H1, net run-off-losses amounted to NOK 1.2m compared to losses of NOK 7.9m in H1 2010. The gross cost ratio was in H1 2011 15.9% down from 16.1% in H1 2010.

The combined ratio net was in Q2 80.6% down from 85.1% in Q2 2010. Net claims ratio was 71.3% up from 70.9% in Q2 2010. In Q2 the company had run-off-gains of NOK 10.4m.

Investment return

The investment portfolio amounted to a total of NOK 2.23b at 30 June 2011, up 25% compared to the portfolio end of H1 2010. In H1 2011, investment activities yielded a total return of NOK 10.8m or 0.5% compared to a return of NOK 0.6m or 0.1% in H1 2010. Equities accounted for a loss of NOK 27.4m (-5.5%) against a NOK 22.4m loss (-6.0%) in H1 2010.

In the second quarter of 2011, the investment result amounted to a net loss of NOK 11.8m against a loss of NOK 38.8m in the same period of 2010. Equities accounted for a NOK 28.7m loss in the second quarter of 2011 against a NOK 48.9m loss in Q2 2010.

End of H1 2011, 21.1% of Protector's financial assets were invested in equities.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in H1 decreased by NOK 53.8m to NOK 840.5m. The decline in solvency capital is due to the dividend pay-out (NOK 123,9m) in May. End of H1 the capital adequacy ratio was 16%, against a minimum requirement of 8%. The return on the solvency capital was 10% in the first half year despite a weak investment income.

The Board of Directors holds a mandate granted by Protector's AGM 27 April 2011 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2012. End of Q2 2011, the company has a holding of 3 570 661 own shares, unchanged from year-end 2010.

The Board is by the AGM 27 April 2011 authorised to implement a capital increase of up to 8 615 560 shares (10%). The authorisation is valid until the next AGM in 2012. 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 27 April 2011 resolved to pay out a dividend of NOK 1.50 per share (totalling NOK 123.9m) for the fiscal year 2010. The dividend is payback of paid-in capital and was paid out on 4 May 2011.

Risk factors

Protector is exposed to various types of risk through its business. Continuous monitoring and active risk management is an integrated core area in Protector's activities and organisation. Claims development and substantial changes in capital markets are regarded as the most important risk factors that could affect the company's profit in the next six months.

Prospects

The Board of Directors is satisfied with the growth in premium income and technical result and expects continued growth and an improved operating profit for the full year.

Oslo, 14 July 2011

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 2010.

Income statement

[1.000 NOK]	Q2 2011	Q2 2010	YTD 2011	YTD 2010	FY 2010
Premium income					
Gross written premiums	289 149	231 267	811 866	659 182	1 010 991
Ceded insurance premiums	(61 417)	(38 577)	(215 276)	(146 054)	(193 945)
Change in provisions for unearned premiums	25 170	25 086	(236 007)	(194 041)	(23 276)
Change in reinsurers' share of provisions for unearned premium	(10 630)	(13 165)	81 226	50 614	(1 429)
Earned premiums, net of reinsurance	242 272	204 611	441 810	369 701	792 342
Allocated return on investment transferred from non-technical account	12 130	8 697	23 288	17 820	34 989
Other income	1 038	1 077	2 369	2 060	3 681
Claims incurred					
Claims paid	(157 240)	(144 502)	(283 706)	(263 787)	(528 460)
Reinsurers' share of paid claims	46 416	49 862	66 146	84 403	160 156
Change in provisions for claims	(63 928)	(29 686)	(122 683)	(75 387)	(215 199)
Change in reinsurers' share of claims provisions	2 025	(20 712)	13 655	(31 994)	(24 874)
Claims incurred, net of reinsurance	(172 727)	(145 037)	(326 588)	(286 765)	(608 377)
Operating expenses					
Sales costs	(7 986)	(2 979)	(20 362)	(5 930)	(26 579)
Administration costs	(31 620)	(33 326)	(70 926)	(68 891)	(149 772)
Commission from reinsurers	17 097	7 212	57 611	39 015	50 475
Total operating expenses, net of reinsurance	(22 509)	(29 093)	(33 677)	(35 807)	(125 876)
Other expenses	(1 217)	(203)	(2 041)	(280)	(3 928)
Technical result before changes in security provision etc.	58 986	40 053	105 161	66 730	92 831
Changes in security provision etc.	(20 061)	(13 023)	(27 125)	(20 140)	(92 207)
Technical result	38 925	27 030	78 036	46 590	624
Net income from financial assets	(11 782)	(38 718)	10 781	642	176 184
Allocated return on investment transferred to technical	(12 130)	(8 697)	(23 288)	(17 820)	(34 989)
Non-technical result	(23 912)	(47 415)	(12 507)	(17 178)	141 195
Profit before tax	15 013	(20 385)	65 529	29 412	141 818
Tax	(10 903)	(12 190)	(22 581)	(16 892)	(242)
Profit before components of comprehensive income	4 110	(32 575)	42 947	12 520	141 576
Profit for the period	4 110	(32 575)	42 947	12 520	141 576
Earnings per share	0,05	(0,39)	0,52	0,15	1,71
Earnings per share, diluted	0,05	(0,38)	0,52	0,15	1,67

Balance Sheet

[1.000 NOK]	30.06.2011	30.06.2010	31.12.2010
Assets			
Intangible fixed assets			
Goodwill	-	180	-
Other intangible fixed assets	9 682	9 160	9 554
Total intangible fixed assets	9 682	9 341	9 554
Financial assets			
Financial assets at amortised cost	-	220 767	-
Financial assets at fair value through profit or loss	2 229 603	1 562 837	2 021 520
Total financial assets	2 229 603	1 783 604	2 021 520
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	130 577	89 841	44 229
Reinsurers share of gross claims provisions	128 356	107 581	114 701
Total reinsurers share of gross technical provisions	258 933	197 422	158 931
Receivables			
Direct insurance receivables	109 239	82 595	65 896
Total receivables	109 239	82 595	65 896
Other assets			
Tangible fixed assets	4 445	3 301	3 512
Cash and bank deposits	142 955	123 504	99 924
Deferred tax benefit	-	-	3 080
Total other assets	147 400	126 804	106 515
Total prepaid expenses	35 430	41 896	23 575
Total assets	2 790 288	2 241 663	2 385 990
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(3 571)	(2 625)	(3 571)
Other paid-in equity	4 847	13 681	4 847
Total paid-in equity	87 432	97 212	87 432
Earned equity			
Technical provisions	176 264	150 917	164 805
Other equity	242 840	228 328	335 229
Total earned equity	419 104	379 244	500 034
Total equity	506 536	476 456	587 466
Technical provisions			
Provisions for unearned premiums	385 124	319 883	149 117
Provisions for claims	1 356 087	1 093 592	1 233 404
Security provision etc.	333 971	234 779	306 846
Total technical provisions	2 075 182	1 648 253	1 689 367
Provisions for other risks and liabilities			
Pension liabilities	8 388	12 437	8 388
Deferred tax liability	8 719	9 385	-
Total provisions for other risks and liabilities	17 108	21 822	8 388
Liabilities			
Liabilities in connection with insurance	9 615	5 219	7 277
Liabilities in connection with reinsurance	118 119	33 261	13 361
Other liabilities	29 798	40 990	29 084
Total liabilities	157 532	79 469	49 722
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	33 929	15 663	51 047
Total incurred expenses and prepaid income	33 929	15 663	51 047
Total equity and liabilities	2 790 288	2 241 663	2 385 990

Cash flow statement

[1.000 NOK]	Q2 2011	Q2 2010	Q1 2011	Q1 2010	FY 2010
Net cashflow from operational activities	53 001	68 616	383 706	339 827	(186 818)
Net invested in financial assets	31 110	49 512	(202 319)	(178 376)	309 746
Net cashflow from investment activities	(2 419)	(621)	(4 073)	2 755	(11 917)
Net cashflow from financial activities	(123 877)	(104 413)	(123 877)	(104 413)	(104 413)
Net change in cash and cash equivalents	(42 186)	13 093	53 437	59 793	6 598
Cash and cash equivalents at the beginning of the period	210 836	155 315	115 213	108 615	108 615
Cash and cash equivalents at the end of the period	168 650	168 408	168 650	168 408	115 213

Reconciliation of equity

[1.000 NOK]	Share Capital	Ow n shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12 2009	86 156	(3 349)	13 607	134 416	331 835	562 664
Option cost, effect on equity			37			37
Ow n shares, options striked		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
Option cost, effect on equity			37			37
Dividend					(104 413)	(104 413)
Profit for the period				9 288	(41 863)	(32 575)
Equity at 30.06.2010	86 156	(2 625)	13 681	150 917	228 328	476 456
Option cost, effect on equity			38			38
Ow n shares, options striked		10			68	77,500
Ow n Shares		(956)			(8 334)	(9 289)
Profit for the period				8 088	68 911	76 999
Equity at 30.09.2010	86 156	(3 571)	13 719	159 005	288 973	544 281
Option cost, effect on equity			22			22
Cancellation option scheme			(8 893)			(8 893)
Profit for the period				5 800	46 257	52 057
Equity at 31.12.2010	86 156	(3 571)	4 847	164 805	335 229	587 466
Profit for the period				7 513	31 324	38 837
Equity at 31.03.2011	86 156	(3 571)	4 847	172 317	366 554	626 303
Dividend					(123 877)	(123 877)
Profit for the period				3 947	164	4 110
Equity at 30.06.2011	86 156	(3 571)	4 847	176 264	242 840	506 536

Quarterly outline

[1.000 NOK]	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Gross premiums written	289 149	522 718	162 560	189 250	231 267	427 914	126 470	141 834	215 048
Gross premiums earned	314 319	261 541	267 670	254 906	256 354	208 787	223 242	221 072	217 945
Gross claims incurred	(221 168)	(185 221)	(218 247)	(186 238)	(174 187)	(164 986)	(161 261)	(162 718)	(183 532)
Earned premiums, net of reinsurance	242 272	199 538	217 020	205 620	204 611	165 090	352 330	180 131	170 599
Claims incurred, net of reinsurance	(172 727)	(153 861)	(173 284)	(148 328)	(145 037)	(141 728)	(311 495)	(133 072)	(134 033)
Total operating expenses, net of reinsurance	(22 509)	(11 168)	(53 777)	(36 594)	(29 296)	(6 791)	(38 952)	(31 786)	(27 761)
Other income/costs	(180)	508	(2 281)	555	1 077	983	1 452	608	1 433
Net income from financial assets	(11 782)	22 563	107 410	68 133	(38 718)	39 359	62 759	49 311	86 408
Operating profit before changes in security provis	35 074	57 579	95 088	89 386	(7 362)	56 913	66 094	65 191	96 648
Changes in security provision etc.	(20 061)	(7 064)	(59 215)	(12 852)	(13 023)	(7 117)	(918)	(20 241)	(32 608)
Profit before tax	15 013	50 515	35 873	76 534	(20 385)	49 796	65 176	44 950	64 040
Tax	(10 903)	(11 678)	16 184	466	(12 190)	(4 702)	(5 881)	(1 073)	5 431
Net profit/loss	4 110	38 837	52 057	76 999	(32 575)	45 095	59 295	43 877	69 471
Key ratios									
Claims ratio, net of ceded business	71,3 %	77,1 %	79,8 %	72,1 %	70,9 %	85,8 %	88,4 %	73,9 %	78,6 %
Cost ratio, net of ceded business	9,3 %	5,6 %	24,8 %	17,8 %	14,3 %	4,1 %	11,1 %	17,6 %	16,3 %
Combined ratio, net of ceded business	80,6 %	82,7 %	104,6 %	89,9 %	85,2 %	90,0 %	99,5 %	91,5 %	94,8 %
Gross cost ratio	12,6 %	19,8 %	21,9 %	17,0 %	14,2 %	18,5 %	19,0 %	15,8 %	15,5 %

Protector Forsikring ASA

- The Board of Directors and the CEO's statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2011 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit and loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 14 July 2011

The Board of Directors of Protector Forsikring ASA

Jostein Sørvoll
(Chairman)

Rolf Tolle

Benedicte Bakke Agerup

Else Bugge Fougner

Erik G. Braathen

Giuditta Cordero-Moss

Jørgen Stang Heffermehl

Hege Gran

Tor-Åge Schei

Sverre Bjerkeli
(CEO)