



# PROTECTOR

forsikring

Q1 results 2012  
Investor presentation

7 May 2012

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# Facts about Protector

- A focused non-life Norwegian insurance company
- Established Jan.1, 2004. (Listed on Oslo Stock Exchange May 2007)
- Entered the Swedish market in 2011 and Denmark 1 Jan. 2012
- Ownership; ODIN, Franklin Mutual Funds, Alfred Berg Norge/Gambak, DnB NOR SMB, Nordea, employees etc.
- Strong results, average combined ratio 2004 - 2011, 91%
- GWP in 2011: MNOK 1.202
- Solvency capital of MNOK 867, investment portfolio > 2.7bn.
- Market cap. 27 April 2012, MNOK 1.034

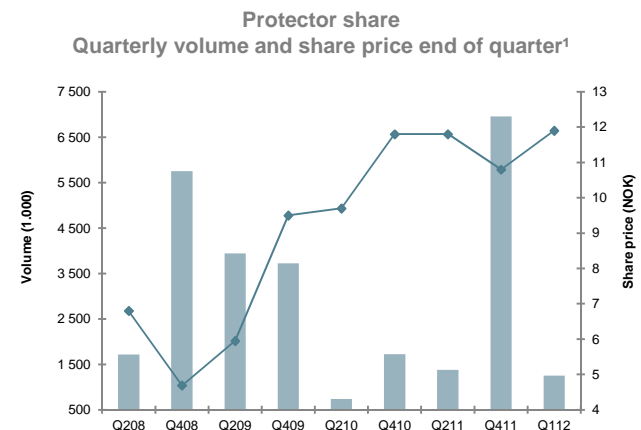
## Outlook 2012:

GWP + 22%  
CR ~ 88

## Dividend policy:

5-15% of the solvency capital  
Share buy backs for additional surplus capital

- Vision:  
“Protector will be the challenger to the established insurance companies”
- Main targets:
  - Being top three in Protector’s defined business segments
  - Cost leadership
  - Being preferred by the brokers



<sup>1</sup> Share buy back not included in the volume figures

## Highlights Q1 2012

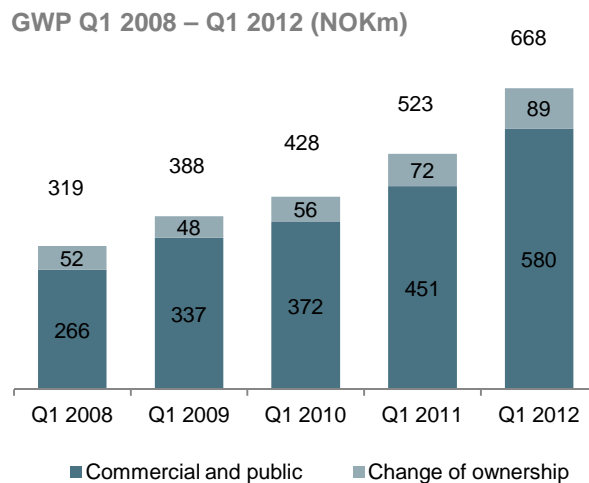
### Best quarter ever, increased guiding

- GWP up 28 %
  - Commercial and public lines of business, up 28%
  - Change of ownership insurance, up 24%
- Net combined ratio, 76%, down 8.1 percentage points
- Return on investments, NOK 88.8m (3.5%), up from NOK 22.6m (1%)
  - 18% growth in investment portfolio
- Operating profit, NOK 148.6m, up from 54.8m
- Successful placement of Tier 2 bond, NOK 150m
  - Strengthens the capital adequacy and solvency margin, effect from Q2
- Outlook 2012 increased
  - Operating profit NOK 270m, up from previously guided NOK 250m
  - Volume growth 22%, up from previously guided 18%

# Gross written premium Q1 2012

GWP up 28%, from NOK 522.7m to NOK 668.5m

- GWP up 19% within the Norwegian commercial and public lines of business
  - Strong renewal rate above 100 %, up from 85% in Q1 2011
  - Strong new sales and good access to quotations
  
- GWP in Sweden and Denmark, 8 percentage points of the total growth
  - Municipality sector 87% of the premium volume
  
- Change of ownership insurance, 24% growth
  - Increased real estate prices and higher real estate turnover rate

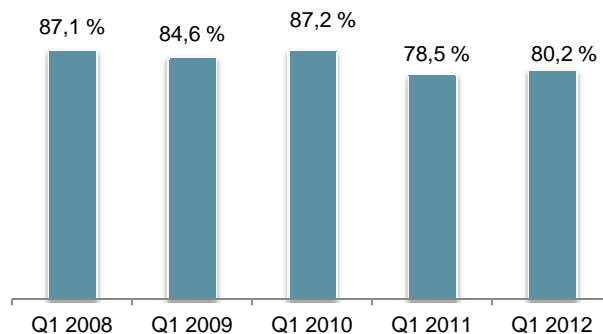


# Claims development Q1 2012

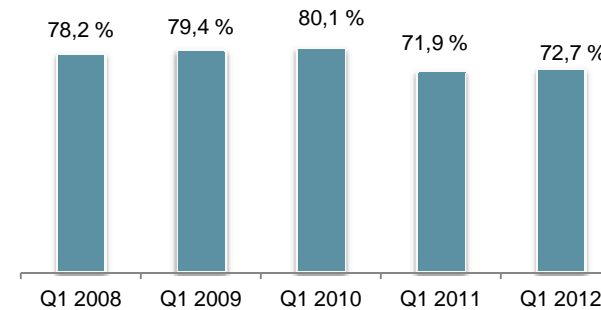
Net claims ratio 80.2%, up from 78.5%

- Loss of a single high volume/very low claims ratio contract, drives the claims ratio upwards
  - Approx 2 % on gross and 3% on net claims ratio
- Good development both in the commercial /public sector and change of ownership insurance
  - Q1 normally the weakest quarter
  - 0 large claims
  - Stable reserves
- Gross claims ratio 72.7%, up from 71.9%

Net claims ratio Q1 2008 – Q1 2012



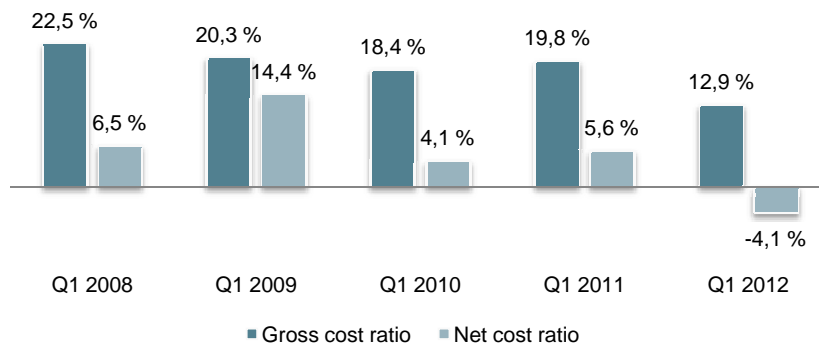
Gross claims ratio Q1 2008 – Q1 2012



## Cost ratio Q1 2012

- Loss of a single high volume/very high cost ratio contract, drives the cost ratios downwards
  - 2.3 / 3.7 percentage points positive effect on gross / net cost ratio
- Gross cost ratio 12.9%, down from 19.8%
  - Administration costs in nominal value at the same level as in Q1 2011
  - Volume and scalability driving cost ratio down
  - Reduced cost ratio increases the company's competitiveness in the Nordic market
- Net cost ratio - 4.1%, down from 5.6%
  - Reinsurance commissions driving the net cost ratio downwards
    - Commissions in Q1 includes some profit sharing on 2010/2011 business
  - Stable level of ceded written premiums

Cost ratio Q1 2008 – Q1 2012



## Highlights Q1 12 – Norwegian Commercial/public lines

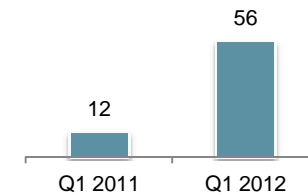
- Volume up 19%
  - 11 % growth in the municipality sector
    - 1 large win and 1 large non renewal
  - 26% growth in the commercial sector
    - 4 large wins
    - 1 very large and 1 large non renewal
- Personal lines of business , 69% of volume
  - 26% growth within the personal lines of business
  - 5 % growth within other lines of business
  - Swedish and Danish business reduces the personal business exposure
- Renewal rate above 100%, well above target
  - Less need for profitability actions
- Significant value chain improvements under implementation
  - Further quality and cost improvements expected
- Very strong volume in Q2 expected
  - Very good access to quotations
  - 2 very large wins, 1 very large non renewal



## Highlights Q1 12 – Sweden and Denmark

- Strong start up in Sweden and Denmark
  - 8 percentage points of the growth on company level
- Sweden
  - 32 municipalities / other public companies on the customer list
  - 12 companies on the customer list
  - 1 large win in Q2
- Denmark
  - 5 municipalities on the customer list
  - Country manager on board, 55 years, more than 30 years experience from insurance industry, starting 1 August
- Well received among Swedish and Danish leading Brokers
- Sweden and Denmark will support double digit growth on company level in 2013 and 2014

GWP Q1 2011 – Q1 2012 (NOKm)



Malmö



Billund



Aarhus

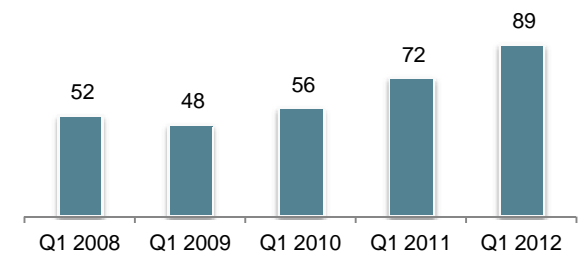




## Highlights Q1 2012 - Change of ownership insurance

- Volume up 24%
  - Stable market share well above 50%
  - Hit-ratio stable on a high level approx. 80%
  - Real estate prices up 6.3% relatively to Q1 2011<sup>1</sup>
  - Turnover rate down 7 days in Jan, 3 days in Feb and 2 days in March relatively to the same period in 2011<sup>2</sup>
- Profitability actions yields results
- Profitable in Q1
  - Stable reserves
  - Cost ratio as always on a high level in Q1 due to seasonality
- Stable but high conflict level
- Real estate market still strong in April
  - Strong Q2 volume expected

GWP Q1 2008 – Q1 2012 (NOKm)



<sup>1</sup> Source: SSB  
<sup>2</sup> Source: NEF

## Results Q1 2012

NOKm	Q1 2012	Q1 2011	2011
<b>Premiums written gross</b>	<b>668,5</b>	<b>522,7</b>	<b>1 202,5</b>
Premiums earned gross	327,5	261,5	1 177,0
Claims incurred gross	(238,1)	(188,0)	(839,2)
Premiums earned for own account	246,8	199,5	903,5
Claims incurred for own account	(197,8)	(156,6)	(670,3)
Operating costs for own account	10,2	(11,2)	(100,6)
Other income/costs	0,7	0,5	1,7
Net financial income	88,8	22,6	(51,4)
<b>Profit before change in security provision etc.</b>	<b>148,6</b>	<b>54,8</b>	<b>82,9</b>
Change in security provision etc.	(11,8)	(7,1)	(49,9)
<b>Profit after change in security provision etc.</b>	<b>136,8</b>	<b>47,7</b>	<b>33,0</b>
Net claims ratio	80,2 %	78,5 %	74,2 %
Net cost ratio	-4,1 %	5,6 %	11,1 %
<b>Net combined ratio</b>	<b>76,0 %</b>	<b>84,1 %</b>	<b>85,3 %</b>
Retention rate	75,4 %	76,3 %	76,8 %

*Note:*

*Net claims ratio = claims incurred for own account / NPE*

*Net cost ratio = (sales costs + admin costs + commission on reinsurance ceded)/NPE*

*Retention rate = NPE in % of GPE*

## Balance sheet Q1 2012

NOKm	31.03.2012	31.03.2011	31.12.2011
Financial assets	2 756,5	2 335,0	2 354,8
Bank deposits	119,1	133,5	112,7
Other assets	508,3	381,0	332,4
<b>Total assets</b>	<b>3 383,9</b>	<b>2 849,5</b>	<b>2 799,8</b>
Total equity	498,3	552,0	384,5
Total reserves	2 560,5	2 085,4	2 132,6
Other liabilities	325,1	212,1	282,6
<b>Total equity and liabilities</b>	<b>3 383,9</b>	<b>2 849,5</b>	<b>2 799,8</b>
Solvency capital	866,9	865,9	741,3
Return on solvency capital	18 %	7 %	11 %
Solvency capital per share, end of period	10,5	10,5	9,0
Solvency margin	183 %	235 %	80 %
Capital adequacy ratio (risk weighted)	20 %	18 %	19 %
NAV	763,7	778,0	641,4
NAV per share, end of period	9,2	9,4	7,8

Note:

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

*Return on solvency capital: Operating profit /average solvency capital*

*Solvency margin = solvency capital / NPW*

*NAV = total equity pluss 72% of the total security provision etc.*

*No. of shares = total outstanding shares ex own shares*

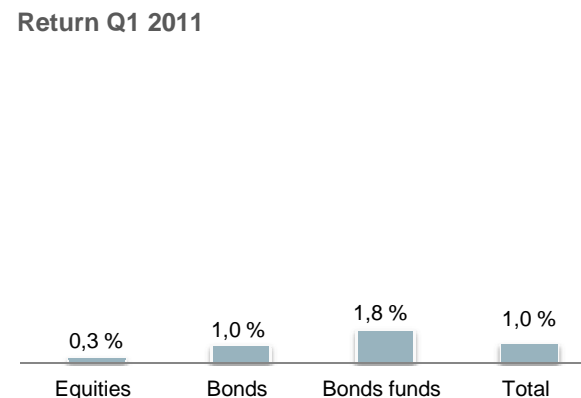
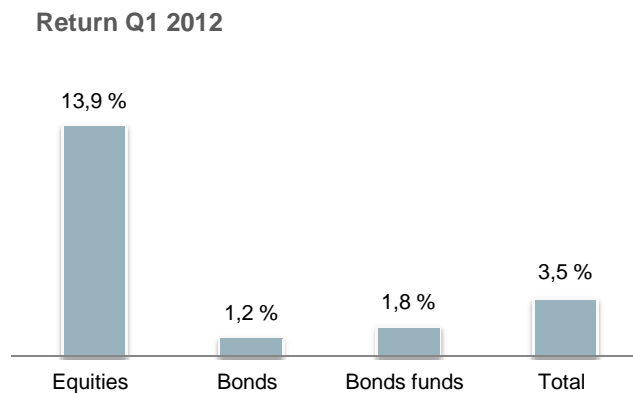
- Investment portfolio, 18% growth

- Issue of Tier 2 bond (NOK 150m) will in Q2 strengthen the Company's capital adequacy and solvency margin capital

Floating rate 3 month NIBOR + 600 bp.  
10 year maturity, callable after 5 years

## Investment performance Q1 2012

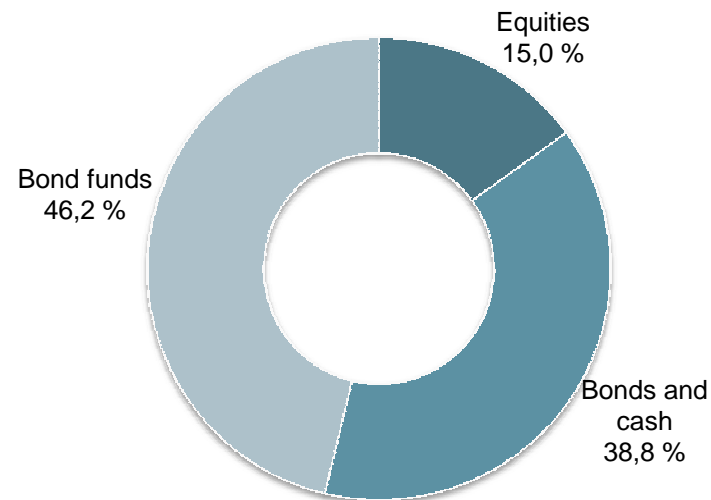
- Net investment result of NOK 88.8m, 3.5% return (NOK 22.6m, 1%)
- Equities, return of 13.9% (0.3%), OSEBX 10.8%, OSEFX 13.5%
- Bond portfolio, return of 1.5% (1.3%), slightly increased risk exposure
- Investment portfolio of NOK 2.756m (NOK 2.335m), 18% growth



# Asset allocation

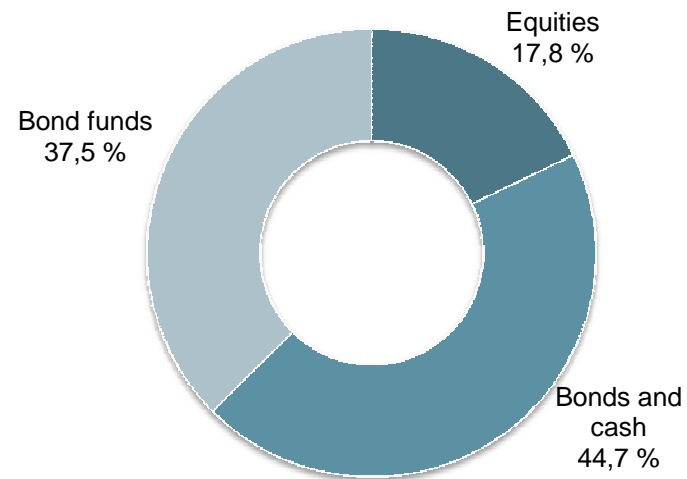
- Bonds 85% of portfolio, Norwegian equities 15%
- Allocation in equities reduced from 17.8% to 15.0%
  - Reallocation of NOK 63m from equities to bonds and all new capital allocated to bonds

Allocation of investments 31.03.2012



Total financial assets; NOK 2.756m

Allocation of investments 31.12.2011

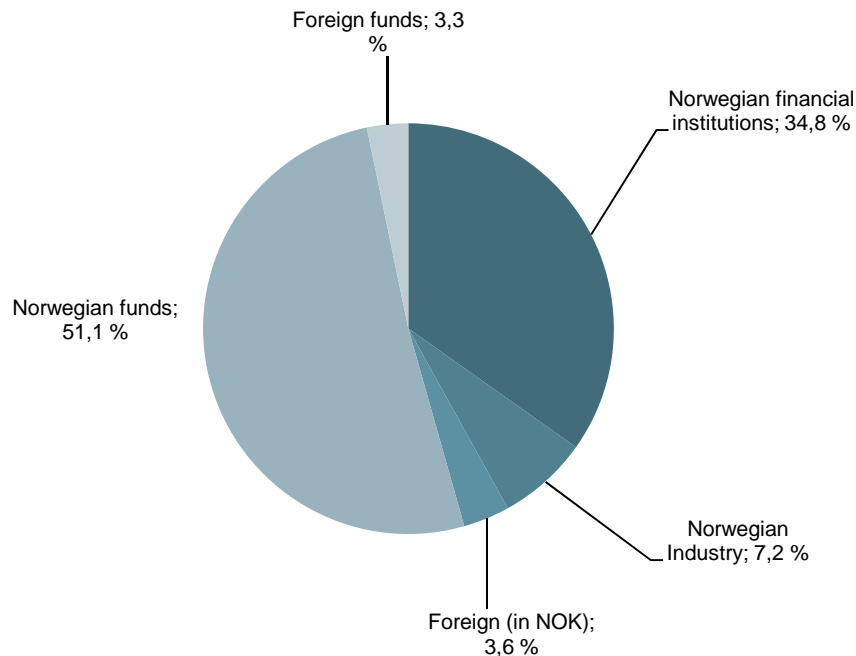


Total financial assets; NOK 2.355m

# Portfolio structure and quality bond portfolio

- Duration (credit) of bond portfolio is 2,17 years (2,24 years)  
- Interest duration 0,27 years (0,26 years)
- Slightly increased risk in non rated funds

Bond portfolio 31 March 2011



Quality bond portfolio 31 March 2012

Split of fixed income portfolio	NOK mill	%
Bonds	1 042 947	44 %
Bond funds	1 274 785	54 %
Bank deposits	25 980	1 %
<b>Total</b>	<b>2 343 712</b>	<b>100 %</b>
<b>Rating including internal rating by Norwegian financial institutions</b>		
Investmentgrade	1 061 725	45 %
High yield	68 102	3 %
Non rated (funds)	1 213 884	52 %
<b>Total</b>	<b>2 343 712</b>	<b>100 %</b>

# Shareholder matters 25 April 2012

Shareholder	No. shares	Percent
ODIN NORDEN	7 429 155	8,62 %
MSF-MUTUAL FINANCIAL SERVICES FD	4 479 410	5,20 %
HANSARD EUROPE LTD	3 727 086	4,33 %
PROTECTOR FORSIKRING ASA	3 570 661	4,14 %
OJADA AS	3 563 116	4,14 %
VPF ALFRED BERG GAMBAK	3 401 642	3,95 %
DNB NOR SMB	3 056 401	3,55 %
VPF NORDEA NORGE VERDI	2 976 859	3,46 %
TJONGSFJORD INVEST AS <sup>1</sup>	2 661 809	3,09 %
GABLER RÅDGIVNING AS <sup>2</sup>	2 652 751	3,08 %
MP PENSJON PK	2 375 706	2,76 %
EXPLORA INV.FDS PLC - TAIGA FUND	2 236 751	2,60 %
LETRA INVEST AS	1 873 451	2,17 %
FROGNES AS	1 649 916	1,92 %
VPF ALFRED BERG NORGE	1 649 030	1,91 %
JOHAN VINJE AS	1 437 841	1,67 %
TRAFALGAR AS	1 403 938	1,63 %
PETROSERVICE AS	1 343 815	1,56 %
NORDEA NORDIC SMALL CAP FUND	1 256 653	1,46 %
TROND HØYE	1 235 562	1,43 %
<b>TOTAL 20 LARGEST</b>	<b>53 981 553</b>	<b>62,66 %</b>
<b>OTHERS</b>	<b>32 174 052</b>	<b>37,34 %</b>
<b>TOTAL SHARES</b>	<b>86 155 605</b>	<b>100,00 %</b>

No. Shareholders 2.737

<sup>1</sup> CEO Sverre Bjerkeli

<sup>2</sup> Chairman of the Board, Jostein Sørvoll

## Related parties shareholding

- Management's direct and indirect shareholding totals 3m shares or 3,5 % of current outstanding shares
- Board members directly and indirectly own a total of 6,5m shares or 7,5% of current outstanding shares
- 40 employees own directly a total of 4.7 m shares or 5.4% of current outstanding shares (incl. management)
- Protector own 3.570.661 own shares or 4,14% of current outstanding shares

## Outlook 2012, changed

Guiding 29 February 2012

- GWP up 18%
  - Status per Q1, ahead of schedule
- Combined ratio 88%
  - Status per Q1, ahead of schedule
- Return on investments 4,6%
  - Status per Q1, ahead of schedule
- Operating profit NOK 250m
  - Status per Q1, ahead of schedule
- Return on solvency capital 29%
  - Status per Q1, ahead of schedule



Guiding 7 may 2012

- GWP up 22 %
- Combined ratio 88%
- Return on investments 5 %
- Operating profit NOK 270m
- Return on solvency 31%



## Outlook 2012, changed

NOKm	Res 2011	Old 2012e	New 2012e
Premium growth (%)	19	18	22
Operating profit	82.9	250	270
Investment Income	-51.4	125	136
Gross cost ratio (%)	15.0	13	13
Net combined ratio (%)	85.3	88	88
Return on solvency (%)	11	29	31

**Return assumptions 2012:**

Equity allocation approx. 15%

New capital allocated to bonds.

Return equities: 8% p.a.

Return bonds: 4.5% p.a. (up from 4.0% p.a.)

Average invested capital: NOK 2.700m

## CEO Summary, Outlook 2012

	29 Feb	7 May
	Risk	Risk
+ Volume significant up in commercial & public sector	Low	No
+ Sweden and Denmark support growth	No	No
+ Volume significant up in Change of Ownership sector	Low	Low
+ Balance sheet growing leads to increased financial income	Low	Low
+ Cost ratio Gross & Net going down	No	No
+ Price inflation higher than claims inflation Change of Ownership	Low	Low
- Rate pressure driving claims ratio upwards	Medium	Medium
- One or two negative surprises will occur	Medium	Medium



## Summary

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  - Commercial and public lines of business, up 28%
  - Change of ownership insurance, up 24%
- Net combined ratio, 76%, down 8.1 percentage points
- Return on investments, NOK 88.8m (3.5%), up from NOK 22.6m (1%)
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- Successful placement of Tier 2 bond, NOK 150m
  - Strengthens the capital adequacy and solvency margin, effect from Q2
- Outlook 2012 increased
  - Operating profit NOK 270m, up from previously guided NOK 250m
  - Volume growth 22%, up from up from previously guided 18%
- Very strong Q2 expected