

# RESULTS Q1 2015

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Investor presentation

30 April 2015



# Facts about Protector

- A focused Scandinavian non-life insurance company
- Established Jan.1, 2004. (Listed Oslo Stock Exchange May 2007)
- Entered the Swedish market in 2011 and Denmark 1 Jan. 2012
- Ownership: Stenshagen Invest, ODIN Norden, Ojada AS, Handelsbanken, Hansard Europe, management/employees etc
- Strong results, average combined ratio 2004 - 2014, 88.4%
- GWP in 2014: MNOK 2.374
- Solvency capital of MNOK 1.743, investment portfolio ~ NOK 5.9 bn.
- Market cap. 21 April 2015, NOK 5,71 bn.

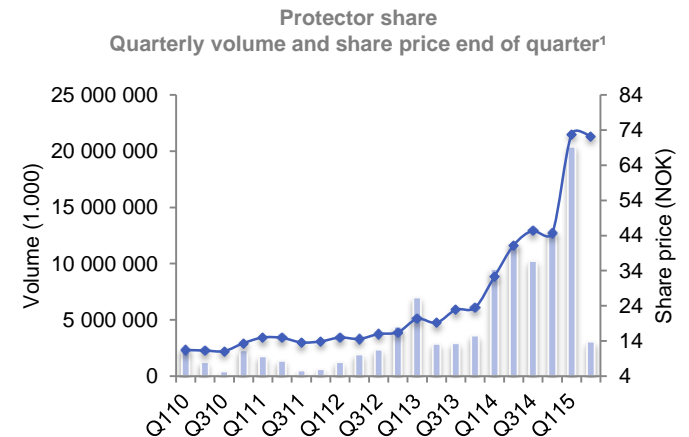
- Vision: “The challenger”
- Main targets:
  - Cost and quality leadership
  - Profitable growth
  - Top three in Protector’s defined business segments

## Outlook 2015:

GWP up 22 %  
CR 86 %

## Dividend policy:

30 – 50% of profit after tax  
Target solvency margin > 250%



<sup>1</sup> Share buy back not included in the volume figures  
Share price adjusted for dividends  
Data pr. 21.04.2015



# Highlights Q1 2015

## 25% growth and increased guiding

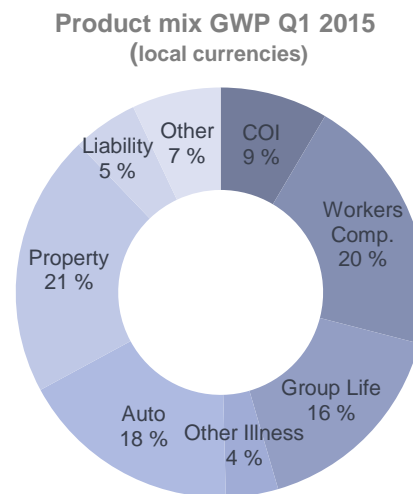
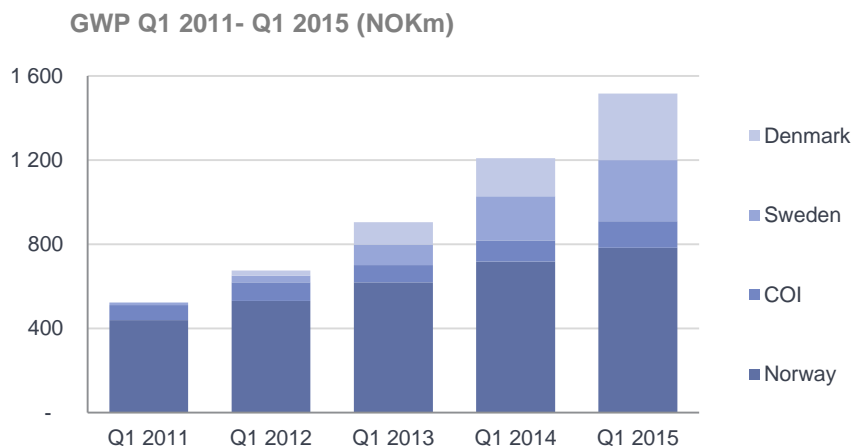
- GWP up 25% (24% in local currencies)
  - Sweden/Denmark, 199 mill growth
- Gross cost ratio down to 7.5% (8,1%)
- Net combined ratio 82.4% (79.9%)
  - Reinsurance commissions driving CR down in Q1 as always
- 2.2 % return on the investment portfolio (1,9%)
  - Net return on investments NOK 122.2m (83.8m)
- Operating profit of NOK 210,5m (162,4m)
  - Best ever quarterly profit
- Entry UK decided
- Guiding 2015 increased
  - Operating profit NOK 600 m, up from previously guided ~ NOK 500m
  - CR 86 %, down from 88-90%
  - 22 % growth in GWP, up from 18%



# Gross written premium Q1 2015

GWP up 25%, from NOK 1.208,6m to NOK 1.515,8 m

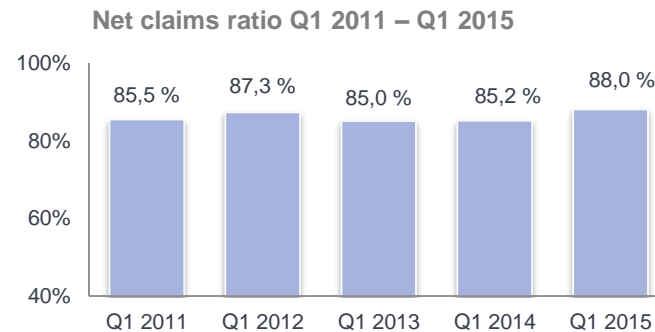
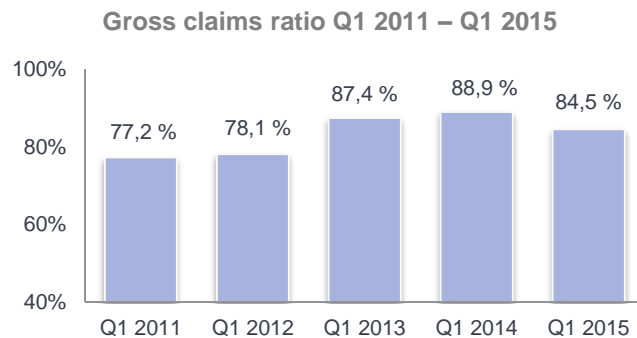
- Norway: 9 % growth within the commercial and public lines of business
- Sweden: 39 % growth
- Denmark: 74 % growth
- Change of ownership insurance, 25% growth
  - High turnover in the real estate market and increased real estate prices
- Continued product diversification





# Claims development Q1 2015

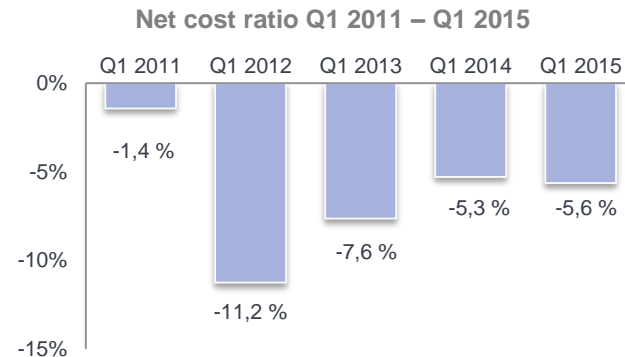
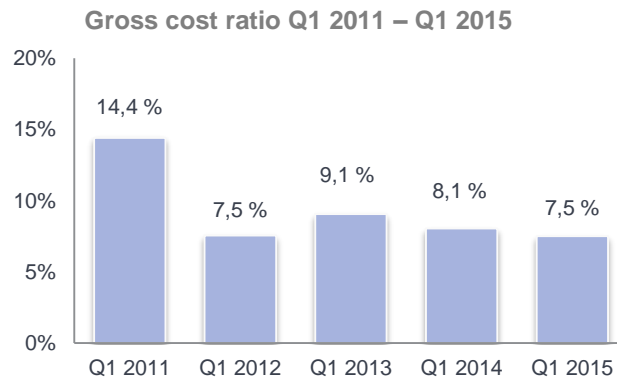
- Gross claims ratio 84,5, down from 88.9% in Q1 2014
  - Acceptable claims result within change of ownership insurance
  - Other illness and group-life in Norway behind schedule, all other products are doing well
  - Sweden and Denmark on schedule. 2 large claims (one in Sweden and one in Denmark)
- Net run-off-losses of 2 % (run-off gains of 6,3% in Q1 2014)
  - Some run-off gains expected in the next quarters
- Net claims ratio 88.0%, up from 85.2%. Higher claims ratio than peers.





## Cost ratio Q1 2015

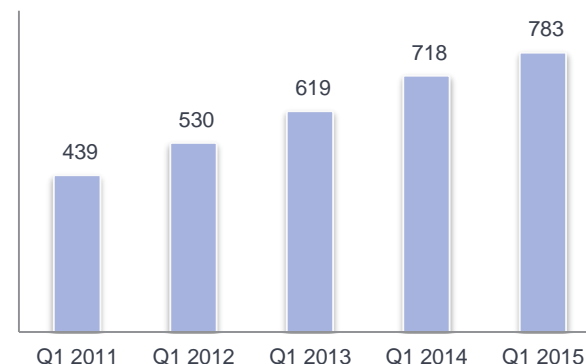
- Gross cost ratio 7.5 %, down from 8,1 %
  - Average no. of employees increased (13 FTE)
  - Management Incentive program linked to the development of the share price, high cost in Q1
- Net cost ratio – 5.6%, down from – 5,3 %
  - Negative costs due to high level of reinsurance commissions as always in Q1
- Protector has in April moved to new premises,
  - 10 years lease, higher rental costs
- Cost ratio will gradually decrease in 2015 and forwards due to growth in Sweden and Denmark



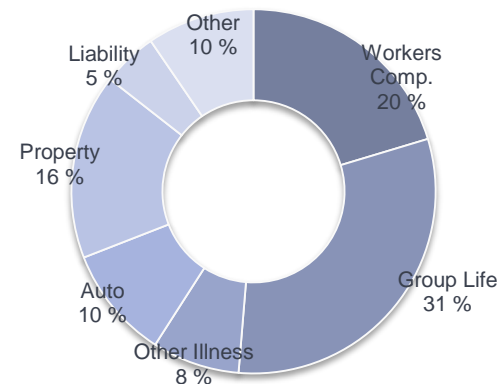
# Highlights Q1 2015 – Norwegian Commercial/public lines

- Volume up 9 %
  - 11% growth in the public sector
    - 2 large wins, 0 large non-renewals
  - 8 % growth in the commercial sector
    - 5 large wins and 7 large non-renewals
- Personal lines of business , 65% of total volume
  - 7 % growth in Q1
  - 11 % growth other lines
- Renewal rate 93 % , unchanged from Q1 2014
  - Renewal rate 99% in the municipality sector
  - Renewal rate in the commercial sector 89 %
- Continued rate pressure within the personal lines of business
- Slow volume start to Q2

GWP Q1 2011 – Q1 2015 (NOKm)



Product mix GWP Q1 2015

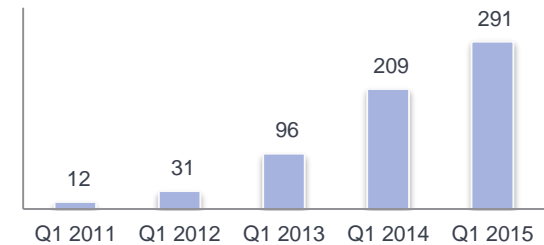




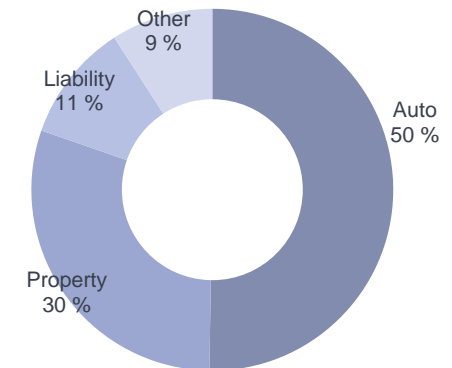
# Highlights Q1 2015 – Sweden

- 39% growth
  - Representing 7 percentage points of the growth on company level
  - 3 large wins, one large non-renewal
  - No. 2 in the municipality segment
  - Strong renewal rate >100%
- Net combined 76,6%
  - Reinsurance commissions driving CR down in Q1 as always
- 32 employees, strong organization
- Product mix: Auto: 50% - Prop: 30% - Liability 11% - Other 9%
- Very strong volume start on Q2
  - 2 very large and 2 large wins

GWP Q1 2011 – Q1 2015 (NOKm)



Product mix GWP Q1 2015

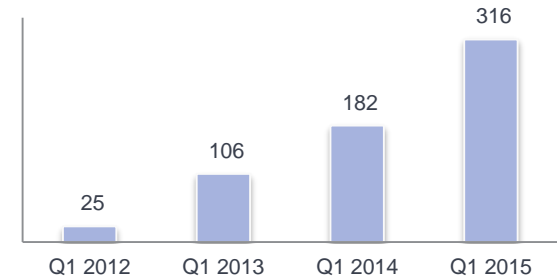




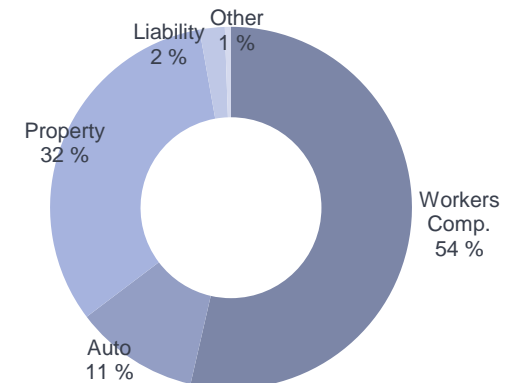
# Highlights Q1 2015 – Denmark

- 74% growth
  - Representing 11 percentage points of the growth on company level
  - 3 very large wins, no large non-renewals
  - Strong renewal rate, 97 %
- Net combined ratio 84.1 %
  - Reinsurance commissions driving CR down in Q1 as always
- 21 employees
- Product mix: WComp: 54% - Prop: 32% - Auto 11% - Other 3%
- Relationship with leading brokers continues to develop
- Slow volume start on Q2

GWP Q1 2012 – Q1 2015 (NOKm)



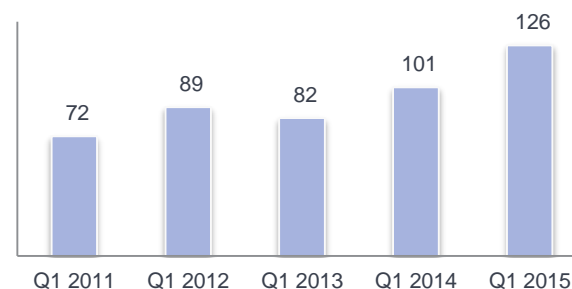
Product mix GWP Q1 2015



# Highlights Q1 2015 - Change of ownership insurance

- Volume up 25%
  - No. of policies sold up 17%
  - Strong real estate market
    - High turnover, no. properties sold up 13,2%
    - Real-estate prices up 7,9%<sup>1</sup>
- Acceptable profitability
  - Cost ratio on a high level due to seasonality
- Weak recovery level, significantly behind the strong Q1 2014
- Conflict level reduced 2004-2014
  - Reduced from claims frequency of 22% in 2004 to 14% in 2014
  - Real estate brokers have contributed through quality improvements
- Weaker results in court, but a short period of measurement
  - Win – draw – losses: 29% - 38% - 32%
- The real-estate prices are expected to flatten
  - 20 % volume growth expected in 2015

GWP Q1 2011 – Q1 2015 (NOKm)



| Year         | No. ESF        | Claims freq. |
|--------------|----------------|--------------|
|              |                | Houses       |
| 2004         | 13 095         | 22 %         |
| 2005         | 43 793         | 19 %         |
| 2006         | 36 658         | 18 %         |
| 2007         | 38 699         | 17 %         |
| 2008         | 35 624         | 15 %         |
| 2009         | 35 582         | 15 %         |
| 2010         | 40 995         | 16 %         |
| 2011         | 45 842         | 14 %         |
| 2012         | 47 391         | 14 %         |
| 2013         | 47 179         | 14 %         |
| 2014         | 52 015         | 14 %         |
| <b>Total</b> | <b>436 873</b> |              |

Source: Protector Forsikring ASA, actuary report

<sup>1</sup> Source: Eiendom Norge

# Company projects 2015

6 company projects and 60 others

LEDE®STJERNE

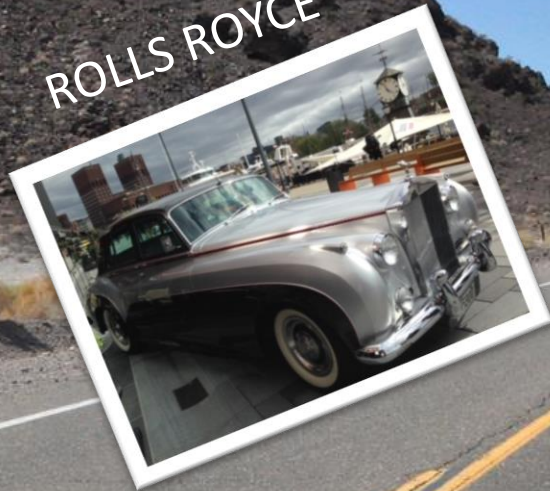
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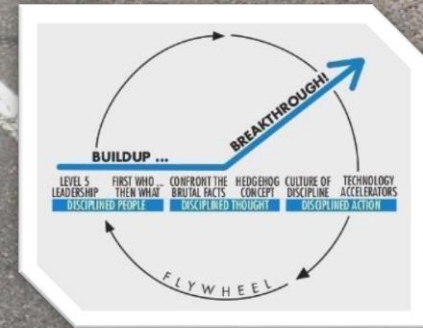
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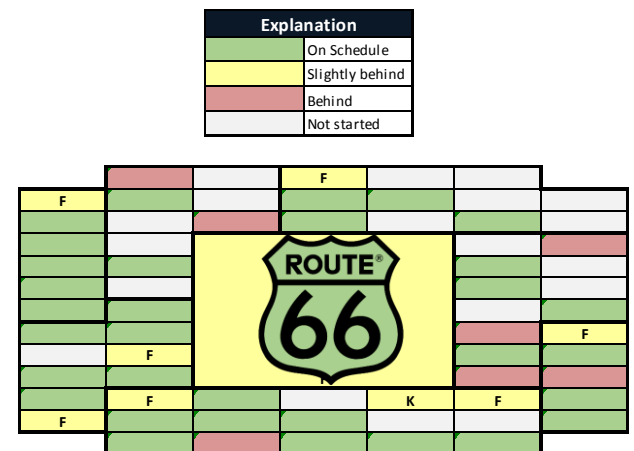


# Route 66 - Improving value chains and culture

1. Lede®Stjerne; New 18 months mgmt. program started
2. Experto Credite; Improved quality of technical surveys COI
3. I& ITA; 1000 IT innovations during 2015
4. MR²; Mgmt. reporting system at your fingertips 24/7
5. Rolls Royce; Reduce and Recourse claims correctly
6. C4; Country number four
  
7. Notifications of claims on net
8. Hands on liquidity management
9. UW lead public lines
10. Efficiency WC DK
11. Increased efficiency claims handling Motor SE
12. ... and 55 others

- Will reduce costs and/or improve quality inn all value chains and slightly improve UW
- Slightly behind schedule end of Q1
- Route 66 accelerate culture development

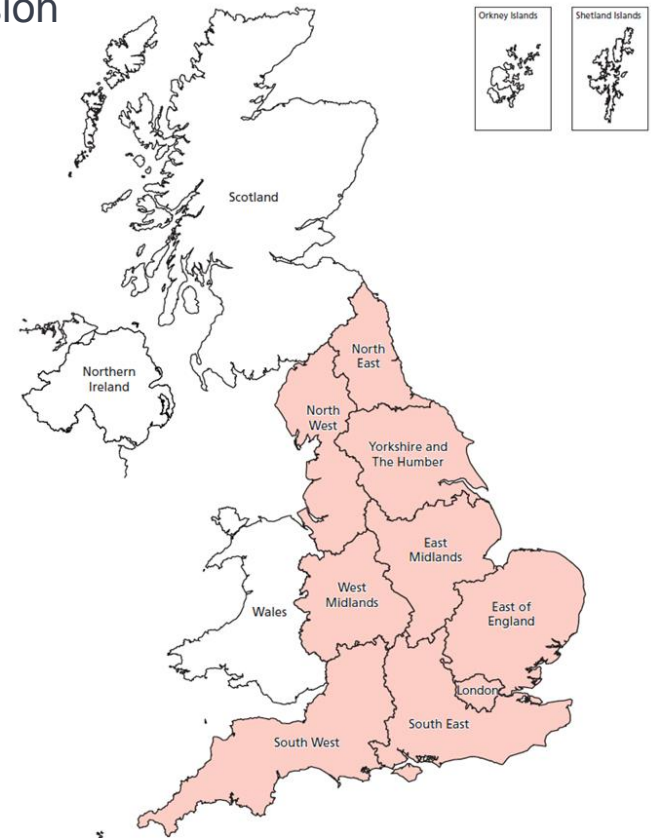
Route 66; Monitoring system





## Entry in the UK decided

- Analytical work on 500-600 pages basis for decision
- Same strategy as in Scandinavia
- Entry focus municipalities, location Manchester
- Business plan completed
- Recruitment started
- Start up-costs included in the 2015 guiding
- Minor volume in 2016





# Results Q1 2015

| NOKm   | Q1 2015        | Q1 2014        | 2014           |
|--|----------------|----------------|----------------|
| <b>Premiums written gross</b>                          | <b>1 515,8</b> | <b>1 208,6</b> | <b>2 374,5</b> |
| Premiums earned gross                                  | 666,3          | 530,7          | 2 306,8        |
| Claims incurred gross                                  | (562,8)        | (472,0)        | (1 854,5)      |
| Premiums earned for own account                        | 518,0          | 403,2          | 1 775,3        |
| Claims incurred for own account                        | (455,9)        | (343,5)        | (1 439,5)      |
| Operating costs for own account                        | 29,2           | 21,3           | (60,3)         |
| Other income/costs                                     | (3,0)          | (2,4)          | (10,2)         |
| Net financial income                                   | 122,2          | 83,8           | 236,8          |
| <b>Profit before change in security provision etc.</b> | <b>210,5</b>   | <b>162,4</b>   | <b>502,0</b>   |
| Change in security provision etc.                      | (25,2)         | (28,5)         | (26,3)         |
| <b>Profit after change in security provision etc.</b>  | <b>185,2</b>   | <b>133,9</b>   | <b>475,7</b>   |
| Tax  | (35,9)         | (31,1)         | (93,0)         |
| <b>Profit before comprehensive income</b>              | <b>149,3</b>   | <b>102,8</b>   | <b>382,8</b>   |
| Comprehensive income inc. tax                          | (7,7)          | (4,4)          | (24,0)         |
| <b>Profit for the period</b>                           | <b>141,6</b>   | <b>98,4</b>    | <b>358,8</b>   |
| Gross claims ratio                                     | 84,5 %         | 88,9 %         | 80,4 %         |
| Gross expense ratio                                    | 7,5 %          | 8,1 %          | 7,6 %          |
| <b>Gross combined ratio</b>                            | <b>92,0 %</b>  | <b>97,0 %</b>  | <b>88,0 %</b>  |
| Net claims ratio                                       | 88,0 %         | 85,2 %         | 81,1 %         |
| Net expense ratio                                      | -5,6 %         | -5,3 %         | 3,4 %          |
| <b>Net combined ratio</b>                              | <b>82,4 %</b>  | <b>79,9 %</b>  | <b>84,5 %</b>  |
| Retention rate   | 77,7 %         | 76,0 %         | 77,0 %         |
| Return on investments                                  | 2,2 %          | 1,9 %          | 5,3 %          |
| <b>Earnings per share</b>                              | <b>2,0</b>     | <b>1,5</b>     | <b>4,9</b>     |

- GWP up 25%

- Best ever quarterly profit

- No. 1 Nordic?

*Note:*

*Retention rate = NPE in % of GPE*

*Earnings per share = (Profit before comp. income + Change in security provision - 27% tax on Change in security provision) /*

*(No. of outstanding shares - own shares)*



# Balance Sheet Q1 2015

| NOKm                                | 31.03.2015     | 31.03.2014     | 31.12.2014     |
|-------------------------------------|----------------|----------------|----------------|
| Financial assets                    | 6 156,9        | 4 674,0        | 4 957,9        |
| Bank deposits                       | 185,7          | 214,0          | 207,9          |
| Other assets                        | 1 121,5        | 909,5          | 786,9          |
| <b>Total assets</b>                 | <b>7 464,1</b> | <b>5 797,5</b> | <b>5 952,7</b> |
| Total equity                        | 1 133,0        | 875,5          | 991,4          |
| Subordinated loan capital           | 148,1          | 148,1          | 148,1          |
| Total reserves                      | 5 111,8        | 4 225,5        | 4 113,3        |
| Other liabilities                   | 1 071,1        | 548,4          | 699,8          |
| <b>Total equity and liabilities</b> | <b>7 464,1</b> | <b>5 797,5</b> | <b>5 952,7</b> |

- 25% growth in investment portfolio

|   |         |         |         |
|---|---------|---------|---------|
| Solvency capital                          | 1 742,7 | 1 462,2 | 1 575,9 |
| Return on solvency capital, after tax     | 11 %    | 9 %     | 28 %    |
| Solvency capital per share, end of period | 21,1    | 17,7    | 19,1    |
| Solvency ratio                            | 151 %   | 159 %   | 85 %    |
| Solvency margin                           | 341 %   | 348 %   | 296 %   |
| Capital adequacy ratio (risk weighted)    | 17 %    | 17 %    | 18 %    |
| NAV                                       | 1 578,1 | 1 303,8 | 1 418,1 |
| NAV per share, end of period              | 19,1    | 15,8    | 17,2    |

- Solvency margin 341 %, NOK 926,7 mill above the minimum requirement

*Note:*

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

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

*Solvency ratio = solvency capital / NPW*

*Solvency margin calculated according to regulations from the FSA of Norway.*

*NAV = total equity plus 73% of the total security provision etc.*

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



# Asset management

- Net investment portfolio of NOK 5.866m (NOK 4.674m), 25% growth
- Discretionary in-house asset management, gradual establishment
  - 2 senior portfolio managers employed, both with proven track record
  - Increased flexibility to react to changing market conditions
  - Secure a continued good return on investments
  - Reduced asset management costs
- In-house portfolio today
  - Fixed income ~ NOK 800m
  - Equities ~ NOK 500 m
  - Administrative services outsourced

## In-house asset management team



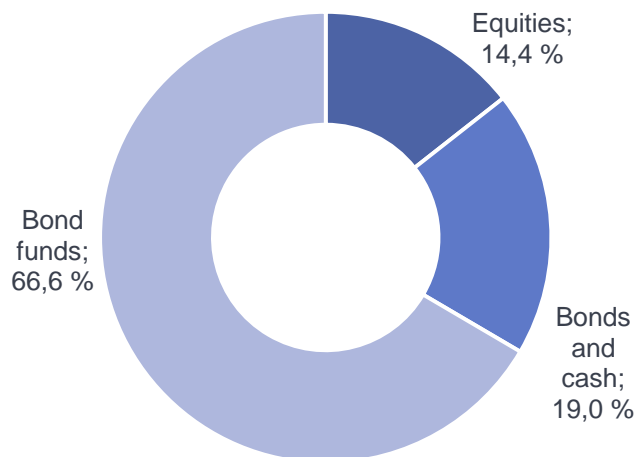




# Asset allocation

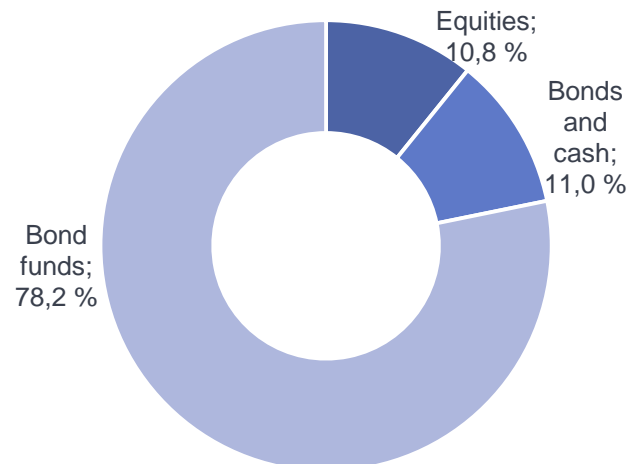
- End of Q1 2015; Bonds 83,5% of portfolio, equities 16,5%
- Exposure in equities increased, no exposure to oil- and oil service
- Equity portfolio; 47 % Norwegian, 24% Swedish and 29% European
- Bond portfolio; Slightly increased HY exposure (US and European)
  - Very limited exposure in oil- and oil service

**Money-weighted allocation of investments 31.03.2015**



Total net financial assets end of Q1 2015; NOK 5.886m

**Money-weighted allocation of investments 31.12.2014**



Total net financial assets end year; NOK 4.894m

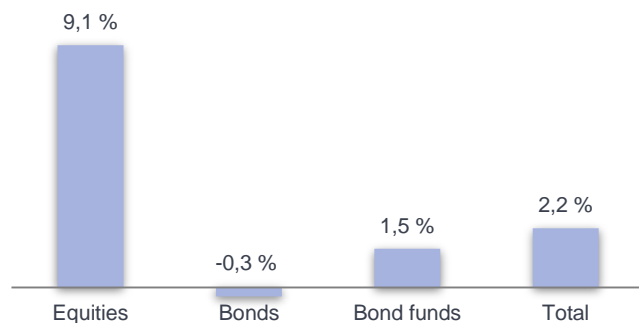


# Investment performance Q1 2015

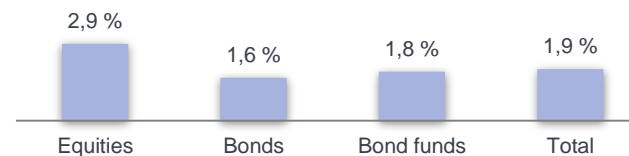
2,2% return on the investment portfolio

- Net investment result of NOK 122.2m, 2.2% return (NOK 83.8m, 1.9%)
- Equities, return of 9.1% (2.9%)
- Bond portfolio, return of 1.0% (1.8%)
  - Yield end of Q1; 3.6% down from 4.0% in Q4 2014
- Net investment portfolio of NOK 5,886 m (NOK 4,674m), 25% growth

Return Q1 2015



Return Q1 2014





# Shareholder matters 23 April 2015

| Shareholder                        | No. shares        | Percent         |
|------------------------------------|-------------------|-----------------|
| STENSHAGEN INVEST AS <sup>1</sup>  | 6 550 000         | 7,60 %          |
| ODIN NORDEN                        | 5 377 930         | 6,24 %          |
| PROTECTOR FORSIKRING ASA           | 3 570 661         | 4,14 %          |
| OJADA AS <sup>2</sup>              | 3 563 116         | 4,14 %          |
| VERDIPAPIRFONDET HANDELSBANKEN     | 3 167 384         | 3,68 %          |
| TJONGSFJORD INVEST AS <sup>3</sup> | 2 811 809         | 3,26 %          |
| J.P. MORGAN CHASE BANK N.A. LONDON | 2 485 425         | 2,88 %          |
| MP PENSJON PK                      | 2 213 568         | 2,57 %          |
| HANSARD EUROPE LTD                 | 2 089 826         | 2,43 %          |
| JP MORGAN CHASE BANK, NA           | 1 950 000         | 2,26 %          |
| ARTEL HOLDING A/S                  | 1 873 451         | 2,17 %          |
| AVANZA BANK AB                     | 1 814 181         | 2,11 %          |
| GABLER RÅDGIVNING AS <sup>4</sup>  | 1 702 751         | 1,98 %          |
| VEVLEN GÅRD AS                     | 1 700 000         | 1,97 %          |
| FROGNES AS                         | 1 649 916         | 1,92 %          |
| NORDNET BANK AB                    | 1 461 486         | 1,70 %          |
| JOHAN VINJE AS                     | 1 437 841         | 1,67 %          |
| PETROSERVICE AS                    | 1 343 815         | 1,56 %          |
| BNP PARIBAS SEC. SERVICES S.C.A    | 1 201 390         | 1,39 %          |
| ARCTIC FUNDS PLC                   | 1 109 237         | 1,29 %          |
| <b>TOTAL 20 LARGEST</b>            | <b>49 073 787</b> | <b>56,96 %</b>  |
| <b>OTHERS</b>                      | <b>37 081 818</b> | <b>43,04 %</b>  |
| <b>TOTAL SHARES</b>                | <b>86 155 605</b> | <b>100,00 %</b> |

No. shareholders 1.797

<sup>1</sup> Member of the Board, Jørgen Stenshagen

<sup>2</sup> Deputy Chairman of the Board, Erik G. Braathen

<sup>3</sup> CEO Sverre Bjerkeli

<sup>4</sup> Chairman of the Board Jostein Sørvoll

## Related parties shareholding

- Management's direct and indirect shareholding totals 3,1m shares or 3,6% of current outstanding shares
- Board members directly and indirectly own a total of 11,8m shares or 13,7% of current outstanding shares
- 28 employees own directly a total of 3.4 m shares or 3.9% of current outstanding shares (incl. management)
- Protector own 3.570.661 own shares or 4,1% of current outstanding shares

## Notifications of trade in Q1 2015

- Stenshagen Invest AS has 3 March bought 350.000 shares in Protector at a price of NOK 56,7432 per share. Jørgen Stenshagen, board member in Protector, is CEO in Stenshagen Invest AS.
- Fredrik Gaarder, analyst in Protector, has 12 March sold 6,400 shares in Protector at a price of NOK 64,25 per share



# Outlook 2015

## Guiding 12 February

- GWP up 18%
  - Status per Q1, ahead of schedule
- Combined ratio 88-90%
  - Status per Q1, ahead of schedule
- Gross cost ratio < 7.5 %, on schedule
- Operating profit NOK ~ 500m
  - Status per Q1, ahead of schedule
- Return on solvency capital 25%
  - Status per Q1, ahead of schedule

## Guiding 30 April

- GWP up 22%
- Combined ratio 86 %
- Gross cost ratio < 7.5 %
- Operating profit NOK 600 m
- Return on solvency 28 %



# Outlook 2015, increased

|   | Res 2014 | Old 2015e | New 2015e |
|---|----------|-----------|-----------|
| Premium growth in NOK (%)                   | 28       | 18        | 22        |
| Investment Income (NOKm)                    | 237      | 225       | 309       |
| Operating profit (NOKm)                     | 502      | ~ 500     | 600       |
| Gross cost ratio (%)                        | 7.6      | <7.5      | <7.5      |
| Net combined ratio (%)                      | 84.5     | 88-90     | 86        |
| Change in Security prov. (NOKm)             | 26.3     | ~100      | 50        |
| Tax rate <sup>1</sup>                       | 20%      | n.a.      | 20 %      |
| Return on solvency capital (%) <sup>2</sup> | 28       | 25        | 28        |
| Earnings per share (NOK) <sup>3</sup>       | 4.9      | ~4.8      | 5.9       |

### Return assumptions 2015<sup>1</sup>:

Equity allocation approx. 15 % (15%)

Return equities: 15% p.a. (8% p.a.)

Return bonds: 3.7 % p.a. (3,6% p.a.)

Average inv. capital: NOK 5.650'' (5.500'')

<sup>1</sup>Figures in brackets; Guiding 12 February 2015

<sup>1</sup> Tax rate; Tax divided on profit before tax

<sup>2</sup> Return on solvency capital: (Operating profit – tax) /average solvency capital

<sup>3</sup> Earnings per share; (Profit before comp. income + Change in security provision - 27% tax on change in security provision) / (no. of outstanding shares - own shares)



# Summary Q1 2015

- GWP up 25% (24% in local currencies)
- Gross cost ratio down to 7.5% (8,1%)
- Net combined ratio 82.4% (79.9%)
- 2.2 % return on the investment portfolio (1,9%)
- Operating profit of NOK 210,5m (162,4m)
  
- Entry UK decided
  
- Guiding 2015 increased
  - Operating profit NOK 600 m, up from previously guided ~ NOK 500m
  - CR 86 %, down from 88-90%
  - 22 % growth in GWP, up from 18%
  
- Culture boosts results