

Interim report Q3 2013

(Unaudited)

Highlights Q3 2013

Continued profitable growth

Q3 2013 shows following development compared to Q3 2012:

- Gross premiums written NOK 270,4m, up 7% from NOK 251,6m
- Net combined ratio 93,4% up from 85,9%
- Operating profit NOK 100,1m, down from NOK 124,6m
- Return on investments NOK 75,6m (2,0%), down from NOK 87,8m (2,8%)

Financial highlights and key ratios

[1.000 NOK]	Q3 2013	Q3 2012	YTD 2013	YTD 2012	FY 2012
Gross premiums written	270 389	251 625	1 622 915	1 318 777	1 517 017
Gross premiums earned	468 622	374 915	1 346 225	1 088 680	1 464 244
Gross claims incurred	(383 996)	(276 119)	(1 088 181)	(843 858)	(1 170 976)
Earned premiums, net of reinsurance	357 854	281 555	1 021 074	827 901	1 107 433
Claims incurred, net of reinsurance	(297 289)	(223 636)	(841 595)	(680 811)	(940 094)
Net commission income	9 215	11 521	84 773	78 432	90 269
Operating expenses	(46 105)	(29 837)	(105 691)	(68 855)	(104 481)
Other income/costs	803	(2 815)	2 315	(4 326)	(5 030)
Net financial income	75 600	87 796	172 859	184 421	245 571
Operating profit before security provision etc	100 078	124 584	333 735	336 762	393 668
Claims ratio, net of ceded business	(1) 83,1 %	79,4 %	82,4 %	82,2 %	84,9 %
Expense ratio, net of ceded business	(2) 10,3 %	6,5 %	2,0 %	-1,2 %	1,3 %
Combined ratio, net of ceded business	(3) 93,4 %	85,9 %	84,5 %	81,1 %	86,2 %
Retention rate	(4) 76,4 %	75,1 %	75,8 %	76,0 %	75,6 %
Solvency capital	(5)		1 261 119	1 016 165	1 085 415
Capital adequacy ratio (risk weighted)	(6)		21 %	26 %	20 %
Solvency margin	(7)		353 %	348 %	304 %
Profit after tax per share	(8) 0,71	0,94	2,43	2,73	2,51

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

(8) Profit after tax divided by weighted number of shares

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 Q3, gross written premiums totalled NOK 270,4m, representing 7% growth compared to Q3 2012. Gross premiums earned increased by NOK 93,7m to a total of NOK 468,6m. Premiums earned for own account were NOK 357,9m, an increase of 27,1% compared to Q3 2012.

Gross premiums written in Q3 within the commercial and public sector totalled NOK 121,3m, roughly in line with Q3 2012. Whilst Denmark has remained stable for Q3, Sweden has seen growth compared to Q3 2012, offsetting the slight reduction in Norway. The renewal rate was in Q3 89%, down from 103% in Q3 2012.

Within the affinity segment, gross premiums written in Q3 amounted to NOK 149,1m, a 14% growth compared to Q3 2013. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 121,9m, up 12% compared to Q3 2012. The increase in premiums is due to a high turn-over-rate in the real estate market and an increase in number of policies sold.

YTD gross premiums written rose by NOK 304,1m, or 23 % compared to YTD 2012. New business in Sweden and Denmark represented 12 percentage points of the total growth. Gross premiums earned increased by NOK 257,5m to a total of NOK 1.346,2m. Premiums earned for own account were NOK 1.021,1m, an increase of 23,3% compared to YTD 2012. Premiums earned for own account YTD 2013 represented 75,9% of gross premiums earned, compared to 76,1% YTD 2012.

YTD gross premiums written within the commercial/public sector totalled NOK 1.151,7m up from NOK 877,2m YTD 2012. Within the affinity segment, YTD gross premiums written totalled NOK 471,2m, up 6,7% relatively to YTD 2012. Within change of ownership insurance, gross premiums written were NOK 343,4m, up from NOK 328,8m YTD 2012.

Results

In Q3, the operating profit before changes in security provisions and tax totalled NOK 100,1m, down from NOK 124,6m in Q3 2012. The decrease is primarily driven by a slightly reduced investment result, along with a weaker technical result.

YTD Q3, the operating result was NOK 333,7m against NOK 336,8m in the same period in 2012. The net profit YTD was NOK 200,3m against NOK 225,1m YTD 2012.

The combined ratio net was in Q3 93,4%, 7,5 percentage points higher than the 85,9% reported in Q3 2012. The increase is driven by an increase in both the net claims ratio and the net cost ratio.

Net claims ratio was 83,1%, up from 79,4% in Q3 2012. 3 large property claims (which is slightly above normal), reserve strengthening within other illness and a weak group life result are the reasons for the increase.

Both the gross and the net cost ratio are increasing despite the strong growth in premiums. The gross cost ratio was 14,6% (including claims handling costs), up from 12,8% in Q3 2012, and the net cost ratio (including claims handling costs) was 16,2%, up 3,9 percentage points. The increased cost ratios are due to continued increased number of employees in Sweden and Denmark and in the Norwegian commercial sector. The increase in number of employees will not be as dramatic in the coming quarters.

The combined ratio net YTD was 84,5% up from 81,1% YTD 2012. The increase is driven by an increase in the net cost ratio. The build-up of Sweden and Denmark and increased number of employees in the Norwegian commercial sector drives the cost ratio upwards. Net claims ratio YTD was 82,4% up from 82,2% YTD 2012.

Investment return

The investment portfolio amounted to a total of NOK 3,94b at 30 September 2013, up 24% compared to the portfolio end of Q3 2012.

In Q3, investment activities yielded a total return of NOK 75,6m or 2% compared to a return of NOK 87,8m or 2,8% in Q3 2012. Equities accounted for a gain of NOK 24,1m (6,2%) against a NOK 31,8m gain (11,5%) in Q3 2012. Return on the fixed income portfolio totalled NOK 51,5m or 1,5% against NOK 56m or 1,9% in Q3 2012.

YTD 2013, the investment result was NOK 172,9m (4,7%) against NOK 184,4m (5,8%) YTD 2012. Equities accounted for a NOK 43,3m gain (11,9%) against a NOK 68,8m gain (25%) YTD 2012. Return on the fixed income portfolio totalled NOK 129,6m or 3,9% against NOK 115,6m or 4% YTD 2012. End of Q3, 10,4% 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 Q3 increased by NOK 89,6m to NOK 1.261,1m. YTD 2013, the solvency capital has increased by NOK 175,7m.

End of Q3 the capital adequacy ratio was 16%, against a minimum requirement of 8%. In the first nine months of the year, the return on the solvency capital was 23%.

Prospects

The Board of Directors is satisfied with the premium growth and the operating profit and expects continued growth and an improved operating profit for the full year. However, the uncertainty in claims development is increasing mainly due to the company's operations in Sweden and Denmark.

Oslo, 30 October 2013

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 2012, with the following amendments:

IAS 19 Employee Benefits was amended in June 2011 and has been adopted as of 1 January 2013. The changes have effected Protector's pension obligations in the balance sheet. The revised IAS 19 requires net actuarial losses (gains) to be recognized in other comprehensive income as they occur (no corridor), all costs related to previous periods' pensions contribution will now be reflected in the income statement, and interest cost and expected return on pension assets is replaced by a net interest amount that is calculated at the same discount rate as the net pension obligation (asset).

The changes in IAS 19 are adopted retrospectively. This retrospective adoption has increased the pension obligation with NOK 13.8 million, reduced the deferred tax asset by NOK 3.3 million, increased the deferred tax liability by NOK 0.6 million and reduced other equity by NOK 9.9 million as of 1 January 2013 (also 30 September 2013).

The 2012 reduction of actuarial effects is mainly related to changes in the discount rate (OMF-rate) and the gain will be classified as other comprehensive income for the fourth quarter of 2012. The change in IAS 19 has had limited effect on the pension cost.

Income statement

[1.000 NOK]	Q3 2013	Q3 2012	YTD 2013	YTD 2012	FY 2012
Premium income					
Gross written premiums	270 389	251 625	1 622 915	1 318 777	1 517 017
Ceded insurance premiums	(43 507)	(47 711)	(395 428)	(311 118)	(347 394)
Change in provisions for unearned premiums	198 234	123 290	(276 690)	(230 098)	(52 773)
Change in reinsurers' share of provisions for unearned	(67 262)	(45 649)	70 277	50 340	(9 417)
Earned premiums, net of reinsurance	357 854	281 555	1 021 074	827 901	1 107 433
Allocated return on investment transferred from non-technical account	13 263	7 890	33 710	24 000	24 663
Other income	6 654	(1 295)	17 726	3 219	3 929
Claims incurred					
Claims paid	(217 359)	(167 016)	(696 090)	(552 857)	(753 826)
Reinsurers' share of paid claims	50 246	45 192	153 686	123 210	166 453
Change in provisions for claims	(166 637)	(109 103)	(392 091)	(291 001)	(417 150)
Change in reinsurers' share of claims provisions	36 461	7 292	92 899	39 838	64 429
Claims incurred, net of reinsurance	(297 289)	(223 636)	(841 595)	(680 811)	(940 094)
Operating expenses					
Sales costs	(1 241)	(1 777)	(6 079)	(6 578)	(8 245)
Administration costs	(46 105)	(29 837)	(105 691)	(68 855)	(104 481)
Commission from reinsurers	10 456	13 298	90 852	85 010	98 515
Total operating expenses, net of reinsurance	(36 889)	(18 316)	(20 918)	9 577	(14 212)
Other expenses	(3 229)	(1 372)	(7 886)	(4 922)	(4 055)
Technical result before changes in security provi	40 364	44 827	202 111	178 964	177 663
Changes in security provision etc.	(31 225)	(29 028)	(74 475)	(49 798)	(146 531)
Technical result	9 139	15 799	127 635	129 166	31 132
Net income from financial assets	75 600	87 796	172 859	184 421	245 571
Allocated return on investment transferred to technical account	(13 263)	(7 890)	(33 710)	(24 000)	(24 663)
Other income	392	3 056	1 501	3 056	3 887
Other costs	(3 014)	(3 204)	(9 026)	(5 678)	(8 790)
Non-technical result	59 714	79 758	131 624	157 798	216 005
Profit before tax	68 853	95 556	259 260	286 965	247 137
Tax	(10 430)	(17 527)	(58 929)	(61 885)	(48 366)
Profit before components of comprehensive inc	58 423	78 029	200 331	225 080	198 772
Components of comprehensive income	-	-	-	-	12 372
Taxes on components of comprehensive income	-	-	-	-	(3 464)
Profit for the period	58 423	78 029	200 331	225 080	207 679
Earnings per share	0,71	0,94	2,43	2,73	2,51
Earnings per share, diluted	0,71	0,94	2,43	2,73	2,51

Balance Sheet

[1.000 NOK]	30.09.2013	30.09.2012	31.12.2012
Assets			
Intangible fixed assets			
Other intangible fixed assets	10 225	9 505	8 908
Total intangible fixed assets	10 225	9 505	8 908
Financial assets			
Financial assets at fair value through profit or loss	3 943 441	3 173 290	3 192 820
Total financial assets	3 943 441	3 173 290	3 192 820
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	151 378	124 367	68 625
Reinsurers share of gross claims provisions	315 601	196 028	220 419
Total reinsurers share of gross technical provisions	466 979	320 395	289 045
Receivables			
Direct insurance receivables	92 328	94 121	74 967
Total receivables	92 328	94 121	74 967
Other assets			
Tangible fixed assets	8 732	4 087	9 336
Cash and bank deposits	92 095	153 559	141 890
Total other assets	100 827	157 646	151 226
Total prepaid expenses	73 458	50 301	48 596
Total assets	4 687 258	3 805 258	3 765 562
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(3 571)	(3 571)	(3 571)
Other paid-in equity	4 847	4 847	4 847
Total paid-in equity	87 432	87 432	87 432
Earned equity			
Technical provisions	83 863	73 001	74 408
Other equity	512 051	449 167	420 278
Total earned equity	595 914	522 168	494 685
Total equity	683 346	609 600	582 117
Subordinated loan capital	148 125	-	148 125
Technical provisions			
Provisions for unearned premiums	506 527	404 677	226 786
Provisions for claims	2 416 806	1 892 351	2 017 886
Security provision etc.	577 773	406 565	503 298
Total technical provisions	3 501 106	2 703 593	2 747 969
Provisions for other risks and liabilities			
Pension liabilities	13 819	9 787	13 819
Deferred tax liability	25 169	20 833	11 061
Total provisions for other risks and liabilities	38 989	30 619	24 880
Liabilities			
Liabilities in connection with insurance	2 279	2 845	7 716
Liabilities in connection with reinsurance	204 073	154 119	130 515
Other liabilities	51 024	114 152	53 580
Total liabilities	257 376	271 117	191 812
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	58 316	42 203	70 659
Total incurred expenses and prepaid income	58 316	42 203	70 659
Total equity and liabilities	4 687 258	3 657 133	3 765 562

Cash flow statement

[1.000 NOK]	Q3 2013	Q3 2012	YTD 2013	YTD 2012	FY 2012
Net cashflow from operational activities	74 771	105 448	700 341	642 638	602 561
Net invested in financial assets	(79 605)	(25 973)	(683 312)	(584 634)	(672 788)
Net cashflow from investment activities	(1 791)	(1 654)	(6 982)	(4 738)	(11 354)
Net cashflow from financial activities	(3 014)	(3 204)	(108 127)	142 447	141 804
Net change in cash and cash equivalents	(9 640)	74 616	(98 080)	195 713	60 223
Cash and cash equivalents at the beginning of the period	117 745	267 058	206 185	145 962	145 962
Cash and cash equivalents at the end of the period	108 105	341 675	108 105	341 675	206 185

Reconciliation of equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
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
Change in accounting principles					(9 941)	(9 941)
Equity at 31.03.2012	86 156	(3 571)	4 847	72 114	328 827	488 373
Profit for the period				(4 184)	37 441	33 257
Equity at 30.06.2012	86 156	(3 571)	4 847	67 930	366 269	521 630
Profit for the period				5 071	72 958	78 029
Equity at 30.09.2012	86 156	(3 571)	4 847	73 001	439 227	599 659
Profit for the period				1 407	(27 856)	(26 449)
Change in accounting principles					8 908	8 908
Equity at 31.12.2012	86 156	(3 571)	4 847	74 408	420 278	582 117
Profit for the period				4 990	79 274	84 265
Equity at 31.03.2013	86 156	(3 571)	4 847	79 398	499 552	666 382
Dividend pay out					(99 102)	(99 102)
Profit for the period				(1 462)	59 105	57 643
Equity at 30.06.2013	86 156	(3 571)	4 847	77 936	459 555	624 923
Profit for the period				5 927	52 496	58 423
Equity at 30.09.2013	86 156	(3 571)	4 847	83 863	512 051	683 346

Quarterly outline

[1.000 NOK]	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Gross premiums written	270 389	448 533	903 993	198 240	251 625	398 672	668 481	179 459	211 153
Gross premiums earned	468 622	477 406	400 197	375 564	374 915	386 272	327 494	300 133	300 972
Gross claims incurred	(383 996)	(354 413)	(349 772)	(327 118)	(276 119)	(312 102)	(255 637)	(218 659)	(235 690)
Earned premiums, net of reinsurance	357 854	362 793	300 427	279 532	281 555	299 567	246 779	229 464	232 204
Claims incurred, net of reinsurance	(297 289)	(288 831)	(255 475)	(259 283)	(223 636)	(241 804)	(215 371)	(181 136)	(184 061)
Total operating expenses, net of reinsurance	(36 889)	(6 984)	22 955	(23 985)	(18 316)	156	27 736	(18 275)	(20 488)
Other income/costs	803	806	706	(705)	(2 815)	(2 207)	696	797	577
Net income from financial assets	75 600	19 397	77 862	61 151	87 796	7 852	88 773	48 020	(110 190)
Operating profit before changes in security provision	100 078	87 181	146 476	56 709	124 584	63 564	148 614	78 870	(81 958)
Changes in security provision etc.	(31 225)	(2 369)	(40 881)	(96 733)	(29 028)	(8 934)	(11 836)	2 981	(25 776)
Profit before tax	68 853	84 813	105 594	(40 023)	95 556	54 630	136 778	81 851	(107 734)
Tax	(10 430)	(27 170)	(21 329)	13 574	(17 527)	(21 373)	(22 985)	(19 991)	1 845
Net profit/loss	58 423	57 643	84 265	(26 449)	78 029	33 257	113 794	61 860	(105 889)
Key ratios									
Claims ratio, net of ceded business	83,1 %	79,6 %	85,0 %	92,8 %	79,4 %	80,7 %	87,3 %	78,9 %	79,3 %
Expense ratio, net of ceded business	10,3 %	1,9 %	-7,6 %	8,6 %	6,5 %	-0,1 %	-11,2 %	8,0 %	8,8 %
Combined ratio, net of ceded business	93,4 %	81,5 %	77,4 %	101,3 %	85,9 %	80,7 %	76,0 %	86,9 %	88,1 %
Gross expense ratio	10,1 %	5,9 %	9,1 %	10,0 %	8,4 %	4,9 %	7,5 %	10,2 %	8,8 %