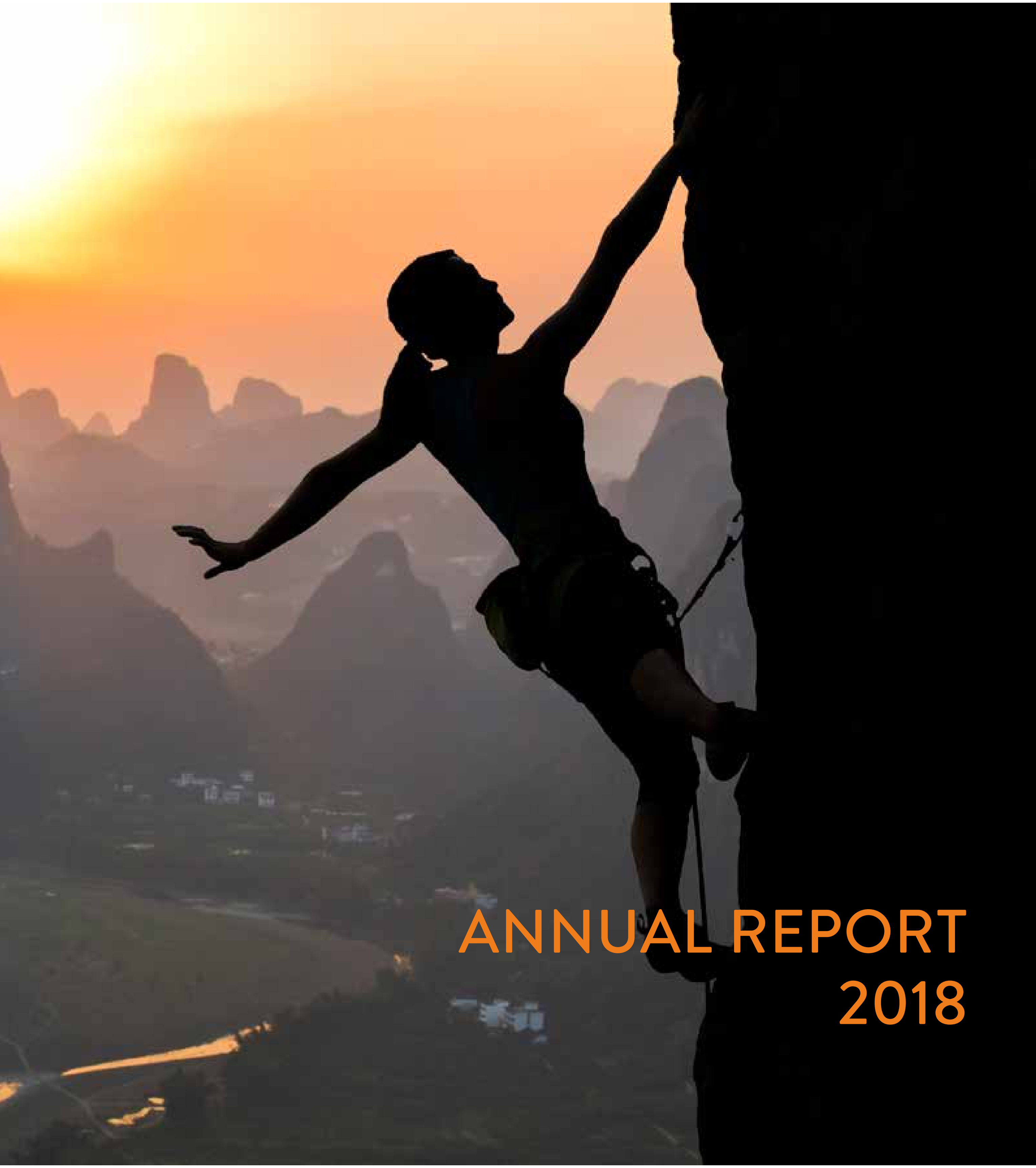


ANNUAL REPORT 2018

PROTECTOR forsikring

CONTENTS

HIGHLIGHTS 2018

The company decided to exit the change of ownership insurance (COI) market in December 2018 due to the product's recent years weak technical performance, and due to the significant uncertainty related to the product's future premium development and profitability. COI is the only product in the company that directly represents the consumer market and accounted in 2018 for 12% of the company's total business and would account for less than 10% in 2019.

After the decision to exit the COI market, COI is defined as "discontinued operations" in the accounts. Net profit and assets and liabilities associated with COI are presented on separate lines as discontinued operations.

Total premiums amounted to NOK 4.286 million compared to NOK 3.613 million in 2017, an increase of 19 %. The largest growth occurred in Sweden and the UK. Combined ratio in 2018 was 98,6 % against 93,6 % in 2017.

The return on the total investment portfolio was -0.6 % compared with a return of 4.8 % in 2017.

The operating profit amounted to NOK -295,2 million compared to NOK 516,5 million in 2017. The weak result is mainly driven by a considerable reserve loss within change of ownership insurance (discontinued operations) and a weak financial result.

In 2018, several profitability measures were implemented which are expected to result in improved technical results in the future.

Protector will be the challenger.
This position will be achieved through unique relationships, state of the art decision making and cost effective solutions.

THIS IS PROTECTOR

Protector commenced business January 2004, and has since experienced rapid growth. The company is highly focused on risk selection and market adaptation. In May 2007, Protector was listed on the Oslo Stock Exchange.

The company's "scalable business model" will be used as a foundation for growth. Well-developed competence and in-house developed systems contribute to the company's growth without further significant accrual of costs.

VISION AND BUSINESS CONCEPT

Protector is the challenger. This position will be achieved through unique relationships, state of the art decision making and cost effective solutions.

BUSINESS GOALS AND STRATEGIES

Protector targets further profitable growth. This will be achieved by offering the lowest costs and best quality services. The growth will mainly come from new markets.

The company's main goals are:

- Cost and quality leadership
- Profitable growth
- Top 3 in selected segments

The company's long-term financial objectives are:

- Growth rate of gross written premium: 10-15 %
- Combined ratio for own account: 94 %
- Return on equity: >20 %

DISTRIBUTION STRATEGY

Protector has a distinct distribution strategy. All business is conducted through our selected brokers. The commercial and public sector business is sold through insurance brokers. T he same strategy applies to our affinity programs.

MARKET STRATEGY

Protector operates in non-marine insurance.
The company, after exiting the change of ownership insurance market, has two business segments: the commercial lines of business and the public lines of business.

Commercial Lines of Business

Protector offers insurance for both small and large companies and affinity programs through brokers. We tailor insurance solutions for large companies, and can develop own concepts through affinity programs as well as facilitate solutions for multiple countries.

Public Lines of Business

Protector has established itself as the largest insurer in the public sector in the Nordics with more than 600 municipalities and over 30 county councils on its client list at the end of 2018. The coverage varies from single products to total product packages.

Sweden, Denmark, UK and Finland

Protector has established an operational presence in Stockholm, Copenhagen, Manchester and Helsinki with 75, 40 ,38 and 24 employees respectively by the end of 2018. The company expects that significant parts of future growth will stem from outside of Norway. The company's entrance in the these markets follows the same business model as in Norway and is well accepted by the insurance brokers.

STRATEGY FOR CLAIMS HANDLING

Our claims handling team counts 132 employees in total. We have chosen to have claims handling in-house and have gained substantial competence within this area. By using skills and competences across claims handling, underwriting and sales the company achieves high cost efficiency while maintaining high quality.

IT-STRATEGY

Protectors IT-strategy is different and we are one of the few insurance companies in Europe that develops out own core IT solutions. In-house developed IT systems have been our mantra since the start-up of the company and in 2013 we also insourced IT operations.

In-house developed IT solutions makes Protector adaptable to changes and has contributed to our cost- and quality leadership. Protectors main business is within the broker based industry and our investments within digitalization is primarily targeted to strengthening this value chain by producing flexible solutions which contributes to innovation and business development.

The time frame from concept to product is short. We are utilizing the most modern standardized tools increasing the functionality available through web based solutions. IT is a strong contributor making it possible for Protector to be the challenger in the market by combining cost efficiency and technology enhanced innovation.

PERFORMANCE BASED CULTURE

Protector's organization is based upon highly qualified employees counting over 350 people at the end of 2018. In addition to the development of claims handling, large resources have been invested to increase the capacity in the areas of underwriting, analysis, sales and service. Clearly defined goals have been established for all employees, and these goals are linked to individual performance contracts. On all levels of the organization, a structure has been created for regular employee appraisals. Protector has defined four core values, which are part of the criteria on which employees are assessed in this process: Credible, Open, Bold and Committed.

EMPLOYEE AND LEADERSHIP DEVELOPMENT

Protector utilises a 270° and a 360°process where all employees have an opportunity to give feedback on the compliance with the company's values. The process has received great reviews and contributed to the further development of the company's performance-oriented culture. It also triggered further fine-tuning of the values in order to tailor them to our everyday life.

Protector believes in learning through training. We have established Protector University, an electronic learning platform with the ambition to support conscious practice in developing important skills. Protector University will develop new employees, support continuous development of senior employees and give feedback and evaluation of employee competence level.

"Next Level" is our 7th 18-month leadership development program which started in February 2017 was completed in August 2018. The program builds on experiences from previously held programs with continuity since 2013. A new leadership development t program starts in February 2019. Our goal with the leadership development programs is to further develop a unified leadership where the leaders develops a common understanding of the company's basic value-based management and performance culture.

We strongly believe that Protector's vigour and ability to realize its objectives will be strengthened through raising awareness amongst our employees of the company's core values, beliefs, ambitions and business.

KEY FIGURES

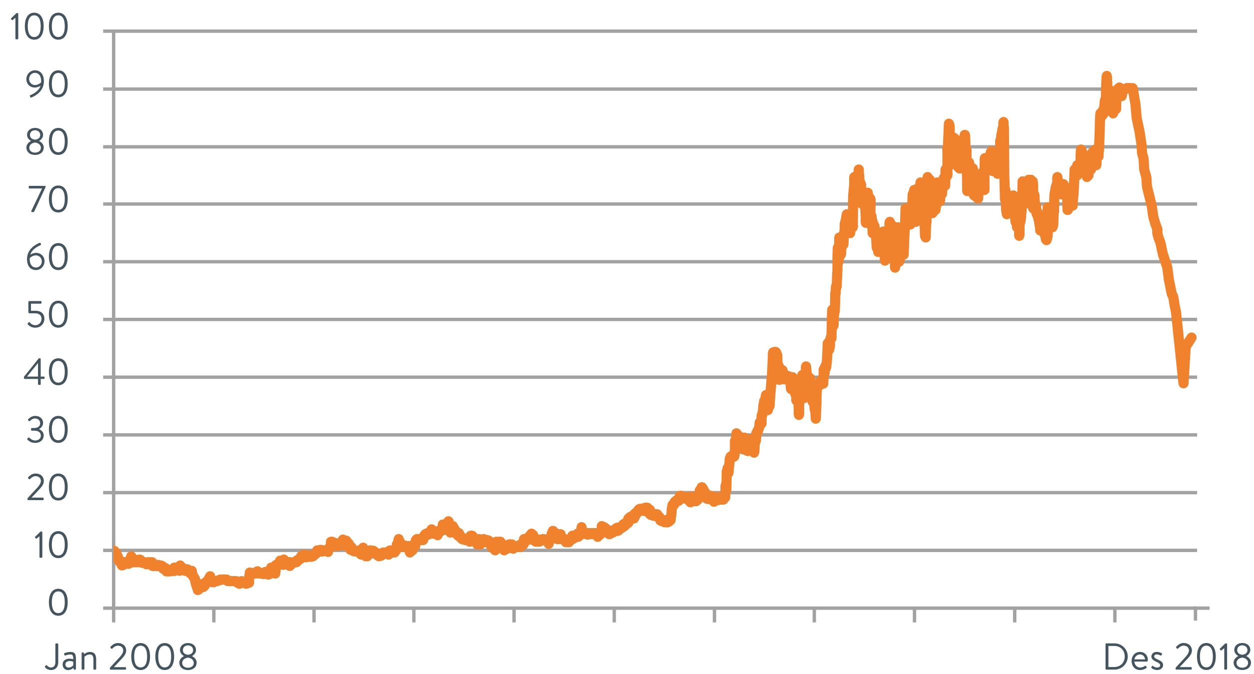
[1.000 NOK]		2018	2017
Gross premiums written		4.286.080	3.612.660
Gross premiums earned		4.139.612	3.254.985
Gross claims incurred		(3.859.322)	(3.573.928)
Earned premiums, net of reinsurance		2.817.836	2.402.775
Claims incurred, net of reinsurance		(2.658.327)	(2.193.751)
Net commission income		229.161	204.414
Operating expenses		**(348.754)**	**(260 .323)**
Other insurancerelated income/costs		5 340	(3.094)
Net financial income		(19.802)	337.836
Other income/costs		(49.362)	(46.874)
Profit before tax		(23.906)	440.984
Discontinued operations		**(274.669)**	**102.774**
Profit before components of comprehensive income		(295.400)	476.717
Profit for the period		(295.237)	516.535
Claims ratio, net of ceded business	(1)	94,3 %	91,3 %
Expense ratio, net of ceded business	(2)	4,2 %	2,3 %
Combined ratio, net of ceded business	**(3)**	98,6 %	93,6 %
Gross claims ratio	(4)	93,2 %	109,8 %
Gross expense ratio	(5)	8,4 %	8,0 %
Gross combined ratio	**(6)**	101,7 %	117,8 %
Retention rate	(7)	68,1 %	73,8 %
Earnings per share	(8)	-3,52	5,53

VIBEKE KRANE

Chief Financial Officer

Has been working as finance manager since December 1, 2015, and CFO since August 1, 2016. Has a background as a State Authorized Public Accountant and has many years of experience within finance and accounting including from KPMG and Telenor ASA.

SHAREHOLDER INFORMATION



THE PROTECTOR SHARE

In 2018 Protector's share price decreased -46,9 %. The Oslo Benchmark (OSEBX) decreased by -1.8 % during the same period. In 2017, Protector's share price increased 34.2 % including dividends and 30.9 % excluding dividends. The Oslo Benchmark index increased by 19.1 % during the same period.

DEVELOPMENT IN PROTECTOR'S SHARE PRICE

The average trading volume of Protector's shares on the Oslo Stock Exchange, excluding the company's repurchase of own shares was 230.010 shares in 2018, relative to 134.450 in 2017. At the end of 2017, the Protector share was traded at NOK 47.80. The market value of total outstanding shares was NOK 3.908 million.

DIVIDEND POLICY

The Board is of the opinion that the company's core markets provide good opportunities for profitable growth in the coming years and believes that the company and the shareholders will benefit from reinvesting the full earnings in the company during this growth period.

The Board will not propose distribution of dividend for the fiscal year 2018.

The company's goal is to maintain a solvency margin (calculated according to the Solvency II regulations) above 150 %.

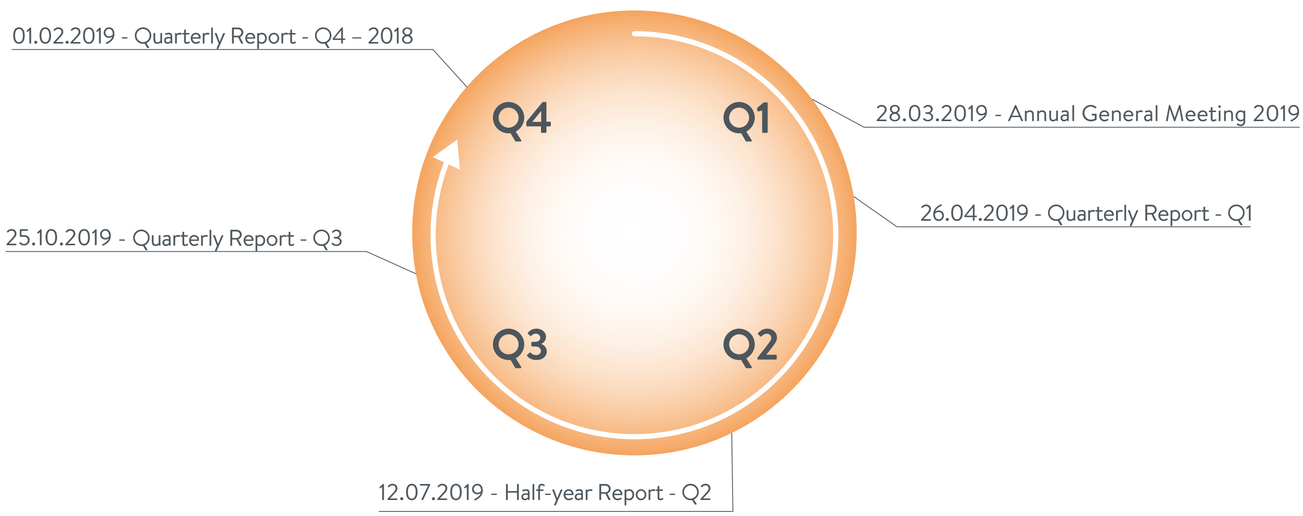
SHAREHOLDERS AND VOTING RIGHTS

The company has issued a total of 86.155.605 shares and there is only one class of shares with equal rights for all share¬holders. A list of Protector's biggest shareholders is provided in note 13 in this report.

ANNUAL GENERAL MEETING

The Annual General Meeting of Protector Forsikring ASA will be held at the company's premises at Støperigata 2, Oslo, on Thursday March 28th, 2019 at 4.00 pm. The notice will be sent to all shareholders and to the Oslo Stock Exchange. The notice to the Annual General Meeting will also be published on the company's website www.protectorforsikring.no.

FINANCIAL CALENDAR



2018
A TURBULENT YEAR, BUT COMPETITIVENESS IS INCREASING

Entering 2018 our target was 20% growth and a combined ratio of 92-94%. The result was 15% growth and a combined ratio of 106,9% driven upwards by large losses within Change of Ownership Insurance and a financial result of -0,6%.

EXIT OF THE CHANGE OF OWNERSHIP INSURANCE MARKET

In 2018 the profitability was poor and was further pressured by gray silverfish, which is now excluded from our terms. Norway is however, the only country in Europe where the judiciary concludes with a value reduction of the property due to the bugs presence - despite that gray silverfish neither harms persons, animals, or buildings/material.

18th Dec. 2018 the company decided to exit the change of ownership insurance market.

The important work connected to the exit has begun, and in the next 3-5 years it will be important to settle the claims with the quality and efficiency we always have done to ensure the best possible run-off result. There will still be some volume from the product in 2019 due to the notice period for our distributors, but with increased prices this new volume is expected to go break-even.

PROTECTOR, COMMERCIAL- AND PUBLIC SECTOR

Over the last 10 years Protector has achieved an average growth of 25% and a combined ratio of 92% in the Commercial- and Public sector. In 2018, our strong competitive position has been strengthened and we have increased our market share.

In 2018, Sweden, Norway, and Denmark delivered a combined ratio between 95-98%. With the help from a thorough turn-around process, Denmark delivered satisfactory results. It's too early to say anything regarding the underlying profitability in Finland and UK, despite the fact that Finland is slightly behind schedule.

In 2018, UK once again was entitled as the quality leader, far ahead of #2 and in Jan. 2019 UK won Protectors largest client ever.

The organizational development in UK is well on track, and claims handling has been insourced. From Q2 2019 we will be present in London – gaining access to a broader market within the commercial lines of business. We look forward to see what the city has to offer.

We are proud of our position as the quality leader in Scandinavia, and we are #2 in Finland. We promise our brokers that we will do our best to further improve in 2019.

We continue to be world leading on costs which means competitive prices to the customer and profitability for Protector. A good development of the expense ratio is expected to continue as scalability in UK increases, and our large claims handling-project "F@lcon" is paying off.

F@LCON – A STRENGTHENED CLAIMS HANDLING ORGANISATION

Protectors highest priority in 2018 was the claims handling-project F@lcon. The ambition is to further strengthen our claims handling-organisation towards 2021. We are well on our way, and in 2018 the project contributed considerably to profitability, efficiency increase (13%), and claims handling quality (92% of the feedbacks ranks us higher than 3 out 4).

CleanDesk, which concerns our ability to respond to claims within a reasonable time has become part of the Protector-

culture. We shall always deliver on time and in accordance to our strict internal deadlines – and it shall not be at the expense of quality.

IT-innovations are becoming important to maintain the good results seen in 2018.

It's all about working smarter, not more.

GRENFELL TOWER-TRAGEDY – PROPERTY CLAIM SETTLEMENT FINALIZED

In Aug. 2018 we came to an agreement with the customer on the full and final settlement of the property claim. Remaining now, is the larger and more complicated liability claim.

The public hearing continues and is expected to be finished after 2020.

In Dec. 2018 Protector published a 40-page Risk Management-report in UK. The report focuses on the Grenfell Tower and the learning experience from the London-fire. The report is based on reviews of public buildings in the UK and compares the condition in the Nordics vs. UK. Many will probably be surprised by some of the conclusions, and the full report can be retrieved from our website.

Our conflict with the Property-Reinsurer Münchener Rück was planned to be finished in Nov. 2018 through an arbitration, but was postponed to May 2019.

CHANGE IN REINSURANCE STRUCTURE FOR PROPERTY

Going into 2019, Protector has changed the property reinsurance structure, from Surplus to Risk XL. The program's capacity has increased, and the retention has increased to NOK 100 million. The change is expected to increase the volatility, but will over time increase our earnings.

A TURBULENT INVESTMENT YEAR

In 2018 the investment portfolio yielded a return of -0,6% driven down by poor equity returns. The investment portfolio increases to NOK 9,5 billion, and the float increases to NOK 6,3 billion. After the insourcing of the management of the equity portfolio in Q4 2014 and the management of the interest portfolio in Q1 2015 we have had a return of 107% and 12% on the portfolios respectively – better than all relevant benchmarks.

THE BALANCE SHEET – SOLID AND WELL CAPITALIZED FOR FURTHER GROWTH

At the end of 2018 Protector had an SCR-ratio fully utilized by Tier 1 capital of 175%. Our solvency based reinsurance solution is renewed for 2019, and the rating agency A.M Best maintained their BBB+ rating for Protector.

IT IN PROTECTOR

IT is an accelerator for our business, and in 2018 Protector developed as many automation projects as in the three previous years, combined - many of these initiated by F@lcon. The architecture is improved to manage the automation processes and to improve the scalability of the IT-systems. The experienced quality of IT maintains at a good level, with a high satisfactory index. In 2018 the average development time was 28 days, despite a higher number of large projects than in previous years. New system versions are put into production every day, and we operate the systems ourselves with an availability of 99,80%.

PEOPLE AND DEVELOPMENT

Protector uses a lot of time and resources to develop our employees. Protector University, Protector's e-learning arena, was launched in Q4 2018 with the ambition to develop key competence for both new and more experienced employees. The arena now consists of 29 competence-pyramids and 250 e-learning modules. All employees are participating, and we gladly invite our Brokers into a partnership. Next step for the University is to define and understand how we best can implement «on-job-training» to release the full potential of our employees.

PROTECTOR
UNIVERSITY

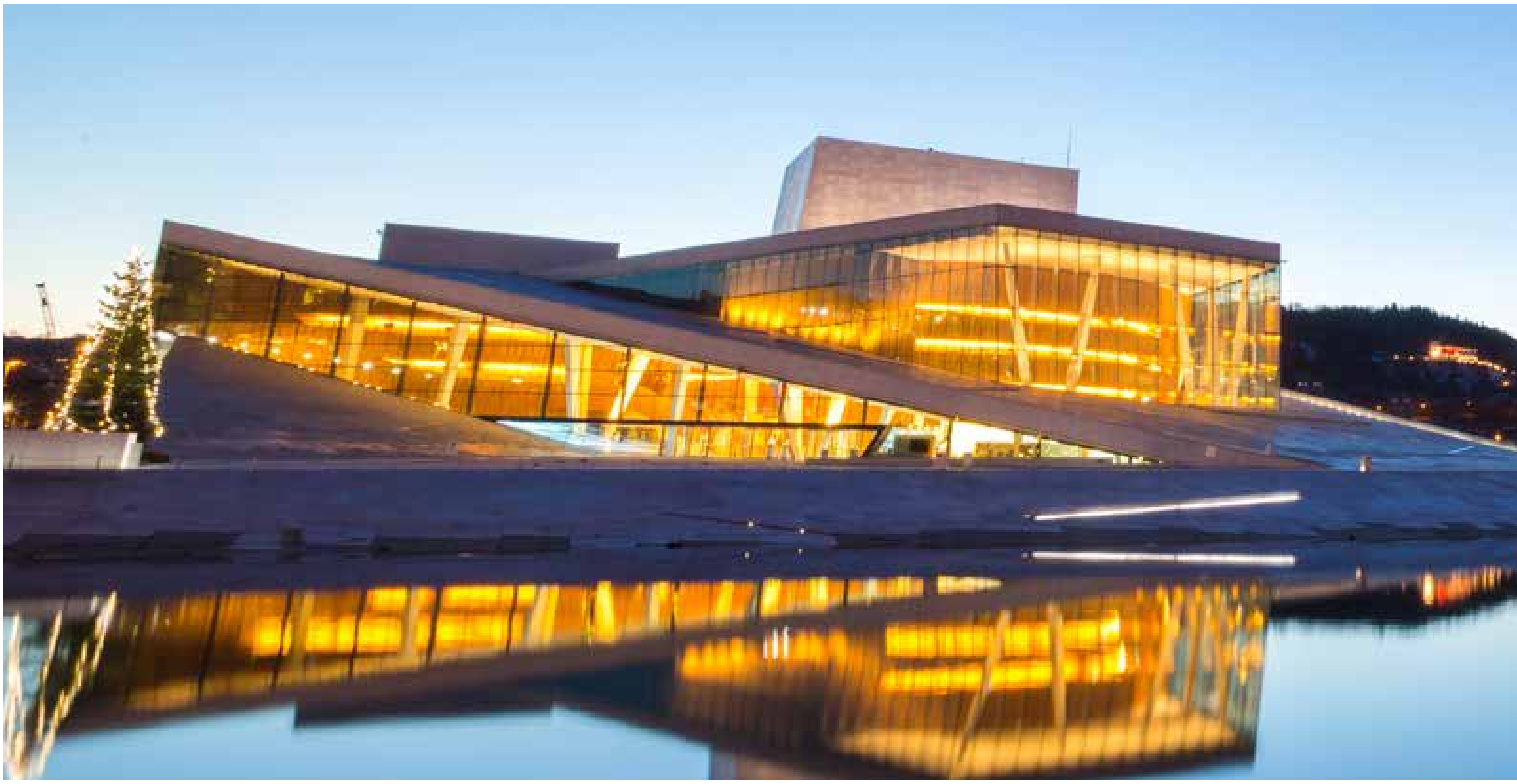
ENTERING 2019

The entrance into 2019 is good, and we are guiding on 14% growth and a net combined ratio of 96%. The price increases in the Nordics are large and our competitiveness is strengthened.

I would like to take this opportunity to thank our brokers for the excellent cooperation we had in 2018
We are proud and we look forward to further develop of our relationship in 2019.

SVERRE BJERKELI
Chief Executive Officer

He has worked in Protector since 2004 and he has been CEO since 2006. Bjerkeli has more than 20 years' experience in insurance and finance, including as a Director for the private and corporate markets in Storebrand/If. He was involved in the establishment and management of Storebrand Bank and has worked nationally and internationally as CEO in Torinno and as CEO in Ementor Norge.



NORWAY:

Entering 2019 with significant price increases, stable volume

Protector writes insurance policies for large and medium-sized companies and for the public sector. The public sector consists primarily of municipalities and counties. We offer all types of insurance products except pension and insurance brokers are our distribution channel.

STABLE VOLUME

Gross premium written amounted to MNOK 1,509 in 2018 against MNOK 1,517 in 2017. In a market with low rates we are satisfied with the volume.

We experienced growth in the segment small and medium. The growth was within property and casualty, which contributes to a more diversified portfolio. Within the personal lines of business we had negative growth. The expectation for 2019 is zero growth, with continued focus on winning customers on healthy rates.

POOR CLAIMS RESULT AND PRICE INCREASE

In 2018, Norway has a very poor claims result, related to a combination of too low rates and special claims incidents. The most important incidents for the year are motor claims due to the extra cold and long winter, and some large fires in the municipal and industrial segment.

We have experienced increased costs for repairing modern cars with more electronics. To counteract this, we have increased the premiums for many of our customers. The acceptance of this in the market has been very good.

We have also received acceptance for the price increases that have been necessary on employee benefit products, after a long period of rate decline. The acceptance of this has also been good, and we notice a more balanced attitude to rates and risks in the market.

MARKET

Protector has wide and good cooperation with insurance brokers and has access to all relevant invitations to tender. A significant share of the tendering volume is channelled via the “top 5” broker houses. In 2018, the brokers ranked Protector as their preferred insurance company for the twelfth consecutive year. In this year's survey, Protector increased the distance to the next insurance company, after the distance for some years has decreased.

In the company’s regular survey among our brokers, the insurance brokers again gave Protector’s claims settlement the highest rate in terms of quality. We are proud of the result, but will utilize the feedback to improve further. Also in our other core areas – market, underwriting and service – our high quality level is well documented through both internal and external surveys.

Protector's strategy on price differentiation and focused customer selection ensures profitable volumes for both sales of new policies and the existing customer portfolio. We include experiences from the large claims in 2018 to be even better at customer selection and risk-right pricing in the future. Competition in the commercial market and in the public sector is perceived to be variable, with a trend towards risk delimitation and higher premiums for large risks.

Protector's cost and quality leadership is essential to our ability to capture profitable business.

ORGANISATION

The business area implemented a number of development and improvement projects in 2018. Both the implementation and the results are evaluated as good and will or have proved to contribute in improving the company's key figures. The results are particularly noticeable within claims settlement and interaction with brokers. In 2018, all business areas documented all their processes and ensured compliance with privacy legislation and other regulations.

In 2018, the business in Norway has continued to support growth in other markets with core competence and resources. There is now increasing cross-border competence utilisation, and we experience synergies in transverse projects.

MERETE CHRISTENSEN BERNAU
Director

Employee since 2005. Bernau holds a Law degree from the University of Oslo and is an authorized lawyer. She has extensive experience from Storebrand/If as a lawyer within liability insurance.

LARS OLA RAMBØL
Director of commercial Norway

Employed since 2016. M.Sc. Informatics UiO, MBA eCommerce NHH. He has 20 years of experience from various positions in Storebrand, as Director of Customer Service Life Insurance, Sales Director Personal Market, and IT Director of Storebrand Bank.

SWEDEN:

Continued profitable growth

25 % GROWTH

Gross premiums were NOK 1350 million in 2018, an increase from NOK 1078 million in 2017 – equivalent to 25 % growth. The growth was observed within all product lines and segments, backed up by very strong levels of new sales and 92% renewal rate. Protector is number one in the Swedish municipality market, and insure 227 municipalities and 15 regions. Protector is also number one in the bus market in Sweden and a big insurer of housing societies, with over 2 000 housing societies as customers.

The portfolio has less long-tailed business in Sweden than in Norway and Denmark. Just over 80 % of the volume comes from motor and property insurance.

2018 has seen profitability challenges in motor and property. Motor due to drastic claims inflation and property due to more than expected large losses, measures have been taken in both products to reach profitability target in 2019.

DISTRIBUTION AND MARKET

Protector has been well received by the brokerages in Sweden. We measure annually how satisfied the insurance brokers are with the insurance companies' service and offers. In Sweden, Protector receives 73 out of 100 possible points in 2018. The distance to market average is 19 points and the distance to the closest competitor is 5 points. As quality leader for the seventh year running we claim that we are setting a new standard of quality in Sweden.

ORGANISATON AND COMPETENCE

The cost percentage was 11.2 % in 2018, down from 13.4 % in 2017 due to growth and cost control. Protector's Swedish branch consists of 75 employees, where the majority works in underwriting and claims handling. This is up from 55 employees in 2017.

HANS DIDRING
Country Manager Sweden

Employee since 2011. Didring holds a MSc in Business Administration and Economics and a BSc in Computer Engineering. He has 6 years of experience from various positions in If and Lansforsakringar. Didring's last position was as Head of Broker Sales and Service at If in Stockholm.

DENMARK:

Turnaround fulfilled, entering 2019 with significant price increases

13 % GROWTH

Gross premiums were NOK 793 million in 2018, a modest increase from NOK 704 million in 2017, equivalent to 13 % growth. The growth in local currency was 7%. The growth was spread across all products and segments, though influenced by a strong growth in the commercial segment.
Protector continues to be the leading company on the Danish municipal market with more than 80 municipalities as customers. Profitability improved in 2018 compared to 2017, net combined ratio ended at 97,8 %

DISTRIBUTION AND MARKET

Protector strengthens the relations with Danish insurance brokers in a year where parts of the portfolio has been reviewed and adjusted. In the 2018 measurement of the insurance brokers satisfaction with insurance companies services and offers, Protector achieved 71 out of 100 possible points, which defines Protector as the quality leader for the second year in a row, a position already held by Protector in Norway, UK and Sweden. The distance to our competitors however is small and we will work hard to increase the distance going forward.

ORGANISATON AND COMPETENCE

Our expense ratio was 5,7 % in 2018, down from 6,1 % in 2017. Protector's Danish branch consists of 40 employees. The team will be strengthened further in 2019.

THOMAS BOUTRUP
Country Manager Denmark

Employee since 2017. Boutrup holds a master in Finance from Copenhagen Business School, and has 12 years experience from the insurance industry in Denmark, including If Insurance, AIG and RiskPoint.

UK:

According to plan, opening of London office in 2019

2018 was the third year of Protector's operations in the UK market. The company's position has been further developed in both the Public and Housing segments, and significant strides have been made in the Commercial segment. The relationships with UK brokers have been both strengthened and broadened, and the number of invitations to tender has significantly increased. In 2018, the Gross Written Premium (GWP) amounted to NOK 505 million, the gross cost ratio 16.9% (10.5% excl. commissions), and gross combined ratio 83,7% (net combined ratio 115,6%).

The Grenfell Tower tragedy continues to be in focus, both for resources based in Oslo and for risk management expertise in Manchester. Whilst the property claim was settled in the third quarter of 2018, the liability claim will remain a continued area of attention, where Protector works closely with the large number of stakeholders and victims. Our focus remains on the victims of this tragedy, and on analysing and implementing risk improvement measures working alongside brokers, clients and involved authorities. Protector's "Preliminary Risk Management Report" which deals with what can be learnt from the Grenfell Tower tragedy, was completed in a first version during the fourth quarter and is made available to the market.

DISTRIBUTION AND MARKET

Protector has been very well received by the insurance brokers in the UK, and this has continued throughout 2018. Focusing initially on a few brokers and a limited geographical area within the UK, the number of brokers with whom

MAUREEN OWEN
Regional Manager UK

Employee since 2016.
Owen has more than 30 years experience from the insurance industry. She joined Protector from the position as Head of Regions in Covea Insurance.

Protector trades has increased; whilst existing relationships are strengthened, new ones are also forged. Protector's proposition in respect of underwriting, account management, risk management and claims handling continues to be highly regarded by brokers and clients alike, and all functions are handled from within the organisation.

In the fourth quarter, the second Broker Satisfaction Survey was completed, and the feedback on Protector's deliveries to the market continues to be very positive. Protector is yet again considered the quality leader both on an overall basis and specifically in claims handling, ranked far ahead of number 2. It is humbling to receive such positive feedback after only three years of operations in the UK market. The feedback is used to understand where and how to improve, in close dialogue with our brokers.

The market situation in Protector's segments is characterised by a limited number of competitors with high expense ratios. The large UK insurance market continues to offers several opportunities in segments with significant premium potential, and Protector is increasingly on the bidders list. The premium rates are still considered attractive, both from a technical perspective and further enhanced from the perspective of Protector's superior expense ratio.

ORGANISATION AND COMPETENCE

All core competencies, including claims handling, risk engineering and underwriting of the principle products and market are in place in Manchester. Continuing to transfer the Protector culture, the risk evaluation methodology and processes remains strong areas of focus. The overall experience and competence that sits within the UK team is on a very good level, with experts and specialists in the various teams. Further recruitment is ongoing, and the office currently comprise 40 employees. The Manchester operation will relocate to new premises in the beginning of the second quarter of 2019, with capacity for 100 employees. Manchester will remain our main office in the UK with all claims handling, all public sector underwriting, a significant share of commercial sector underwriting and finance and HQ functions.

Protector have been exploring the establishment in other UK locations, primarily to ensure increased proximity to brokers in important regions and thereby opening up further opportunities. It has for some time been clear that London is the next location, where office space in the Leadenhall building is secured and recruitment is currently ongoing. The office will be operational in March 2019.

The UK branch continues to operate in line with the company's performance culture and value-based management.

Protecor is also well prepared for a hard Brexit if this scenario should occur.

HENRIK HØYE

Director of commercial and public lines of business

Employee since 2007.
BSc in Economics & Finance (University of Colorado). Høye comes from the position as Director Public sector, and has been responsible for the building of Protector's public sector initiative.

FINLAND:

Slightly behind schedule, profitability focus in 2019

115 % GROWTH
Gross premiums were NOK 130 million in 2018, an increase from NOK 60 million in 2017 – equivalent to 115 % growth. The growth was observed within all product lines and segments.

DISTRIBUTION AND MARKET
Protector is still new in the Finnish market. We have won big customers both in in the public and commercial sector, but we still lose some tenders because we are unknown even though we are recommended by brokers. In January 2019 we measured for the second time how satisfied the insurance brokers are with the insurance companies' service and offers. In Finland, Protector got good feedback from our most important brokers and receives total 60 out of 100 possible points. No. 2 on quality is status in Finland.

ORGANISATON AND COMPETENCE
Protector's Finnish branch consists of 24 employees, where the majority works in underwriting and claims handling. This is up from 12 employees in 2017. We have a good team in place and staffing will increase in future slower than the premium volume – with falling cost ratio as a result.
On boarding and culture have been in focus during 2018 and will continue in 2019, due to fast growth in number of staff.

KRISTER RÄIHÄ
Country Manager Finland

Employee since April 2017. Raiha holds an MSc in Economics. He has 10 years of experience from various positions in If and Mandatum Life. Raiha´s last position was Regional Director at If Commercial in Finland.

INVESTMENTS:

Weak in 2018, but ahead of all benchmarks after insourcing in 2014

With a concentrated portfolio, you should expect volatile returns. Do not get too excited about strong returns in a single year nor too disappointed when the returns are poor. Instead, measure us on our long term performance. We believe that to achieve a strong performance in the long run, we have to have a solid and continuously improving investment process.

Some notes on investment process
The investment team in Protector consists of one Fixed Income Portfolio Manager and one Equity Portfolio Manager with four analysts supporting them. The process can be briefly summarized as:

- Idea generation
- Brief presentation of high level thesis
- Deep dive on key items and check-list (Financial underwriting model)
- Maintenance and follow up of portfolio

We aim for a process where numerous alternatives are explored whereas a very few actually make it through, applying discipline and high hurdle rates. For every new investment on the equity- and HY-bond side this year, 200 candidates were discarded or placed on a watch list.

The second process cornerstone is follow-up and accountability on intrinsic value estimates. We aim for a process not only applying high hurdle rates, but over time having applied well calibrated estimates for the qualifying opportunities.

Unfortunately, we have been too optimistic history to date, with the common denominator being a high share of value derived from future growth. In other words, our inside view of moat and runway have not managed to overcome the general poor base-rates for historically high ROIC and high growth rates continuing.

Our goal is not to buy great companies, it's buying mispriced ones providing great returns. Sometimes the two overlap, but we need to be mindful not paying up for any off-the-chart future developments.

The third process cornerstone is continuous learning. This involve measures such as feedback-loops, book-club and targeted deliberate practice, targeted at incorporating any learnings into our daily routines and investment check-list.

If you as an owner or potential investor reading this have suggestions on how we can improve, or have books or papers you recommend, feel free to reach out. The most valuable input we can get is a short thesis on any of the companies we are invested in.

DAG MARIUS NERENG
Chief Investment Officer (CIO)

Employee since 2015. MBA in finance from Handeslhøyskolen in Bergen. Experienced investment and portfolio manager, most recently in Bankenes sikringsfond and Handelsbanken Kapitalforvaltning.

DIRECTORS'REPORT

Jostein Sørvoll
Chairman of the Board
Chaiman of the Compensation Committee
Member of Audit Committee
Member of Risk Committee

Education:
Actuary from the
University of Oslo (1973)
Work experience:
Private investor.
CEO of Gabler Wassum AS (2009-2010)
CEO of Protector Forsikring ASA (2003-2006)
CEO of Norske Liv AS
(1992-1998)
Executive positions in
the Storebrand group
(1976-1990)
Board member of Protector since: 2006
Regarded as an independent board member:
Yes

Protector Forsikring ASA is a general insurance company (P&C) serving non-marine industries. The company's focus is towards the commercial and public sectors and the affinity insurance market. Protector was founded 2003 and obtained a license to engage in general insurance the same year. The company commenced its operations in 2004 and was listed on the Oslo Stock Exchange in May 2007. Protector entered the Swedish insurance market in 2011 and entered Denmark in 2012 and Finland and UK in 2016. The company's head office is in Oslo.

The company decided to exit the change of ownership insurance (COI) market in December 2018 due to the product's recent years weak technical performance, and due to the significant uncertainty related to the product's future premium development and profitability. COI is the only product in the company that directly represents the consumer market and accounted in 2018 for 12% of the company's total business and would account for less than 10% in 2019.

After the decision to exit the COI market, COI is defined as "discontinued operations" in the accounts. Net profit and assets and liabilities associated with COI are presented on separate lines as discontinued operations.

HIGHLIGHTS FOR 2018:

- Exit of the change of ownership insurance market
- 19% growth in the commercial and public sector
- -0,6% return on the investment portfolio
- -12,8% return on equity

PREMIUM INCOME

In 2018, gross premiums written increased by 19% to a total of NOK 4,286.1 million. Gross premiums earned increased by NOK 884.6 million to a total of NOK 4.139.6 million. Premiums earned for own account amounted to NOK 2.817.8 million, an increase of 17% compared to 2017.

The growth is driven by Sweden and the UK. Gross premiums written in Sweden amounted to NOK 1,350.3 million, an increase of 25% from NOK 1,078.3 million in 2017. Gross premiums written in Denmark amounted to NOK 792.5 million, an increase of 13% from NOK 703.6 million in 2017. Gross premiums written in Norway amounted to NOK 1,508.7 million, approximately unchanged from 2017. Gross premiums written in the UK and Finland amounted to NOK 504.6 million and NOK 129.9 million, respectively. Of the total growth of 19%, 7.5 percentage points came from Sweden, 2.5 percentage points from Denmark, 7.0 percentage points from the UK and 1.9 percentage points from Finland.

The company is the market leader in the Scandinavian municipal market. In 2018, the growth in the municipal sector was 16%. The growth within the personal lines of business was 26%. Within the other lines of business the growth was 13%. The growth in Denmark and Sweden was 10%, while in Norway the growth was 7%. In the UK and Finland, the growth was 40% and 129%, respectively. In Denmark, the public sector accounted for 28% of total premium volume, in Sweden 27%, in Norway 24%, in the UK 35% and in Finland 53%.

RESULT

Profit before tax (operating profit) amounted to NOK -23.9 million compared to NOK 441.0 million in 2017. The decline in profit is due to a weak technical result and a weak investment result. The return on equity was -12.8 %.

The claims ratio for own account increased from 91.3 % in 2017 to 94.3 % in 2018. The expense ratio for own account amounted to 4.2 %, up from 2.3 % in 2017. The development in claims and expense ratios results in a combined ratio for own account of 98.6 % in 2018 against 93.6 % in 2017.

The gross combined ratio in 2018 decreased from 117.8 % in 2017 to 101.7 % in 2018. The decline is mainly due to the Grenfell Tower fire in the UK in 2017, but also 2018 was hit by a very large property claim. The claim is located in Norway and is the second largest in the company's history.

The expense ratio increased in 2018 compared to 2017. On a gross basis, the cost ratio was 8.4%, compared with 8.0% in 2017. The increase is mainly due to the build-up of the UK and Finland and increased sales costs in the UK and Sweden. In the opposite direction, the cost for the long-term bonus program was in 2018 lower than in 2017 due to the share price development. The expense ratio is expected to decline slightly in 2019 despite further staffing. This through top line growth and continued strong focus on efficiency and costs.

The net result from investments for the company's total investment portfolio amounted to NOK -56.2 million in 2018, corresponding to -0.6%, down from NOK 419.5 million, corresponding to 4.8% in 2017. The result is mainly driven by a weak equity return, but interest rate returns are also weaker.

The interest rate portfolio yielded a positive return of NOK 120.8 million in 2018, corresponding to 1.4 %. In 2017, the return on the interest rate portfolio was NOK 224.4 million, corresponding to 3.1 %.

The return on equities amounted to NOK - 177.0 million, corresponding to – 12.0 % in 2018, against NOK 195.0 million, corresponding to 12.1 % in 2017.

The company’s growth in Sweden, Denmark, UK and Finland provides greater diversification geographically and product wise.
The profit for the year 2018 in Protector Forsikring ASA was NOK -295.2 million down from NOK 516.5 million in 2017.

ERIK G. BRAATHEN

Deputy Chairman of the Board
Member of the Compensation Committee

Education:
Master of International Management
Work experience:
Private investor (from 1999)
CEO Braathens Safe ASA (1989-1999)
Chairman of the Board, Norwegian Air Shuttle (2004-2009)
Board member of Protector since:
2009
Other essential tasks in companies and organisations:
Chairman of the Board, Holmen Fonds-forvaltning ASA.
Chairman of the Board, Sayonara
Chairman of the Board, BB Computerteknikk
Board member in Fly Leasing Ltd.,
Board member in Cenzia AS,
Board member in North Sea PSV
Regarded as an independent board member: Yes

ELSE BUGGE FOUGNER
Board Member
Member of the Compensation Committee

Education:
Cand.jur. (Law degree) from the University of Oslo (1971
Work experience:
Employee Partner Advokatfirmaet Hjort DA (2019-), Attorney at kontorfellesskap Advokatfirmaet Hjort DA (2016-2018), Amanuensis at the University of Oslo (1990-1991), Minister of Justice, Justice Department (1989-1990), Partner in Advokatfirmaet Hjort DA (1975-1989), Lawyer in Advokatfirmaet Hjort DA (1972-1975)
Board member of Protector since:
2011
Other essential tasks in companies and organisations: Chairman of the Board Eksportkreditt.
Board member in Aker Kværner Holding AS
Regarded as an independent board member: Yes

The annual accounts have been presented based on a going concern assumption and the Board is not aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. No circumstances or events have occurred after the end of the financial year that are of significant importance to the assessment of the company's position and result.

CAPITAL AND SHAREHOLDER ISSUES

Protector's solvency capital requirement ratio (SCR-ratio) calculated in accordance with the Solvency II rules was 175.4 % at the end of 2018. The calculation of the SCR-ratio is described in further detail in Note 24.

At the end of 2018, the company's eligible solvency capital amounted to NOK 2.910 million The solvency capital constituted of NOK 1.730 million in Tier 1 capital, NOK 351 million in restricted Tier 1 capital and NOK 830 million in Tier 2 capital.

The cash flow statement showed a positive cash flow from operating activities, before investments in financial assets, of NOK 801.9 million. There net cash flow was positive by NOK 325.4 million. Cash and cash equivalents amounted to NOK 887.3 million at the end of 2018.
The company's capital situation and solvency is regarded as satisfactory.

The company had 2,575 shareholders as at 31.12.2018.

DIVIDEND

The Board is of the opinion that the company's core markets provide good opportunities for profitable growth in the coming years, and believes that the company and the shareholders will benefit from reinvesting the profit in the company during this growth period.

The Board will not propose distribution of dividend for the fiscal year 2018.

The company's long term objective is to maintain a SCR-ratio (calculated in accordance with the Solvency II rules) above 150 %.

RISK EXPOSURES

Risk-taking forms the core of the company's business activities. Continuous risk monitoring and active risk management are therefore an integrated area in the company's business and organization.
The company's risk exposure is essentially connected with market risk, insurance risk, credit risk, liquidity risk, operational risk and strategic risk.

Market risk

Protector is exposed to the risk of loss due to changes in observable market variables such as interest rates and securities prices. As at the end of 2018, the company had an investment portfolio of NOK 9.5 billion, 83.9 % of which was invested in interest-bearing instruments, 9.9 % in shares and 6.3 % in other investments. The percentage of shareholdings has been reduced by 7.8 percentage points during 2018. The duration (term) in the interest-rate portfolio is 0.3 years as at the end of 2018, approximately unchanged from the end of 2017. The interest-rate exposure is regarded as low.

The Board of Directors sets the company’s investment strategy annually, including risk profile and restrictions on investments in various instruments. The investment strategy provides a framework that is geared to the company’s riskbearing capacity. The consolidated market risk is measured and reported to the Board of Directors on a quarterly basis.

The total market risk for the company’s financial investments is regarded as acceptable.

For further information about interest-rate exposure and stress tests, see Note 4.

The company has built up expertise and capacity for its own management and the company's total assets are now managed internally.

Insurance Risk

Like the market risk, the insurance risk is geared to the company’s available risk capital. The risk is limited by the company having established an extensive reinsurance program with well established reinsurers.

The framework for the reinsurance program is laid down based on the need to protect the company’s equity capital against loss occurrences in excess of an amount that is regarded as sound and on the need to reduce result fluctuations. The company is satisfactorily protected against disasters and large-scale claims through its reinsurance program. The retention rate amounted to 68.1 % in 2018, a decrease of 5.7 percentage point from 2017. The decrease is driven by the new quota share agreement with a 10% cession rate effective as of July 1st, 2017.

Credit Risk

Credit risk is the risk of loss if the company’s counterparty does not meet its obligations. This also includes a risk of changes in general credit prices, the so-called “spread risk”.

Protector is exposed to credit risk through its investments in the bond and money markets and through reinsurance.

The company has established frameworks for the various securities issuers as well as defined minimum credit ratings for the various issuer groups for interest-bearing securities. Frameworks have also been established for the duration of credit. At the end of 2018, the credit duration in the interest rate portfolio was 2.3 years, down from 2.9 years in 2017. The average credit rating for the issuers in the portfolio is A+ at the end of 2018.

Outstanding claims against the company’s reinsurers represent a credit risk. Counterparty risk on the reinsurance market is assessed on a

RANDI HELENE RØED
Board Member
Chairman Audit Committee
Chairman Risk Committee

Education:
MSc in Economics and Business Administration from NHH AFF Solstrandprogrammet
Work experience:
Chief Adviser Sustainability Norsk Tipping AS (since 2018), EVP HR Norsk Tipping AS (2015-2018), CFO Norsk Tipping (2008-2015), Director in Eidsiva Energi (2002-2008), Senior Associate in PWC (1999-2002),
Controller in IBM and NIT (1993-1999), Office Manager Group Accounting in DNB (1989-1993)
Board member of Protector since:
2014
Other essential tasks in companies and organisations:
Board member in Gudbrandsdal Energi Holding AS (from 2018)
Deputy chairman and chairman of audit committee in Bouvet in Bouvet ASA (2003-2015)
Regarded as an independent board member: Yes

JØRGEN STENSHAGEN
Board Member
Member of the Audit Committee
Member of the Risk Committee

Education:
MSc in Economics and Business Administration from NHH, authorized financial analyst and portfolio manager (NFF
Work Experience:
CEO in Stenshagen Invest (since 2010), Analyst Norwegian equity management in Alfred Berg (2004-2010), Assistant to CEO and Compliance Officer in Alfred Berg (2001-2004)**Board member of Protector since:** 2014
Regarded as an independent board member: Yes

continuous basis. The reinsurers used by the company have a very good credit rating.

The total credit risk in the company is regarded as acceptable.

Liquidity Risk

The liquidity risk is generally low in general insurance, seeing that premium payments fall due before the payments of compensation.
Protector primarily deposits premium payments received in liquid accounts or invests them in liquid securities to ensure that the company can obtain the necessary liquid funds at any given time. The liquidity risk is further reduced with internal management of the financial portfolio.

Operational Risk

Operational risk is the risk of loss connected with inadequate or failing internal processes or systems, human errors or external events.

Operational risk is today documented in connection with the work to meet the "Norwegian Regulations on Risk Management and Internal Control". This work primarily entails that the individual manager implements a process in his or her respective area of responsibility aimed at mapping the most important risks before and after measures have been implemented. The work done in 2018 did not show any risk exposures that have not been satisfactorily managed. The operational risk is regarded as low.

Strategic Risk

The strategic risk is connected with Protector's distribution, IT solutions, market flexibility, cooperation partners, reputation and changes in market conditions (the list is not necessarily exhaustive). Protector's strategy is continuously assessed against results, market and competitive changes and changes in framework conditions. Factors that are of critical importance to the company's goal and target achievement are monitored separately.

ORGANISATION AND WORKING ENVIRONMENT

The company had 356 employees as at the end of 2018. This is an increase of 50 employees during the year. The increase is driven by the extending claims handling and growth in Sweden, the UK and Finland. Out of the company's 356 employees, 75 are employed in Sweden, 40 in Denmark, 38 in the UK and 24 in Finland.

Significant importance is attached to managerial and competence development as well as to recruitment of highly competent personnel. In 2018, the company's capacity and competence have been further strengthened for continued growth.

Of the company’s employees, 43 % are women and 57 % are men. The company’s management team consists of two women and six men. The Board of Directors has three female Board members and four male Board members. The Board is of the opinion that the company has satisfactory gender equality and that both genders have equal opportunities and as such have no special equality-promoting measures been initiated.

Like the rest of society, the company has developed in the direction of increased cultural diversity. The company strives for equal treatment and equal opportunities in all internal and external recruitment and development processes. The company wants to be an attractive workplace where all employees and qualified candidates are given equal opportunities, regardless of age, gender, functional ability, political position, sexual orientation, gender identity, gender expression and ethnic background.

In 2018, the company was fined for breach of the Working Environment Act. The company has implemented a number of measures with the goal that breaches will not happen again.

The rate of absence due to sickness in Protector was 4.2 % in 2018 against 4.3 % in 2017. There were no accidents at work or occupational injuries during 2018.

SOCIAL RESPONSIBILITY

Protector's mission is to indemnify lives and assets and relieve our customers of economic risk, which is also our most important social responsibility. The company's social responsibility also relates to other factors of importance for sustainable social development.
By safeguarding the environment, ethics and social conditions, we will contribute to long-term value creation for both society and the company. For further information on corporate social responsibility, reference is made to a separate chapter in the company's report on corporate governance, see page 65.

CORPORATE GOVERNANCE

Protector established its own principles of corporate governance in 2007. The Board has an annual review of these principles.
The principles will contribute to value maximizing for shareholders over time and increased confidence in the company through an open corporate culture and good reputation. The principles of corporate governance mainly follow the laws and regulations the company is subject to. Furthermore, the principles are based on the Norwegian Code of Corporate Governance of 17 October 2018. For a more detailed description of the Protector’s corporate governance, see a separate article in this report on page 65.

LINE ENGELMANN-KOKKIM
Board member
(elected by and amongst the employees)

Education:
2005-2010: Master of Law, University of Oslo
Work experience:
January 1, 2011-31. March 2012 Real estate broker DNB Eiendom. April 1, 2012-date. Head of department, lawyer and associate, Protector Forsikring ASA
Board member of Protector since:
March 2018

MATHEWS AMBALATHIL

Board member

(elected by and amongst the employees)

Education:
Bachelor in Hotel Management (1990)

Work experience:
Protector Forsikring ASA,
Payroll Manager
(from 2012)
Kruse og Smith AS,
Payroll and HR manager
(2010-2012)
Skutle AS,
Payroll and Personnel Manager
(2008-2012)
Helios Grünerløkka AS,
CEO (2004-2008)

Board member of Protector since:
2018

PROSPECTS

The Board is not satisfied with the result for the year. Both the technical result and the investment result are weak.

The company has implemented a number of measures to improve the result, including price increases and exit of the change of ownership insurance market.

The company is now well positioned to focus on the commercial and public lines of business with insurance brokers as a distribution channel in the five countries we are represented.

The company expects continued growth and existing and new profitability measures are expected to result in an improved technical result. There is normally uncertainty related to future conditions, but the Board is of the opinion that the company is well equipped to meet the competition going forward.

Oslo, 28 February 2019
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll (Chairman)	Jørgen Stenshagen	Else Bugge Fougner
Erik G. Braathen	Randi Helene Røed	Mathews Ambalathil
Line Engelmann-Kokkim	Sverre Bjerkeli (CEO)	

INCOME STATEMENT

[1.000 NOK]	Notes	2018	2017
PREMIUM INCOME			
Gross premiums earned		4.139.612	3.254.985
Reinsurers' share of earned premiums		(1.321.776)	(852.210)
Earned premiums, net of reinsurance	6	2.817.836	2.402.775
Other insurance-related income		**25.541**	**5.111**
CLAIMSCOST			
Gross claims incurred		(3.859.322)	(3.573.928)
Reinsurers' share of claims incurred		1.200.996	1.380.178
Claims incurred, net of reinsurance	6	(2.658.327)	(2.193.751)
OPERATING EXPENSES			
Sales costs	18	(205.625)	(151.547)
Administration costs	14 19-21	(143.129)	(108.775)
Commission from reinsurers		229.161	204.414
Total operating expenses, net of reinsurance		(119.593)	(55.909)
Other insurance-related expenses		**(20.201)**	**(8.205)**
Technical result		**45.257**	**150.021**
NET INCOME FROM FINANCIAL ASSETS			
Interest income and dividend from financial assets		187.413	223.496
Changes in value on investments		(345.213)	(129.456)
Realised gain and loss on investments		156.696	262.749
Administration expenses related to investments, including interest expenses		(18.698)	(18.953)
Total net financial income	22	(19.802)	337.836
Other income/expenses		**(49.362)**	(46.874)
Non-technical result		**(69.163)**	**290.963**
Profit before tax		(23.906)	440.984
Tax	15	3.175	(67.041)
Profit from continued operations		**(20.731)**	**373.942**
Discontinued operations	27	**(274.669)**	**102.774**
Profit before components of comprehensive income		**(295.400)**	**476.717**
OTHER COMPREHENSIVE INCOME			
Actuarial gain and loss from defined benefit pension plans		275	(8.396)
Currency changes from foreign enterprise		(59)	61.488
Taxes on components of comprehensive income		(54)	(13.273)
Profit for the year		**(295.237)**	**516.535**

STATEMENT OF FINANCIAL POSITION

[1.000 NOK]	Notes	2018	2017
ASSETS			
INTANGIBLE FIXED ASSETS			
Other intangible fixed assets	7	24.132	16.793
Total intangible fixed assets		**24.132**	**16.793**
BUILDINGS AND OTHER REAL ESTATES			
Owner-occupied property	8	13.433	13.450
Total buildings and other real estates		**13.433**	**13.450**
FINANCIAL ASSETS			
Shares		745.158	1.385.310
Securities, bonds etc		6.386.593	6.316.121
Financial derivatives		25.674	2.520
Bank deposits		460.064	176.541
Total financial assets	**4, 9**	**7.617.488**	**7.880.492**
REINSURERS SHARE OF GROSS TECHNICAL PROVISIONS			
Reinsurers share of gross premium provisions		292.641	228.606
Reinsurers share of gross claims provisions		1.899.778	1.738.071
Total reinsurers share of gross technical provisions	**6**	**2.192.419**	**1.966.677**
RECEIVABLES			
Policyholders		256.948	207.610
Intermediaries		4.970	3.591
Other receivables		65.718	10.284
Total receivables	**10**	**327.636**	**221.485**
OTHER ASSETS			
Tangible fixed assets	8	25.759	15.688
Cash and bank deposits	11	278.606	316.595
Total other assets		**304.365**	**332.283**
PREPAID EXPENSES			
Other prepaid expenses	12	235.399	155.211
Total prepaid expenses		**235.399**	**155.211**
Assets discontinued operations	27	2.117.180	1.685.735
Total assets		**12.832.053**	**12.272.127**

STATEMENT OF FINANCIAL POSITION

[1.000 NOK]	Notes	2018	2017
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital [86.155.605 shares]	13	86.156	86.156
Own shares	13	-4.407	-1
Other paid-in equity		267.677	267.676
Total paid-in equity		**349.426**	**353.830**
EARNED EQUITY			
Natural perils fund		54.814	22.701
Guarantee scheme		88.463	85.909
Other equity		1.540.371	2.128.821
Total earned equity		**1.683.648**	**2.237.431**
Total equity		**2.033.073**	**2.591.261**
SUBORDINATED LOAN CAPITAL			
Other subordinated loan capital	9,25	1.243.285	1.243.285
Subordinated loan capital		**1.243.285**	**1.243.285**
TECHNICAL PROVISIONS			
Provisions for unearned premiums		1.104.716	964.726
Provisions for claims	3	5.997.399	5.170.971
Total technical provisions	**6**	**7.102.115**	**6.135.698**
PROVISIONS FOR OTHER RISKS AND LIABILITIES			
Pension liabilities	14	13.021	12.090
Current tax liability	15	-60.561	42.722
Deferred tax liability	15	105.421	151.001
Total provisions for other risks and liabilities		**118.443**	**205.813**
LIABILITIES			
Liabilities in connection with insurance	16	93.016	59.239
Liabilities in connection with reinsurance	16	393.301	576.509
Financial derivatives	4, 9	8.583	9.205
Other liabilities	15	205.550	49.326
Total liabilities	4, 16	700.450	694.279
INCURRED EXPENSES AND PREPAID INCOME			
Other incurred expenses and prepaid income	18	328.203	378.692
Total incurred expenses and prepaid income		**328.203**	**378.692**
Liabilites discontinued operations	27	1.306.485	1.023.097
Total equity and liabilities		**12.832.053**	**12.272.127**

Oslo, 28 February 2019
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll (Chairman)	Jørgen Stenshagen	Else Bugge Fougner
Erik G. Braathen	Randi Helene Røed	Mathews Ambalathil
Line Engelmann-Kokkim	Sverre Bjerkeli (CEO)	

CASH FLOW STATEMENT

[1.000 NOK]	2018	2017
CASH FLOW FROM OPERATIONS		
Premiums paid	4.902.986	3.962.835
Claims paid	(3.642.048)	(2.574.043)
Paid reinsurance	(238.836)	(13.723)
Paid operating expenses including commissions	(348.834)	(199.887)
Interest / dividend income	247.790	273.106
Net payments from financial instruments	(117.038)	(2.055.563)
Payable tax	(119.139)	(33.243)
Net cash flow from operations	**684.882**	**(640.518)**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in fixed assets	(39.040)	(25.137)
Net cash flow from investment activities	**(39.040)**	**(25.137)**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Dividend paid		(193.825)
Interest payments on subordinated loan		597.410
Repayment of equity	(259.039)	
Capital raising expenses	(61.414)	(56.338)
Net cash flow from financial activities	**(320.453)**	**347.247**
Net cash flow for the period	**325.389**	**(318.408)**
Net change in cash and cash equivalents	325.389	(318.408)
Cash and cash equivalents opening balance	537.660	856.069
Effects of exchange rate changes on cash and cash equivalents	**(3.600)**	27.851
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**887.301**	**565.512**

STATEMENT OF CHANGES IN EQUITY

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Natural perils capital	Guarantee scheme provision	Other equity	Total equity
Equity as at 31.12.2016	**86.156**	**-**	**267.677**	**8.326**	**83.302**	**1.822.740**	**2.268.200**
1.1- 31.12.2017							
Dividend payments						(193.825)	(193.825)
Purchase of own shares		(1)					(1)
Total equity before profit for the year	**86.156**	**(1)**	**267.677**	**8.326**	**83.302**	**1.628.915**	**2.074.374**
Profit before other comprehensive income						476.717	476.717
Actuarial gain and loss pensions						(8.396)	(8.396)
Currency changes from foreign enterprise						61.841	61.841
Tax on other comprehensive income						(13.273)	(13.273)
Total equity before fund provisions	**86.156**	**(1)**	**267.677**	**8.326**	**83.302**	**2.145.804**	**2.591.261**
Provisions to obliged fund gross				14.375	2.608	(16.983)	-
Equity as at 31.12.2017	**86.156**	**(1)**	**267.677**	**22.701**	**85.909**	**2.128.821**	**2.591.261**
1.1- 31.12.2018							
Dividend payments		(14.405)				(254.700)	(259.105)
Total equity before profit for the year	**86.156**	**(4.407)**	**267.677**	**22.701**	**85.909**	**1.874.121**	**2.332.156**
Profit before other comprehensive income						(295.400)	(295.400)
Actuarial gain and loss pensions						275	275
Currency changes from foreign enterprise						(59)	(59)
Tax on other comprehensive income						(54)	(54)
Other changes in equity						(3.846)	(3.846)
Total equity before fund provisions	**86.156**	**(4.407)**	**267.677**	**22.701**	**85.909**	**1.575.038**	**2.033.073**
Provisions to obliged fund gross				32.113	2.554	(34.666)	-
EQUITY AS AT 31.12.2018	**86.156**	**(4.407)**	**267.677**	**54.814**	**88.463**	**1.540.372**	**2.033.073**

ACCOUNTS AND NOTES

NOTE 1 ACCOUNTING PRINCIPLES

General
The company's financial statements are prepared in accordance with the Norwegian Accounting Act, financial statement regulations for insurance companies and generally accepted accounting principles.

Foreign currency
The parent company and the various branches have Norwegian, Swedish, Danish kroner, Pound and Euro respectively as functional currency. All financial information is presented in NOK unless otherwise stated. Transactions in foreign currency are translated into functional currency at the exchange rate at the transaction date. Profit and loss items related to Sweden, Denmark, Finland and UK are translated into NOK at transaction rate. Assets and liabilities are translated at the exchange rate at the reporting date. Exchange differences arising on currency translations are recognised in other comprehensive income.

Income and expenses in the profit and loss account
Revenue recognition occurs when the income is earned. Costs are recognised at the time incurred.

Prepaid income and accrued unpaid expenses at the end of the year are accrued and reported as liabilities in the financial statement. Accrued income at the end of the year is recorded as income and stated as a liability in the financial statement.

Premium income
Premium income consists of gross premiums earned and reinsurers' share of earned premiums. Gross premiums earned consists of gross written premiums and change in gross provision for unearned premiums. Reinsurers' share of earned premiums consists of premiums written ceded and change in reinsurers' share of provision for gross unearned premiums.

Insurance premiums are recognized over the term of the policy. Gross premiums written include all amounts received or due relating to insurance contracts incepting during the reported period. Adjustments are made for those premiums unearned at the reported date together with premiums earned in the current period from contracts incepting in prior periods. This adjustment is reported as gross premiums earned. For change of ownership insurance, the income is entered into the financial statement at the time of the risk transfer. Premiums for ceded reinsurance are recognised according to the insurance period on the same basis and reduce the overall premiums reported.

Claims incurred
Claims incurred consist of gross claims incurred and reinsurers' share of claims incurred. Gross claims incurred consists of claims paid and reinsurers' share of claims paid. Reinsurers' share of claims incurred consists of reinsurers' share of claims paid and reinsurers' share of change in provision for gross outstanding claims. The claims cost includes provision for indirect claims handling costs. The claims incurred also contains run-off gains / losses on previous years' claims provisions.

Total operating expenses
Total insurance-related operating expenses consist of sales- and administrative expenses, less commissions received on ceded reinsurance premiums. The administrative expenses are accrued and charged as an expense during the accounting period.

Technical provisions
The technical provisions are calculated in accordance with the principles established in the regulations in financial statement regulations for insurance companies §3-5.

Provision for unearned premiums
The premium provision represents the accrual of insurance premiums and comprises the unearned portion of premiums written during the year. The earned premiums are accrued linearly throughout the period of insurance.

Claims provision
The claims provision comprises provisions for claims which are reported but not settled, and claims incurred but not reported at the end of the accounting year. The provisions in respect of known losses are individually assessed by the claims department, while the provisions for claims not yet reported are based on empirical data and the application of actuarial calculations. The provisions shall cover the company's expected future claims payments for risks covered to date.

Natural perils capital
Operating surplus from the mandatory Norwegian Natural Perils Pool must be allocated to a separate Natural Perils capital. These funds may only be drawn upon in respect of claims related to losses caused by natural perils. The fund is restricted equity.

Guarantee scheme provision
The purpose of the guarantee scheme provision is to guarantee that claims submitted under direct non-life insurance contracts entered into in Norway are settled in full. The fund is restricted equity.

Reinsurers' share of gross technical provisions
Reinsurers' share of gross technical provisions is classified as an asset in the balance sheet. Reinsurers' share of gross premium provisions and reinsurers' share of gross claims provision are included in reinsurers share of gross technical provisions.

Fixed assets and intangible assets
Fixed assets and intangible assets are recognised at acquisition costs, and are written down to actual value when the depreciation in value is not expected to be temporary. Depreciations are deducted from the durable business assets and intangible assets. Potential expenditures or improvements are added to the business assets acquisition cost and depreciate in line with the business asset.

The immaterial assets comprise software and IT-systems. The Company's IT-systems are developed in-house.

Receivables
In the financial statement trade debtors and other receivables are accounted for at face value adjusted for provisions for expected losses. Provisions for expected losses are made based on evaluations of the individual receivables.

Bank
Bank deposits are deposits used in the continuing operations.

Financial assets and liabilities
Recognition and derecognition
Financial assets and liabilities are included in the statement of financial position from the time Protector becomes party to the instrument's contractual terms and conditions. Normal purchases and

sales of financial instruments are recorded on the transaction date. When a financial asset or a financial liability is initially recognised in the financial statements, it is valued at fair value.

Financial assets are derecognised when the contractual right to the cash flow from the financial asset expires, or when the company transfers the financial asset to another party in a transaction by which all, or virtually all, the risk and reward associated with ownership of the asset is transferred.

Financial liabilities are derecognised in the statement of financial position when they cease to exist, i.e. once the contractual liability has been fulfilled, cancelled or has expired.

Financial assets at fair value through profit or loss
Financial assets and liabilities are classified at fair value through profit or loss if they are included in a portfolio that is measured and evaluated regularly at fair value. Protector holds an investment portfolio that is designated at fair value at initial recognition, and that is managed and evaluated regularly at fair value. This is according to the Board of Directors' approved risk management and investment strategy.

Financial assets that are booked at fair value through profit or loss are booked at fair value when acquired and transaction costs are allocated in the accounts. Financial assets with fair value through profit or loss are considered to represent fair value once they appear in the statement of financial position for the first time.

Financial liabilities at amortised cost
Financial liabilities are measured at amortised cost using an effective interest method. Transaction costs related to the issue of the loan are included in the amortised cost. Where the time horizon for the maturity date is relatively short, the nominal interest rate is used to calculate amortised cost.

In the category of financial liabilities at amortised cost, subordinated loan capital are included.

Dividend
Dividend from investments is recognised when the company has an unconditional right to receive the dividend. Dividend payments is recognised as a liability at the time when the General Meeting approves the payment of the dividend.

Provisions
Provisions are recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that this will result in the payment or transfer of other assets to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Information about contingent assets are disclosed where an inflow of economic benefits is probable. Information about a contingent liability is disclosed unless the possibility of a capital outflow is remote.

Pensions
The cost of the defined contribution pension scheme is equal to the period's payment for the pension's savings which amounts annually to 5% of the payment basis between 1 and 7.1 G G=National Insurance Scheme basic amount which totaled NOK 96,883 as of 31.12.2018), as well as 8% of the payment basis between 7.1 and 12 G. The payments to the employees' pension savings accounts are made monthly. The future pension is dependent on the size of the contribution and return on the pension savings.

Tax
The tax expense in the income statement consists of payable tax for the accounting period, and the period's changes in deferred tax. In the accounting period, we have used 25% on deferred tax and on payable tax.

Deferred tax is calculated of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, together with tax loss carried forward at the end of the fiscal year. Temporary tax increases or decreases, which are reversed or may reverse within the same period, are balanced. Deferred tax assets are recorded in the statement of financial position when it is more likely than not that the tax assets will be utilized.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in the total comprehensive income, when it is recognised it the total comprehensive income.

Cash flow statement
Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements IFRS and the application of the adopted accounting policies require that management make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on experience and other factors that are assessed as being justifiable based on the underlying conditions. Actual figures may deviate from these estimates. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both the existing and future periods.

The accounting policies that are used by Protector in which the assessments, estimates and prerequisites may deviate significantly from the actual results are discussed below.

Financial assets at fair value
There will be uncertainty associated with pricing of financial instruments particularly related to instruments that are not priced in an active market. See note 9.

Technical provisions
Use of estimates in calculation of technical provisions is primarily applicable for claims provisions. Insurance products are generally divided into two main categories: lines with short or long settlement periods. The settlement period is defined as the duration between a loss and/or notification date reported and settlement date. Products with short settlement periods are e.g. property insurance, while products with long settlement periods primarily involve personal and liability lines of business. The uncertainty in the estimates of claims provisions is highest for products with long settlement periods.

For products with long settlement periods the risk is linked to the fact that the total claim costs must be estimated based on experience and empirical data. For certain personal lines products, it may take 10 to 15 years before all the claims that occurred in a particular calendar year are reported to the company. In addition, there will be many instances where the reported information is inadequate to calculate correct claims provisions. This may be due to ambiguity concerning the causal relationship and uncertainty about the injured party's future work capacity etc. Many personal injury claims are tried in the court system, and the level of compensation for such claims has increased over time. This will also be a consequence for claims that occurred in previous years which have not yet been settled. The risk linked to provisions for personal lines of business is thus effected by external conditions. To reduce this risk, the company calculates its claims related liabilities based on various methods and ensures that the registered provisions linked to ongoing claims are updated at all times based on the current calculation rules.

Claims provisions consist of RBNS (Reported But Not Settled), IBNR (Incurred But Not Reported) and ULAE (Unallocated Loss Adjustment Expenses). RBNS are made on single claims level, and are based on standard reserves or claims handler's assessments, based on available information related to specific claims.

IBNR are estimated based on recognized actuarial models. Models applied are mainly variations based on Bornhuetter-Ferguson and Chain Ladder methodologies. Bornhuetter-Ferguson is mainly used for products with long settlement periods, while Chain Ladder is also used for products with short settlement periods. The volume and period of exposure are assumed to be sufficient for most lines of business in Norway, to estimate a run-off pattern based on company data. For some lines of business; i.e. Workers' Compensation, the exposure period is not assessed sufficient to estimate a complete run-off pattern based solely on company data. Market data and company data are combined to estimate a complete run-off pattern. Run-off patterns are estimated per line of business in Norway, and are applied on the corresponding line of business in other countries where we have insufficient company data. The models are used as guiding calculating tools and are always subject to a fairness assessment. Gross IBNR are estimated per combination of accident year / segment / line of business / country. Net IBNR are calculated proportionally to the net premium where there are ceded premium. IBNR are in general set on aggregated portfolio level. A few claims have explicit IBNR, set on a single claim basis.

ULAE are the company's estimate of the cost related to future claims handling, and is not yet allocated to the reserve for each case. ULAE are estimated based on methodology and parameters developed and distributed by the Norwegian FSA.

No discounted values are used for the accounting technical provisions.

Contingent liabilities
Protector operates an extensive business in Norway and abroad, and may become a party to litigations. Accounting for contingent liabilities is assessed in each case and based on legal assessments. See note 26.

NOTE 3 INSURANCE RISK

The risk in any insurance contract is the probability that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and must therefore be estimated.

Factors that have a negative impact on insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Protector operates primarily in the Scandinavian market, but entered the insurance market in Finland and UK in 2016. Protector covers all classes of business within general insurance. Protector seeks to diversify the insurance portfolio to reduce the variability of the expected results.

Premium risk
Premium risk is the risk related to whether charged premiums are sufficient to cover payable liabilities in respect of insurance contracts Protector enters into.

This risk is assessed and managed on the basis of statistical analysis of historical experience for the various lines of business. The insurance premium must be sufficient to cover expected claims, but also comprise a risk premium equal to the return on the part of the company's capital that is used to protect against random fluctuations. All other factors equal, this means that lines of business which, from experience, are subject to major fluctuations, must include a larger risk premium.

Reinsurance is used to reduce the underwriting risk in areas where this is particularly required.

The company has clearly specified guidelines for which types of insurance risks, as well as which limits of liability that can be written. Underwriting limits are in place to ensure that appropriate risk selection criteria are applied and to ensure that accepted risks are within the terms and conditions of the company's reinsurance contracts. Protector's reinsurance contracts which are a combination of quota share and XL agreements, further reduces the risk exposure. Insurance risks are considered moderate with the reinsurance cover the company has in place.

Reserve risk

Once the policy period expires, the insurance risk relates to the provisions which are set aside to cover future payments on claims incurred. Clients may report claims with a certain delay. Depending on the complexity of the claim, a shorter or longer period of time may pass until the amount of the claim has been finally calculated. This may be a prolonged process particularly for personal injuries. Even when the claim has been settled, there is a risk that it will be resumed at a later date and trigger further payments.

The size of the claims provisions is determined both through individual assessments and actuarial calculations. At 31 December 2018, the claims provisions amounted to NOK 4,098 million for own account. The duration of the provisions, that is, the average duration of provisions being settled to clients, was 4.1 years at 31 December 2018. 1%-point increases in inflation will result in a growth in claims provisions of NOK 166 million. The table below shows how future cash flow is related to provisions for outstanding claims for own account at 31 December 2018.

CASH FLOW CONNECTED TO CLAIMS PROVISIONS FOR OWN ACCOUNT

		Future cash flow related to claims incurred				
[1.000 NOK] At 31 December 2018		0 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 - 25 years
Claims provisions for own account	4 097 621	2 906 417	845 534	231 177	84 563	29 930

The calculation of provisions for claims will always be subject to considerable uncertainty. Historically, many insurers have experienced substantial positive as well as negative impacts on profit (run-off) resulting from reserving risk and this may also happen in the future.

Reserving risk is managed by pursuing a reserving policy which ensures that the process for determining provisions for claims is updated and aligned at all times. This includes that it is based on an underlying model analysis, and that internal control calculations and evaluations are made.

GROSS CLAIMS DEVELOPMENT

[1.000 NOK]	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	**Total**
GROSS												
2008	376.039											376.039
2009	369.164	480.966										850.131
2010	356.190	460.270	491.984									1.308.444
2011	353.924	446.139	473.739	570.707								1.844.510
2012	374.990	437.325	467.778	569.696	808.829							2.658.618
2013	363.479	432.326	454.151	546.000	787.758	1.157.525						3.741.240
2014	355.534	416.315	456.377	554.969	788.515	1.144.521	1.435.072					5.151.303
2015	353.055	417.793	449.684	556.583	792.037	1.145.918	1.400.422	1.793.811				6.909.303
2016	356.198	407.679	431.778	531.567	711.408	1.124.848	1.447.439	1.744.304	2.288.759			9.043.981
2017	352.487	412.737	433.388	531.977	737.271	1.087.996	1.390.333	1.722.230	2.359.937	3.554.617		12.582.972
Estimated amount as at 31.12.2018	341.597	395.144	420.761	523.594	727.217	1.074.835	1.353.262	1.708.699	2.341.456	3.483.932	3.882.631	16.253.128
Total disbursed	330.520	378.047	389.764	483.581	642.265	892.015	1.051.217	1.195.540	1.665.342	2.018.107	1.465.369	10.511.767
Claims provision	11.078	17.097	30.997	40.013	84.951	182.820	302.045	513.159	676.114	1.465.825	2.417.262	5.741.361
Provision for previous year's claims												13.645
Provision for indirect claims handling costs												242.393

The size of claims provisions

Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be.

The frequency and severity of claims can be affected by several factors. The different factors will depend on the products, or lines of business considered. An increase in the frequency of claims can be due to seasonal effects and more sustainable effects. In some lines of businesses, with relatively few claims, severe claims may heavily influence the result. In most lines of businesses, the underlying development of the severity of claims is influenced by inflation.

See the effect on profit before tax (for own account) in the sensitivity analyses below for 1% change in operating expenses, 1% change in claims incurred,1%-point change in combined ratio and 1%-point change in inflation.

Sensitivity analysis

EFFECT ON PROFIT BEFORE TAX (NOK 1.000)	2018	2017
1 % change in insurance-related operating expenses	1.196	559
1 % change in claims incurred	26.583	21.938
1 % - point change in combined ratio	28.178	24.028
1 % - point change in inflation	165.918	120.152

NOTE 4 FINANCIAL RISK

Liquidity risk

Liquidity risk in an insurance company is mainly related to the inability to meet payments when due. The company's financial assets are placed as bank deposits, interest-bearing papers and shares. Liquidity risk is quite limited, besides less liquid shares classified on level 2 and bonds with rating lower than BBB. Premium income is paid up front, and claims are paid out at a later stage. Future payments are not based on contractual payment dates, but rather when claims arise and how long the claims handling takes.

Cash flow for financial liabilities grouped by maturity

[1.000 NOK] Pr 31. December 2018	Less than one year	1 - 3 years	More than 3 years	Total cash flow	Total carrying amount
Subordinated loan capital*)	62.600	125.200	1.175.888	1.363.688	1.243.285
Foreign exchange derivatives	8.583			8.583	8.583
Liabilities	1.020.070			1.020.070	1.020.070
Total financial liabilities	**1.091.253**	**125.200**	**1.175.888**	**2.392.341**	**2.271.938**

*)The cash flow from perpetual subordinated loan capital is calculated up to the first call

Market risk

"Market risk is the risk of loss on open positions in financial instruments as a result of changes in market variables and / or market conditions within a specified time horizon. Market risk is therefore the risk of price changes in the financial markets, which affect the value of the company's financial instruments." An increase of one percent in interest rates will lead to a reduction in the portfolio of bonds and other fixed-income securities by an estimate of NOK 20.8 million before tax. This corresponds to an interest rate sensitivity of about 0.26 percent.

Foreign exchange risk

Foreign exchange risk is defined as the financial loss resulting from a fluctations in currency exchange rates. The company has an exposure to foreign exchange risk through its investments. Some of the investments in bonds and equities are in foreign currency, mainly in EUR, DKK, SEK, GBP and USD. Generally, foreign exchange risk in the investment portfolio is hedged close to 100 percent, within permitted limit of +/- five percent per currency.

Credit Risk

Rating	Investments allocated per rating category	
[1.000 NOK]	2018	2017
Bonds and other investments with fixed-income		
AAA	4.094.011	3.343.676
AA	110.884	23.154
A	256.764	603.403
BBB	362.580	617.346
BB	248.505	267.831
No rating	2.932.489	2.664.450
Total bonds and other investments with fixed-income	8.005.231	7.519.860
Cash and cash equivalens related to investement portfolio		
AA	576.772	210.187

The company manages the investment portfolio in compliance with Solvency II, cf. Art 132 ("Prudent Person Principle") and the Financial Undertakings Act, cf. § 13-10 which requires emphasis on prudent funding, safety, risk diversification and income, and adapting the investment management accordingly to changes in risk related to the different business areas. Qualitative and quantitative limits for the company's AUM is specified in the investment management mandate is reviewed, updated and approved by the Board of Directors at least once a year, or with a higher frequence if needed. The compliance of the requirements of investment management mandate is monitored internally, and is reported internal in the company and to the Board of Directors on regular basis. The company have established an ORSA-process and risk reporting that among other things monitors and repors the company's risk exposure to the Board of Directors.

NOTE 5 SEGMENT INFORMATION

	Norway excl. COI		Sweden		Denmark		UK		Finland		Total	
[1.000 NOK]	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Gross written premiums	1.508.711	1.517.415	1.350.348	1.078.346	792.533	703.622	504.603	252.945	129.885	60.332	4.286.080	3.612.660
Gross premium earned	1.520.819	1.418.273	1.277.010	915.768	784.951	699.988	380.440	154.692	176.393	66.265	4.139.612	3.254.985
Gross claims incurred	(1.583.169)	(1.157.958)	(1.124.431)	(719.738)	(713.724)	(676.463)	(254.067)	(955.955)	(183.932)	(63.814)	(3.859.322)	(3.573.928)
Premiums earned for own account	1.161.805	1.144.829	820.314	663.891	513.034	467.429	184.656	74.610	138.027	52.015	2.817.836	2.402.775
Other insurance-related income	21.269	3.687	971	56	1.433	943	990	373	879	53	25.541	5.111
Claims incurred for own account	(1.085.827)	(1.003.423)	(722.606)	(523.148)	(512.778)	(523.960)	(189.150)	(97.493)	(147.967)	(45.727)	(2.658.327)	(2.193.751)
Sales expenses	(45.711)	(35.898)	(105.078)	(84.344)	(13.422)	(16.156)	(39.316)	(13.611)	(2.099)	(1.538)	(205.625)	(151.547)
Administration expenses	(35.741)	(14.909)	(38.219)	(38.556)	(31.633)	(26.489)	(25.095)	(20.503)	(12.440)	(8.319)	(143.129)	(108.775)
Commission from reinsureres	46.421	50.318	83.265	68.783	56.297	57.528	40.164	24.616	3.013	3.169	229.161	204.414
Other insurance-related expenses	(4.161)	(7.424)	(13.895)	(214)	462	(85)	(2.393)	(247)	(214)	(236)	(20.201)	(8.205)
Net financial income	(50.492)	291.359	29.026	35.315	(2.399)	11.163	1.155	1	2.908	(2)	(19.802)	337.836
Other income/expenses	(49.060)	(46.476)	(175)	(280)	(78)	3			(49)	(121)	(49.362)	(46.874)
Profit before tax	(41.497)	382.063	53.604	121.503	10.916	(29.623)	(28.988)	(32.253)	(17.942)	(706)	(23.906)	440.984
Claims ratio, net of ceded business	93,5 %	87,6 %	88,1 %	78,8 %	100,0 %	112,1 %	102,4 %	130,7 %	107,2 %	87,9 %	94,3 %	91,3 %
Expense ratio, net of ceded business	3,0 %	0,0 %	7,3 %	8,2 %	-2,2 %	-3,2 %	13,1 %	12,7 %	8,4 %	12,9 %	4,2 %	2,3 %
Combined ratio, net of ceded business	96,5 %	87,7 %	95,4 %	87,0 %	97,8 %	108,9 %	115,6 %	143,4 %	115,6 %	100,8 %	98,6 %	93,6 %
Claims ratio gross	104,1 %	81,6 %	88,1 %	78,6 %	90,9 %	96,6 %	66,8 %	618,0 %	104,3 %	96,3 %	93,2 %	109,8 %
Cost ratio gross	5,4 %	3,6 %	11,2 %	13,4 %	5,7 %	6,1 %	16,9 %	22,1 %	8,2 %	14,9 %	8,4 %	8,0 %
Combined ratio gross	109,5 %	85,2 %	99,3 %	92,0 %	96,7 %	102,7 %	83,7 %	640,0 %	112,5 %	111,2 %	101,7 %	117,8 %

NOTE 6 PREMIUMS AND CLAIMS

	General insurance										Life insurance	
[1.000 NOK]	Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor-vogns-forsikring - trafikk	Motor vehicle liability insurance	Other motor insurance	Marine, avia-tion and transport insurance	Fire and other damage to property insurance	General liability insurance	**Direct business and ac-cepted pro-portional reinsurance**	Group life	**Total**
PREMIUM INCOME[1]												
Premiums written	175.967	223.349	602.960	458.126	834.733	12.114	1.331.066	330.866	1.455	**3.970.638**	315.442	**4.286.080**
Premiums written ceded	(21.905)	(25.059)	(64.827)	(88.505)	(70.301)	(1.133)	(1.067.994)	(54.674)	(145)	**(1.394.544)**	(32.157)	**(1.426.701)**
Premiums written for own account	154.062	198.290	538.133	369.621	764.432	10.981	263.072	276.192	1.310	**2.576.094**	283.286	**2.859.379**
PREMIUM EARNED												
Gross premiums earned	177.991	219.230	653.264	406.916	808.905	11.330	1.251.514	296.542	1.453	**3.827.145**	312.468	**4.139.612**
Reinsurers' share of gross premiums earned	(21.496)	(31.078)	(64.827)	(88.505)	(70.301)	(1.133)	(958.888)	(53.246)	(145)	**(1.289.619)**	(32.157)	**(1.321.776)**
Premiums earned for own account	156.496	188.152	588.437	318.411	738.603	10.197	292.626	243.296	1.308	**2.537.525**	280.311	**2.817.836**
CLAIMS												
Gross claims	167.017	186.345	604.033	411.528	658.260	6.621	1.201.873	260.186	1.575	**3.497.437**	361.885	**3.859.322**
Reinsurers' share of gross claims	(16.437)	(15.210)	(59.792)	(44.496)	(64.612)	(667)	(929.465)	(31.797)	(158)	**(1.162.636)**	(38.360)	**(1.200.996)**
Total claims for own account	150.579	171.134	544.241	367.032	593.648	5.955	272.408	228.388	1.417	**2.334.801**	323.526	**2.658.327**
GROSS CLAIMS INCURRED												
Occurred this year	173.667	214.906	655.913	476.069	637.111	6.343	1.315.452	235.722	1.603	**3.716.786**	394.842	**4.045.714**
Occurred previous years	(6.651)	(28.561)	(51.880)	(64.541)	21.148	278	(113.579)	24.464	(28)	**(219.349)**	32.957	**(186.392)**
Total for the accounting year	167.017	186.345	604.033	411.528	658.260	6.621	1.201.873	260.186	1.575	**3.497.437**	361.885	**3.859.322**
CLAIMS INCURRED FOR OWN ACCOUNT												
Occurred this year	145.512	163.544	498.911	306.350	613.846	6.205	631.604	253.412	1.392	**2.429.932**	351.880	**2.725.103**
Occurred previous years	(5.068)	(7.590)	(45.330)	(60.681)	20.198	250	(21.909)	25.024	(25)	**(95.131)**	28.355	**(66.777)**
Total for the accounting year	150.579	171.134	544.241	367.032	593.648	5.955	272.408	228.388	1.417	**2.334.801**	323.526	**2.658.327**
TECHNICAL PROVISIONS GROSS												
Provisions for unearned premiums	23.662	74.555	24.373	184.438	203.103	3.572	429.959	94.923	17	**1.038.603**	66.112	**1.104.716**
Provisions for outstanding claims	227.752	581.346	2.448.347	278.268	338.903	4.548	1.091.689	901.110	645	**5.872.609**	124.790	**5.997.399**
Technical provisions gross	251.414	655.901	2.472.720	462.705	542.007	8.120	1.521.648	996.033	662	**6.911.212**	190.903	**7.102.115**
TECHNICAL PROVISIONS FOR OWN ACOUNT												
Provisions for unearned premiums	21.093	65.927	21.936	166.998	181.789	3.215	207.486	84.113	15	**752.573**	59.501	**812.075**
Provisions for outstanding claims	202.058	413.019	2.201.469	249.331	303.657	4.093	226.406	388.509	581	**3.989.123**	108.498	**4.097.621**
Technical provisions for own account	223.151	478.946	2.223.405	416.330	485.445	7.308	433.893	472.623	596	**4.741.697**	167.999	**4.909.696**

1 1 Premiums comprise of insurance premiums in Norway, Sweden, Denmark, Finland and UK. Gross written premiums in Norway constitute NOK 1,508.7 million (35,2%), Sweden NOK 1.350,3 millioner kroner (31,5%), Denmark NOK 792.5 millioner kroner (18,5%), UK NOK 504.6 millioner kroner (11,8%) and Finland NOK 129.9 millioner kroner (3,0%)

NOTE 7 INTANGIBLE ASSETS

Intangible assets [1.000 NOK]	Total 2018	Total 2017
Costs as at 01.01.2018	77.795	63.183
Convension difference	(46)	(14)
Additions	19.511	14.626
Costs as at 31.12.2018	**97.260**	**77.795**
Accumulated depreciation at 31.12.2018	**(69.192)**	**(56.937)**
Intangible assets connected to dicontinued operations	**3.937**	**4.064**
Net book value as at 31.12.2018	**24.132**	**16.793**
Annual depreciation	12.192	9.559

Intangible assets are depreciated on a straight-line basis over the expected useful life.

Expected useful life (years)	3/4	3/4

NOTE 8 PROPERTY AND TANGIBLE FIXED ASSETS

Fixed assets [1.000 NOK]	Cars	Office machinery	Furnitures and fixtures	Art	Total 2018	Total 2017
Cost as at 01.01.2018	786	30.511	9.202	216	40.715	30.693
Convension difference		45	1		46	267
Additions		18.071	937		19.007	10.325
Disposals						(480)
Cost as at 31.12.2018	**786**	**48.627**	**10.139**	**216**	**59.768**	**40.805**
Accumulated depreciation at 31.12.2018	**(441)**	**(28.484)**	**(5.084)**		**(34.009)**	**(25.117)**
Net book value as at 31.12.2018	**345**	**20.143**	**5.056**	**216**	**25.759**	**15.688**
Annual depreciation	157	7.403	1.301		8.862	7.087

Fixed assets are depreciated on a straight-line basis over the assets expected useful life. Artworks are not depreciated.

Expected useful life (years)	5	3	7			

Owner-occupied property [1.000 NOK]	Cabin 2018	Cabin 2017
Cost as at 01.01.2018	14.880	14.561
Additions	597	319
Disposal		
Cost as at 31.12.2018	**15.478**	**14.880**
Accumulated depreciation as at 31.12.2018	**(2.045)**	**(1.430)**
Net Book value as at 31.12.2018	**13.433**	13.450
Annual depreciation	**614**	594

The property is depreciated on a straight-line basis over the expected useful life.

Expected useful life (years)	25	25

NOTE 9 INVESTMENTS

Investment [1.000 NOK]	Book value 31.12.18	Fair value 31.12.18	Book value 31.12.17	Fair value 31.12.17
Shares	934.189	934.189	1.649.325	1.649.325
Bonds and other fixed-income securities	8.006.742	8.006.742	7.519.860	7.519.860
Bank deposits related to investments	576.772	576.772	210.187	210.187
Financial derivates	25.674	25.674	2.520	2.520
Total financial assets at fair value	**9.543.377**	**9.543.377**	**9.381.892**	**9 381 892**
Financial assets discontinued operations	1.925.889	1.925.889	1.501.400	1 501.400
Financial assets continued operations	7.617.488	7.617.488	7.880.492	7 880.492
Financial derivatives	(8.583)	(8.583)	(9.205)	(9.205)
Total financial liabilities at fair value	**(8.583)**	**(8.583)**	**(9.205)**	**(9.205)**
Financial liabilities at 31.12.2018 were related to foreign exchange contract.				

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

STOCKS AND SHARES

Investment [1.000 NOK]	Currency	Fair value	Identification no. Norwegian companies
AF Gruppen ASA	NOK	1.857	938702675
B3 Consulting Group AB	SEK	98.533	
Bouvet ASA	NOK	52.018	974442167
Elanders AB Class B	SEK	57.409	
eWORK Group AB	SEK	97.497	
Lehto Group PLC	EUR	105.818	
Majestic Wine Plc	GBP	123.744	
Moment Group AB	SEK	4.775	
Multiconsult ASA	NOK	155.148	910253158
NilörnGruppen AB Class B	SEK	20.235	
Schibsted ASA CL B	NOK	14.208	933739384
Soft TopCo AS_Ord	NOK	368	921000367
Soft TopCo AS_Pref	NOK	36.469	921000367
Verkkokauppa.com Oyj	EUR	71.949	
Vostok New Ventures LTD	SEK	94.161	

The share portfolio consist of shares listed on the stock exchange in Norway, Sweden, Finland and UK. SoftTopCo is not listed. The share portfolio is diversified, but affected by fluctuations in the stock market, in addition to the regular development in each company.

BONDS AND OTHER FIXED-INCOME SECURITIES

Investment [1.000 NOK]	Fair value	Duration
Government bonds etc.	845.411	0,29
Corporate bonds etc.	7.161.331	0,26
Total bonds and other fixed-income securities year 2018	**8.006.741**	**0,26**
- of this, subordinated loan capital in other companies 2018	214.668	1,02
Total bonds and other fixed-income securities year 2017	7.519.860	0,29
- of this, subordinated loan capital in other companies 2017	351.975	0,21

Average yield adjusted for currency hedging effect is 2.2 %. Average interest rate is future cash flows (coupon disbursements and payments on principal amount) discounted with expected market rate for the security concerned at the particular cash flow points in time

VALUATION OF FINANCIAL ASSETS AND LIABILITIES
The fair value of listed investments is based on the current sales price. Financial instruments measured at fair value are valued on a daily basis. Directly observable prices in the market are used as far as possible. The valuations for the different types of financial instruments are based on recognised methods and models.

Level 1: Financial instruments valued on the basis of quoted prices for identical assets in active markets
This category encompasses listed equities that over the previous three months have experienced average daily trading equivalent to approximately NOK 20 million or more. Based on this, the equities are regarded as sufficiently liquid to be included at this level. Bonds, certificates or equivalent instruments issued by national governments are generally classified as level 1.

Level 2: Financial instruments valued on the basis of observable market information not covered by level 1
This category encompasses financial instruments that are valued on the basis of market information that can be directly observable or indirectly observable. Market information that is indirectly observable means that the prices can be derived from observable related markets. Level 2 includes shares or equivalent equity instruments for which market prices are available, but where the volume of transactions is too limited to fulfil the criteria in level 1. Shares in this level will normally have been traded during the last month. Bonds and equivalent instruments are generally classified in this level. Foreign exchange derivatives are classified as level 2. Fund investments are generally classified as level 2.

Level 3: Financial instruments valued on the basis of information that is not observable in accordance with level 2
If one or more of the key parameters in a valuation model is not based on observable market data, the instrument must be reported in this category

Financial assets at fair value through profit or loss [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**	Total
Shares	14.208	883.144	**36.837**	**934.189**
Bonds and other fixed-income securities		8.006.741		8.006.741
Bank deposits	576.772			576.772
Derivatives:				
Foreign exchange contracts		6.950		6.950
Options		18.724		18.724
Total assets year 2018	**590.980**	**8.915.559**	36.837	9.543.377
Total assets year 2017	**859.359**	**8.522.533**		**9.381.892**

Financial liabilities at fair value through profit or loss [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**	Total
Foreign exchange contracts		(8.583)		(8.583)
Total financial liabilities year 2018		(8.583)		(8.583)
Total financial liabilities year 2017		(9.205)		(2.900)

Financial liabilities at amortized cost [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**	**Total**
Subordinated loan capital		(1.243.285)		(1.243.285)
Total financial liabilities year 2018		(1.243.285		(1.243.285)
Total financial liabilities year 2017		(1.283.218)		(1.243.285)

SECURITIES LENDING
Securities in the portfolio can be lent to optimize the expected returns. For lending, counterparty risk and possible collateral are assessed. As of today, the company's counterparties are consider to be solvent enough to not require any more collateral than a written agreement. The company only enter into agreements with counterparts with an official rating of A or better.

NOTE 10 RECEIVABLES

The company has as in 2017, no receivables due later than one year.

[1.000 NOK]	**2018**	**2017**
Receivable tax	60.561	
External claims handlers	5.566	3.890
Other receivables	3 172	4.848
Total	69.299	8.738

NOTE 11 RESTRICTED BANK DEPOSITS

[1.000 NOK]	2018	2017
Employee withholding tax	7.862	8.234
Total	7.862	8.234

NOTE 12 PREPAID EXPENSES AND DEFERRED INCOME

[1.000 NOK]	2018	2017
Prepaid expenses	27.185	21.320
Accrued unbilled premium	208.214	133.891
Total	**235.399**	**155.211**

NOTE 13 SHARE CAPITAL AND SHAREHOLDER INFORMATION

Share capital consists of:	No.of shares	Face value	Capital
A-shares (each share has one vote)	86.155.605	1	86.155.605

Protector Forsikring ASA has 2575 shareholders at 31.12.2018.

List of the 20 major shareholders at 31.12.2018	No.of shares	Face value	Ownership share in percent
Stenshagen Invest AS	7.126.353	7.126.353	8,3 %
Awilhelmsen Capital Holdings AS	5.011.283	5.011.283	5,8 %
Global Portfolio Investments, S.L.	4.616.123	4.616.123	5,4 %
Odin Norden	4.433.850	4.433.850	5,1 %
Hvaler Invest AS	3.186.809	3.186.809	3,7 %
Swedbank Robur Smabolagsfond	2.833.193	2.833.193	3,3 %
Ojada AS 1)	3.563.116	3.563.116	4,1 %
Artel AS	1.800.000	1.800.000	2,1 %
Utmost Paneurope Dac - Gp11940006	1.692.513	1.692.513	2,0 %
Nordnet Bank AB	1.408.443	1.408.443	1,6 %
Morgan Stanley & Co. Llc	1.403.425	1.403.425	1,6 %
Swedbank Robur Nordenfon	1.350.000	1.350.000	1,6 %
Tanja A/S	1.225.918	1.225.918	1,4 %
Johan Vinje AS	1.187.841	1.187.841	1,4 %
Lf Miton Europ Opportunities Fund	1.185.739	1.185.739	1,4 %
Verdipapirfondet Pareto Investment	1.124.231	1.124.231	1,3 %
Dnb NOR Bank ASA	1.105.678	1.105.678	1,3 %
Dyvi Invest AS	1.050.933	1.050.933	1,2 %
Odin Norge	1.031.201	1.031.201	1,2 %
Nore-Invest AS	1.030.637	1.030.637	1,2 %
Total	**47.367.286**	**47.367.286**	**55 %**
Protector Forsikring ASA	4.406.762	4.406.762	5,1 %
Other shareholders	34.381.557	34.381.557	39,9 %
Total number of shares	**86.155.605**	**86.155.605**	**100,0 %**

1) Gross number of shares

Shares owned by the board of directors and their close relations, together with shares owned by other senior executives and their close relations at 31.12.2018	Identification	No.of shares	Face value	Ownership share in percent
Stenshagen Invest AS	Board member, Jørgen Stenshagen	7.126.353	7.126.353	8,3 %
Ojada AS	Board member, Erik G. Braathen	3.563.116	3.563.116	4,1 %
Hvaler Invest AS	CEO Sverre Bjerkeli	3.186.809	3.186.809	3,7 %
Alsøy Invest AS	Chairman of the Board, Jostein Sørvoll	1.002.751	1.002.751	1,2 %
Merete C. Bernau	Director	50.200	50.200	0,1 %
Hans Didring	Country Manager Sweden	43.122	43.122	0,1 %
Henrik Wold Høye	Director of commercial and public sector	18.100	18.100	0,0 %
Lars Ola Rambøl	Director of Commercial Norway	10.000	10.000	0,0 %
Leonard Bijl	IT Director	7.000	7.000	0,0 %
Thomas Boutrup	Country Manager Denmark	5.000	5.000	0,0 %
Jill Vibeke Lorentzen Krane	CFO	7.000	7.000	0,0 %
Mathews Ambalathil	Employees' representative	1.289	1.289	0,0 %
Line Engelmann-Kokkim	Employees' representative	498	498	0,0 %
Arna Vikanes Sørheim Murray	Deputy employees' representative	1.100	1.100	0,0 %
Total		13.937.338	13.938.129	16,2 %

The note shows gross numbers before any lending of shares.

NOTE 14 PENSIONS

Protector Forsikring is required to have an occupational pension plan pursuant to the Mandatory Occupational Pension Act. The company's pension plans meet the requirements of the Act. All employees in Norway are assign to the defined contribution pension plan.

The cost of the defined contribution pension scheme is equal to the period's payment for the pension's savings which amounts to 5% of the payment basis between 1 and 7.1 G (G=National Insurance Scheme basic amount), as well as 8% of the payment basis between 7.1 and 12 G.

The company has defined contribution pension scheme in Sweden, Denmark, Finland and UK which is the standard for the branch.

The CEO has an agreement of top-pension. Maximum annual top pension is 70% of the salary up to 12 G which exceeds 12 G. Allocation to the top pension totaled NOK 1.2 million in net pension costs incl. employer's contribution. In total this scheme accounts for a liability of NOK 13 million at 31.12.2018.

NOTE 15 TAXES

[1.000 NOK]	2018	2017
THIS YEAR'S TAXES ARE DIVIDED BETWEEN		
Payable tax	156	92.512
Correction previous years	(328)	(1.120)
Change in deferred tax	(45.075)	(5.926)
Tax discontinued operations	42.071	(18.426)
Total tax continued operations	**(3.175)**	**67.041**

Computation of this years tax		
Profit before tax	(340.647)	562.184
Permanent differences	158.329	(198.854)
Changes in temporary differences	182.318	6.720
Basis for the tax expense of the year		370.050
Payable tax 25%		92.512
Payable tax foreign operations	108	
Payable tax from previous years	225	(1.120)
Payable tax	**333**	**91.393**

Temporary differences	2018	2017	Changes
Fixed assets	(19)	(1.432)	(1.414)
Receivables	(897)	(900)	(3)
Financial assets	(41.193)	33.977	75.170
Technical provisions	526.003	584.448	58.445
Pension liabilities	(13.021)	(12.090)	932
Tax loss carry forward	(49.188)		49.188
Net temporary differences	**423.704**	**604.003**	**182.318**
Differences which are not included in the calculation of deferred tax / deferred tax assets	135.981	118.997	(16.983)
Deferred tax 25 %	105.926	151.001	(45.075)

RECONCILIATION OF TAX			
Deferred tax/ deferred tax assets in the balance sheet	(105.926)	(151.001)	45.075
[1.000 NOK]		**2018**	**2017**
Profit before taxes 25%		(85.162)	140.546
Permanent differences 25%		39.582	(49.714)
Corrected tax previous years		225	(1.120)
Differences which are not included in the calculation of deferred tax / deferred tax assets			(4.246)
Net paid tax for companies abroad		108	
Calculated tax		(45.247)	85.467
Tax on other comprehensive income		54	13.273.
Total tax according to income statement		**(45.193)**	**98.740**

NOTE 16 OTHER LIABILITIES

[1.000 NOK]	2018	2017
Payables, operations	64.468	14.420
Payables, claims	28.548	44.819
Liabilities in connection to direct insurance	93.016	**59.239**
Reinsurance yet to be settled	393.301	576.509
Liabilities in connection to reinsurance	393.301	**576.509**
Allocation of employers contribution	8.181	8.288
Advance tax deduction	9.627	9.415
Other liabilities	187.742	31.623
Other liabilities	**205.550**	**49.326**
Financial derivatives	8.583	9.205
Total liabilities	**700.450**	**694.279**

The company has no secured liabilities.

NOTE 17 ACCRUED EXPENSES AND DEFERRED INCOME

[1.000 NOK]	2018	2017
Bonus	37.506	59.275
Accrued vacation pay	25.788	17.031
Defferred income	172.185	184.401
RTV tax	80.533	87.683
Other accrued expenses	18.209	30.302
Total	**334.221**	**378.692**

NOTE 18 SALES EXPENSES

[1.000 NOK]	2018	2017
Internal payroll expenses	79.553	64.495
Commissions	126.072	87.053
Total	**205.625**	**151.547**
in % of overdue premium	4,8 %	4,2 %

NOTE 19 INSURANCE-RELATED ADMINISTRATIVE EXPENSES

Insurance-related administrative expenses [1.000 NOK]	2018	2017
Depreciations (note 7 og 8)	21.668	17.240
Salary- and pensions costs (note 18)	348.783	337.002
Administrative costs	27.645	26.526
Remunerations	39.137	21.607
Claims handling costs (transferred to gross claims paid)	(166.831)	(155.872)
Internal sales expenses	(79.553)	(64.495)
Internal administrative costs	(21.887)	(25.787)
Other insurance-related administrative expenses in discontinued operations	(23.279)	(13.726)
Other insurance-related administrative expenses	(2.554)	(33.721)
Total	**143.129**	**108.775**

Auditing remuneration [1.000 NOK]	2018	2017
Auditing (inclusive VAT)	915	925
Services regarding tax (inclusive VAT)	50	413
Other services outside auditing (inclusive VAT)	564	
Total	**1.529**	**1.338**

NOTE 20 LABOUR EXPENSES, PENSIONS, NUMBER OF EMPLOYEES

Labour- and pension costs [1.000 NOK]	2018	2017
Salaries [1]	248.785	247.262
Director's remuneration, control committee, nomination committee, audit committee, the board of representatives	2.893	2.575
Defined benefit pension costs [2]	3.791	3.687
Defined contribution pension costs [2]	12.026	12.918
Social security tax	56.608	52.382
Other payments	24.682	18.177
Total	**348.783**	**337.002**

[1] The company has an ordinary arrangement for performance-related pay. The arrangement involves all employees with the exception of the top management. The company has reserved NOK 11,3 million for bonus in 2018. Whether performance-related pay is triggered depends on achievement of goals pursuant to concluded performance contracts.
[2] Refer to note 14 for further information.

Number of employees	2018	2017
Number of employees at 31.12.	356,0	306,0
Number of man-labour years at 31.12.	373,6	299,2
Average number of employees at 31.12.	332,3	288,1
Average number of man-labour years at 31.12.	328,0	286,0

NOTE 21 RENUMERATIONS TO SENIOR EXECUTIVES

Board of Directors statement about determination of salary and other remuneration for senior executives

According to Public Limited Companies Act § 6-16a the Board will present a separate statement about determination of salary and other remuneration for senior executives. It follows further from the Public Limited Companies Act § 5-6 (3) that an advisory reconciliation of the Board's guidelines for senior executives' salary determination for the upcoming fiscal year will be held in general meeting (see (ii) below). As long as the guidelines are linked to the share-based initiatives, these will also be approved by general meeting (see (iii) below).

Since 2010 the Board has had a separate compensation committee. The compensation committee consists of three members: a chairman and two members.

The compensation committee shall prepare and present to the Board:

- The size of the CEO's total remuneration
- Guidelines for remuneration as well as estimates of payments of variable salary for these who report to the CEO
- The Board's statement about determination of salary and other compensation to senior executives
- Material personnel related issues concerning senior executives

(i) Salary and other compensation to senior executives for the prior fiscal year are presented in the table below. The Board confirms that the guidelines for salary for senior executives for 2018 given in the previous year's statement have been followed.

(ii) Concerning the guidelines for the establishment of salary and other compensation for the senior executives for the upcoming fiscal year, the Board shall propose the following guidelines for advising reconciliation in 2018 general meeting:

The purpose of Protector's salary policy is to attract employees with the necessary competence, further develop and maintain the key competence and motivate for long-term and continued progress in order to achieve Protector's business goals.

Protector's policy shall, first and foremost, be directed towards proposition of a total remuneration which is competitive so that the company can attract and maintain the best senior executives.

CEO's salary and other economic benefits are established by the Board based on the proposition from the compensation committee. Terms and approval for other senior executives are established by CEO within the framework approved by the Board.

The total remuneration to senior executives consists of fixed salary, variable salary, pension, and other benefits.

The fixed salary is reviewed annually and determined based on salary development in the society in general and financial sector in particular.

The total remuneration to senior executives shall be competitive and reflect work efforts, responsibilities and professional challenges that are related to the leadership responsibilities in a company of the size of Protector and the branch.

The variable salary (bonus) to senior executives can be paid based on a concrete result measurement of the defined goal areas derived from the company's strategy and goals. The review takes into account a combination of the company's total targeted result, relevant business unit as well as estimation of a personal contribution, thereof a total valuation with regards to the compliance with the company's vision, values and leadership principles. Variable salary for senior executives is set by the Board on the basis of levels set by the compensation committee.

The company in 2013 established a long-term bonus policy for the senior executives and other key persons where the distributed bonus is converted to synthetic shares based on the Protector's share price pr. 31.12 of the year earned. The conversation does not give separate employees the right to buy shares in the company. The synthetic share holdings are distributed with 1/5 in cash while the remaining 4/5 are accounted for as a contingent capital. The cash part is paid out based on the weighted average share price of the company's shares during the first seven trading days after the last of the dates of the general meeting and the publication of first quarter results. The contingent capital is paid out by 1/5 of the share capital over four years effective from the year after the cash part is paid out. The payment is based on the weighted average share price of the company's shares during the first seven trading days after the last of the dates of the general meeting and the publication of first quarter results.. Share price calculation for the cash payment and contingent capital shall be adjusted for dividend paid out between the conversion of bonus to share holdings (31.12 of the year earned) and the payment date. The unpaid contingent variable remuneration can be reduced if later results and development indicate that it was based on wrong assumptions. Individual variable salary can total up to 50 per cent of the annual loan. The variable salary is not included in pension schemes.

Any fringe benefits shall have connection with one's functions in the company and shall be in line with general practices in the market.

Senior executives' pension age is 67 years in Norway, 65 years in Sweden and 70 years in Denmark.

In Norway the senior executives are participants in the company's defined contribution pension plan. CEO has in addition an agreement about top pension which totals maximum 70% of the salary up to 12G for the amount which exceeds 12G (i. e. 8.4G).

Senior executives in Sweden and Denmark have defined contribution pension arrangement which is a standard for the branch.

CEO and his management team have an agreement for 6 months' termination notice and up to 12-month salary after termination of employment relationship. This salary after termination of employment relationship is established to ensure clear guidelines in case the wish of ending the employment.

(iii) With regards to the share-based incentives for the coming year, the Board shall propose the following guidelines for approval in General Meeting:

Of the variable salary earned in 2018 by CEO and other employees that are covered by regulations for remuneration in financial institutions, 80% of the variable salary shall be paid in a form of contingent capital which reflects the company's value development which cannot be freely disposable earlier than equally divided over a period of four years. The period shall take into account the company's underlying business cycle and risk assessment. Such part of the variable salary shall be reduced if either later result development in the company or latter results indicated so. The basis for the variable remuneration shall be related to the company's results during minimum 2 years. Valuation criteria for the variable remuneration shall be based on financial and non-financial criteria related to the individual, one's business unit and the company as a whole and defined in advanced.

Payments and remunerations [1.000 NOK]	**Salaries**	**Variable pay[3]**	**Other remunertions[2]**	**Paid-up pension premium**	**Total remune-rations**
Senior executives					
Sverre Bjerkeli, CEO[1]	6.925	3901	625	80	11.531
Vibeke Krane, CFO	1.980	53	31	133	2.197
Merete C. Bernau, Director	3.448	1625	189	97	5.359
Henrik Wold Høye, Director of commercial and public sector	3.627	1.506	15	72	5.220
Leonard Bijl , IT Director	1.974	500	15	82	2.571
Hans Didring, Country Manager Sweden	4.060	1.220	4	411	5.695
Thomas Boutrup, Country Manager Denmark	3.283	72	10	328	3.693
Lars Ola Rambøl, Director of commercial Norway	1.960	0	15	78	2.053
Total	**27.257**	**8.877**	**905**	**1 281**	38.320

[1] The CEO has an agreement about top-pension with a recognized cost of NOK 1,2 million in 2018.
[2] Other remunerations comprises of company car, telephone, insurance and other contractual benefits.
[3] Paid out bonus long term bonus plan.

Payments and remunerations [1.000 NOK] 1	Remunerations
The board	
Jostein Sørvoll, Chairman of the board	663
Erik G. Braathen, Deputy Chairman	340
Else Bugge Fougner, Boardmember	305
Jørgen Stenshagen, Boardmember	383
Randi Helene Røed, Boardmember	423
Fredrik Øyan, Employees' representative	127
Alexander Amsrud, Deputy for Employees' representative	25
Birte Øygard, Employees' representative	115
Total	**2.381**
Nomination Committee	
Per Ottar Skaaret, Chairman	48
Anders Jørgen Lenborg, member	37
Nils Petter Hollekim, member	37
Total	**122**

[1] Remunerations paid out in accounting year 2018.

There were no loans granted or guarantees given to senior executives, other close related parties or members of governing bodies.

NOTE 22 NET FINANCIAL INCOME AND EXPENSES FROM FINANCIAL ASSETS

[1.000 NOK]	2018	2017
Net financial income from financial assets		
Interest income	218.980	187.708
Dividend shares	32.303	36.307
Dividend bond funds		59
Unrealised gains/losses on financial assets	(514.575)	(166.949)
Gains/losses from realisation of financial assets	229.932	386.055
Administrations expenses on financial assets	**(22.864)**	**(23. 719)**
Net financial income	(56.224)	419.462
Financial income discontinued operations	(36.422)	81.626
Financial income continued operations	(19.802)	337.836

NET FINANCIAL INCOME DIVIDED BY ASSET CLASS		
Interest income from financial assets at fair value through profit or loss	218.980	187.708
Dividend	32.303	36.307
Net gains / (loss) from shares	(225.141)	171.743
Net gains / (loss) from bonds and other fixed-income securities	(70.392)	54.136
Net gains / (loss) from foreign exchange contracts	10.890	(6.713)
Administration expenses	(22.864)	(23.719)
Total net income and gains/ (loss) from financial assets at fair value through profit or loss	**(56.224)**	**419.462**
Financial income discontinued operations	(36.422)	81.626
Profit from discontinued operations	(19.802)	337.836

NOTE 23 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year assigned to the company's shareholders at a weighted average number of outstanding ordinary shares throughout the year, net of treasury shares.

[1.000 NOK]	2018	2017
Profit for the year assigned to the company's shareholders	(295.237)	476.717
Weighted average number of shares	83.929.590	86.150.999
Earnings per share	**(3,52)**	**5,53**

Earnings per share continued operations [1.000 NOK]	2018	2017
Profit for the year assigned to the company's shareholders	(20.568)	41.3761
Weighted average number of shares	83.929.590	86.150.999
Earnings per share	**(0,25)**	**4,80**
Diluted earnings per share		

There were no share dilution in 2018.

NOTE 24 CAPITAL RATIO AND SOLVENCY MARGIN		
Aviable and eligble own fund		
[1.000 NOK]	2018	2017
BASIC OWN FUNDS AS FORESEEN IN ARTICLE 68 IN THE ANEX OF 21ST DECEMBER 2015 REGULATION NR. 180 REGARDIN SUPLEMENTING RULES TO SOLVENCY II REGULATION		
Tier 1 - unrestricted	1.729.601	2.381.322
Tier 1 - restricted	350.821	357.920
Tier 2	969.171	950.142
Total basic own funds	**3.049.594**	**3.689.384**
The company's own funds consist of basic own funds only. Basic own funds consist of statutory equity adjusted for valuation difference. between Solvency II and statutory value of assets and liabilities plus subordinated loan capital. Unrestricted T1 capita constituted 57% (65%). of the total capital. Tier 1 restricted capital constituted 12% (10%). Tier 2 capital constituted 32% (26%). The company has no Tier 3 capital.		
AVAILABLE OWN FUNDS TO MEET THE SCR		
Tier 1 - unrestricted	1.729.601	2.381.322
Tier 1 - restricted	350.821	357.920
Tier 2	969.171	950.142
Total available own funds to meet SCR	**3.049.594**	**3.689.384**
AVAILABLE OWE FUNDS TO MEET MCR		
Tier 1 - unrestricted	1.729.601	2.381.322
Tier 1 - restricted	350.821	357.920
Tier 2	969.171	950.142
Total available own funds to meet MCR	**3.049.594**	**3.689.384**
TOTAL ELIGIBLE OWN FUNDS TO MEET THE MCR		
Tier 1 - unrestricted	1.729.601	2.381.322
Tier 1 - restricted	350.821	357.920
Tier 2	829.682	916.998
Total eligible own funds to meet the MCR	**2.910.104**	**3.656.240**
ELIGIBLE OWN FUNDS TO MEET THE SCR		
Tier 1 - unrestricted	1.729.601	2.381.322
Tier 1 - restricted	350.821	357.920
Tier 2	149.343	154.684
Total eligible own funds to meet the SCR	**2.229.765**	**2.893.927**

SOLVENCY CAPITAL REQUIREMENT (SCR)	2018	2017
Market risk	664.926	1.085.177
Counterparty default risk	108.554	55.305
Health underwriting risk	995.216	938.599
Non-life underwriting risk	1.143.868	956.392
Diversification	(994.689)	(1.007.327)
Basic Solvency Capital Requirement	1.917.875	2.028.146
Operational risk	223.210	193.052
Loss-absorbing capacity of deferred taxes	(481.721)	(387.203)
Total solvency capital requirement	**1.659.364**	**1.833.996**

Solvency capital requirement is calculated using standard formula with a 99,5% probability that total loss during 12 months will not exceed calculated capital requirement.

[1.000 NOK]	2018	2017
MINIMUM CAPITAL REQUIREMENT		
Linearly calculated MCR	874.798	773.421
Upper limit for MCR	746.714	825.298
MCR floor	414.841	458.499
Combined MCR	746.714	773.421
Absolute floor of the MCR	35.345	35.238
Minimum capital requirement	**746.714**	**773.421**

Minimum capital requirement is calculated using standard formula with a 85,0% probability that total loss during 12 months will not exceed calculated capital requirement. Minimum capital requirement is limited to minimum 25% and maximum 45% of the calculated SCR.

RATIO OF ELIGIBLE OWN FUNDS TO SCR	175 %	199 %
RATIO OF ELIGIBLE OWN FUNDS TO MCR	299 %	374 %

- "The difference between the balance sheet and the Solvency II-balance mainly due to:"
- Both claims and premium reserves are discounted in the Solvency II-balance, while statutory reserves are not discounted
- In the fiscal balance the premium reserves equals unearned premium, and the Solvency II-balance is based on premium reserved on best estimate of future liabilitities.
- Unearned premiums are therefore multiplied by the expected future CR (combined ratio) and estimated profit in future premiums are subtracted before discounting
- Solvency II risk margines ia not included in the fiscal balance.
- The Guarantee scheme provision is classified as a liability under the category "Other liabilities" in the Solvency II balance, while it is considered as equity in the fiscal balance.

DIFFERENCES BETWEEN FINANCIAL AND SOLVENS II VALUATION		
ELEMENT	BOOK VALUE	SOLVENS II
Total assets	**12.832.053**	**12.680.252**
Intangible assets	28.069	
Reinsurers' share of gross technical provisions	2.307.917	2.034.791
Own shares		210.643
Total liabilities and total assets minus liabilities,	**10.798.984**	**10.685.950**
Total assets minus total liabilities	2.033.069	1.994.302
Technical provisions included risk margin	8.257.100	8.094.896
Subordinated loan capital included in the basic capital	1.243.285	1.265.179
Other liabilities	482.417	570.880

NOTE 25 SUBORDINATED LOAN CAPITAL

The company has three subordinated loans at MNOK 500, MNOK 400 and MNOK 350. The subordinated loans were issued in order to strengthen the company's capital adequacy during the expected significant growth in the company's business. Table below provides a detailed overview of the loans.

SUBORDINATED LOAN MNOK 500

Name	Protector Forsikring ASA 16/46 FRN C SUB
Ticker	PROTCT02
ISIN	NO0010762917
Nominal value	MNOK 500
Interest rate	3-month NIBOR + 370 bp p.a.
Issue date	19.04.2016
Due date	10.04.2046
Callable	Yes

SUBORDINATED LOAN MNOK 400

Name	Protector Forsikring ASA 17/47 FRN C SUB
Ticker	PROTCT03
ISIN	NO0010790074
Nominal value	MNOK 400
Interest rate	3-month NIBOR + 290 bp p.a.
Issue date	31.03.2017
Due date	31.03.2047
Callable	Yes

SUBORDINATED LOAN MNOK 350

Name	Protector Forsikring ASA 17/PERP FRN C HYBRID
Ticker	PROTCT04
ISIN	NO0010790066
Nominal value	MNOK 350
Interest rate	3-month NIBOR + 500 bp p.a.
Issue date	31.03.2017
Due date	Perpetual
Callable	Yes

NOTE 26 CONTINGENT LIABILITIES

In conjuntion with the fire in Grenfell Tower there is a disagreement with the companys property reinsurer on the interpretation of the reinsurance contract. The disagreement may in the worst case increase Protector's share of the Grenfell-compensation by NOK 80 million. Protector believes that it is less the 50 percent chance of losing the case and therefore has not made any provision for this in the accounts for 2018.

NOTE 27 DISCONTINUED OPERATIONS

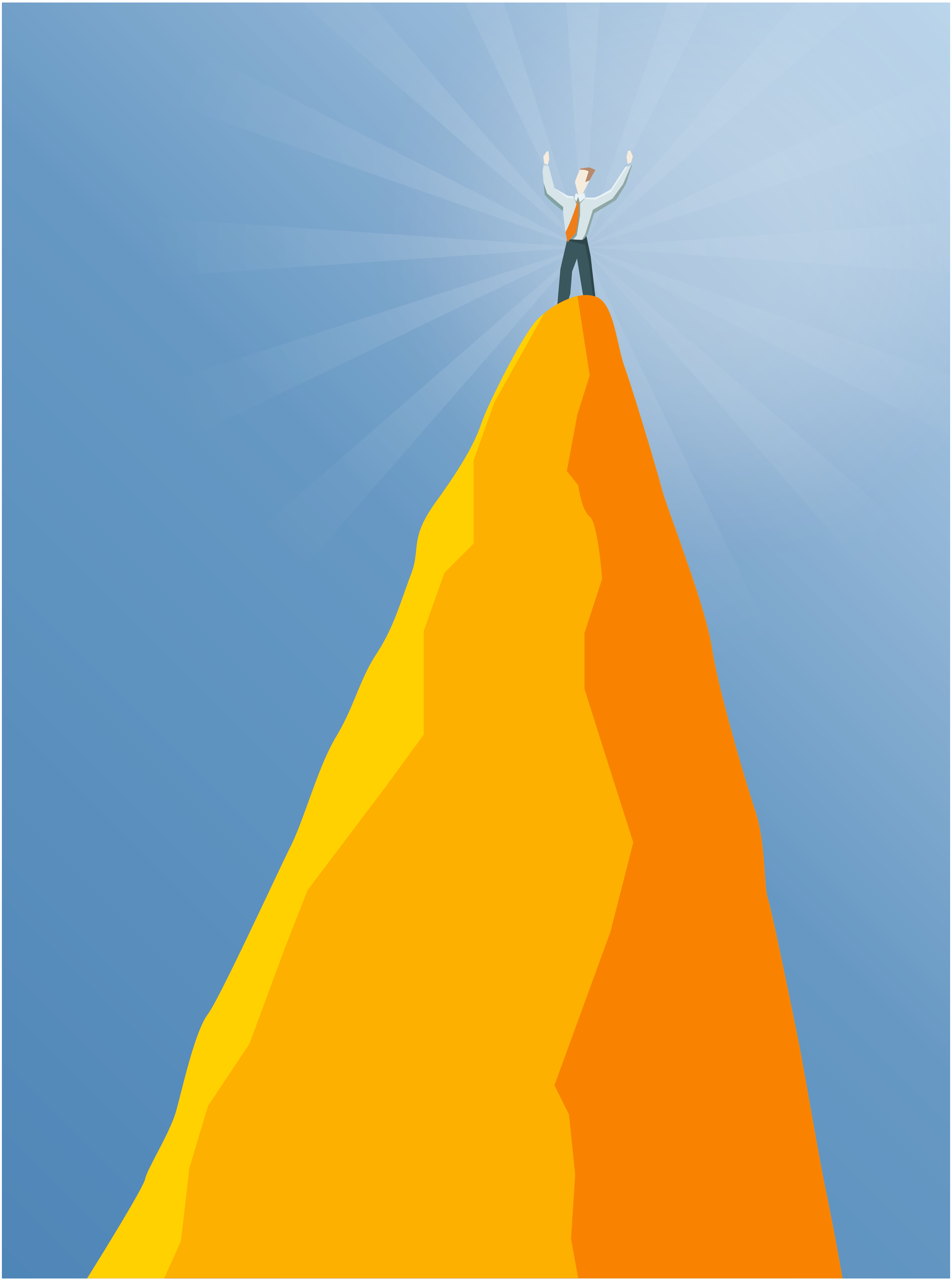
Protector has decided to exit the COI market due to the product's recent years weak technical performance, and due to the significant uncertainty related to the product's future premium development and profitability.

Income statement		
[1.000 NOK]	2018	2017
PREMIUM INCOME		
Gross premiums earned	513.630	550.551
Reinsurers' share of earned premiums	(51.363)	(27.466)
Earned premiums, net of reinsurance	462.267	523.084
CLAIMS		
Gross claims incurred	(749.485)	(480.265)
Reinsurers' share of claims incurred	74.949	26.512
Claims incurred, net of reinsurance	(674.537)	(453.753)
INSURANCE-RELATED OPERATING EXPENSES		
Sales expenses	(5.724)	(6 552)
Insurance-related administrative expenses	(23.279)	(13 726)
Commissions from the reinsurers	(26.236)	(285)
Total operating expenses	(55.239)	(20.563)
Other insurance related expenses	**(20)**	**(218)**
Technical result	**(267.528)**	**48.551**
Total net financial income	(36.422)	81.626
Other income/expenses	**(12.790)**	(8.978)
Non-technical result	**(49.212)**	**72.648**
Profit before tax	(316.741)	121.200
Tax	42.071	(18.426)
Profit from continued operations	**(274.669)**	**102.774**

Earnings per share discontinued operations		
[1.000 NOK]	2018	2017
Profit for the year assigned to the company's shareholders	(274.669)	102.774
Weighted average number of shares	83.929.590	86.150.999
Earnings per share	(3,27)	1,19

Assets discontinued operations		
[1.000 NOK]	2018	2017
Intangible assets	3.937	4.064
Financial assets	1.925.889	1.501.400
Reinsurers share of gross claims provisions	115.498	91.366
Receivables	67.600	78.025
Bank deposits	4.256	10.880
Assets discontinued operations	2.117.180	1.685.735

Liabilities discontinued operations		
[1.000 NOK]	2018	2017
Provisions for claims	1.154.981	913.686
Liabilities in connection with reinsurance	142.278	95.122
Other liabilities	3.206	8.118
Other incurred expenses and prepaid income	6.018	6.169
Liabilities discontinued operations	1.306.484	1.230.96



DECLARATIONS BY THE MEMBERS OF THE BOARD AND THE CEO

We confirm, to the best of our knowledge, that the financial statements for the period 1st of January to 31st of December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity taken as a whole.

We also confirm that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity, together with a description of the principal risks and uncertainties facing the entity.

Oslo, 28 February 2019
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll (Chairman)	Jørgen Stenshagen	Else Bugge Fougner
Erik G. Braathen	Randi Helene Røed	Mathews Ambalathil
Line Engelmann-Kokkim	Sverre Bjerkeli (CEO)	

AUDITOR’S REPORT

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR’S REPORT

To the Annual Shareholders' Meeting of Protector Forsikring ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Protector Forsikring ASA, which comprise the balance sheet as at 31 December 2018, the income statement, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Provision for claims outstanding

As at 31 December 2018, gross provision for claims outstanding of MNOK 5 997 were recognised in the accounts for continuing operations, and MNOK 1 155 for discontinued operations. Claims provisions are an estimate for future claims for events incurred, but not finally settled at the reporting date (IBNS). The balance comprises provisions for claims incurred and reported to the Company (RBNS), claims incurred, but not reported (IBNR) and an estimate for indirect unallocated loss adjustment expenses (ULAE).

The use of a model, projection of claims history and determination of assumptions require management to exercise judgment. Claims provisions are sensitive for changes in assumptions and therefore a key audit matter.

We identified, assessed and tested internal control related to claims provisions. We reviewed the Company's processes and methods for calculating claims reserves across the insurance products, including the collection of the data basis for the calculations. Our audit included a comparison of models and assumptions applied by the Company in relation to industry standards and regulatory requirements. Based on the Company's data basis, we performed our own calculations of the reserves for a sample of the insurance segments with higher uncertainty and compared this with the Company's estimates.

Notes 1 and 2 have details on principles and estimation uncertainty concerning claims provisions, and the claims provisions are specified in notes 3 and 6.

Reinsurance share of claims provisions

The Company has a comprehensive reinsurance programme, and the reinsurance share of gross claims provisions as at 31 December 2018 constitutes MNOK 1 900 for continuing operations, and MNOK 115 for discontinued operations. Due to the extent and complexity of the reinsurance contracts, and the degree of judgment related to the determination of the reinsurance share of gross claims provisions, this was a key audit matter.

We reviewed reinsurance contracts for completeness and validity, and we assessed the Company's applied accounting principles related to various types of reinsurance contracts. We identified, evaluated and tested internal controls related to the accounting and measurement of reinsurance claims. We reviewed the recognition of the reinsurance share of gross provision for claims outstanding by considering reported claims against incurred claims and compared them with the terms in the reinsurance agreements.

The Company's accounting principles and note 6 have details on the reinsurance share of gross claims.

Valuation of financial assets measured at fair value

As at 31 December 2018, financial assets measured at fair value constitute MNOK 9 543, of which MNOK 8 952 are unlisted or less liquid financial instruments. Assets are measured at fair value on the basis of assumptions that are either directly or indirectly observable in the market. As unlisted or less liquid financial instruments are significant for the financial statements, and because of the degree of judgment involved, this was a key audit matter.

We assessed the design and tested internal controls related to the valuation process, including management's process for determining the assumptions. We reviewed the valuation of a sample of financial assets against external sources, including stock exchange prices, valuations obtained from independent external parties or other external information.

Notes 4 and 9 have information on financial assets measured at fair value.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 4 March 2019

ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

CORPORATE GOVERNANCE

Protector Forsikring ASA is a Norwegian general insurance company (P&C) listed on the Oslo Stock Exchange. The company is required to hold a licence to engage in general insurance and is subject to legislation for finance institutions that ensures strict regulation and follow-up of its business activities. The continuous monitoring of Norwegian finance institutions is covered by Norwegian laws and regulations and implemented by The Financial Supervisory Authority of Norway.

RECOMMENDATIONS AND REGULATIONS CONCERNING CORPORATE GOVERNANCE

The company's corporate governance complements the Board's guidelines for the enterprise, cf. amongst others the Public Limited Companies Act §6-12 and the Board's instructions for executive management cf. the Public Limited Companies Act §6-13.

As a publicly listed company the annual report must account for its corporate governance, cf paragraph 7 "Continuing obligations for listed companies". Following the same rules, the company is obligated to provide an explanation when the Norwegian Code of Governance is not followed.

Following the Accounting Act §3-3b, the company must in its annual report or documents being referred to in the annual report explain its principles and practices regarding corporate governance, including a justification for any deviation from the recommendations and regulation for corporate governance.

The Norwegian Code of Practice for Corporate Governance is publicly available on NUESs website www.nues.no Continuing obligations of listed companies is publicly available on the Oslo Stock Exchanges website www.oslobors.no

The company's principles for corporate governance were first agreed by the Board 4 May 2007 and revised at a board meeting 28 February 2019. The principles shall contribute towards creating the best possible return on investment for shareholders over time, strengthened confidence in the company through a transparent corporate culture, and a good reputation. To a large degree, the principles are derived directly the laws and regulations by which the company is governed. In addition, they are based on the Norwegian Code of Practice for Corporate Governance of 17 October 2018.

The following presentation of corporate governance in Protector Forsikring mainly follows the general structure and form of the Norwegian Code of Practice for Corporate Governance of 17 October 2018.

BUSINESS

The articles of association describe the company's business and objectives. Protector's objective is to provide general insurance and has a license to operate within all classes except credit insurance and guarantee insurance. The articles of association can be found on the company's website www.protectorforsikring.no

Protector sets out to be the challenger. The company will achieve this goal through unique relationships, best in class decision-making, and cost-effective solutions. Protector shall establish a reputation as a considerable and competent provider of risk-reducing solutions.

The company's prioritized market segments are the commercial and public sector and the market for affinity insurance.

The board determines goals, strategies and risk profile in connection with the company's target process and annually strategy meetings with the company's management. The company's annual report provides more information about the company's objectives, and the main features of its business strategy and activity.

SOCIAL RESPONSIBILITY

Protector's mission is to indemnify lives and assets and relieve our customers of economic risk, which is also our most important social responsibility. The company's social responsibility also relates to other factors of importance for sustainable social development. By safeguarding the human rights, employee rights and social conditions, the external environment and the prevention of corruption, we shall contribute to long-term value creation for both society and the company.

Human rights; The company always strives to know its suppliers and avoids using suppliers that do not satisfy our core values, which also means that they do not violate fundamental human rights.

Employee rights and social conditions; The companies employees are the most important resource we have for achieving our goals. As a result, the company focuses on making sure that employees have rights and social conditions that make Protector an attractive place to work. In addition, the company has a Working Environment Committee, which strives for a good working environment. The personnel handbook is consistently being revised to reflect and document the employees' rights and obligations in the best possible manner. The company has established routines for notification so that any unacceptable circumstances come forward, and measures can be put in place to correct the situation.

The external environment; As an office company, the company strives for green solutions wherever possible. Such solutions can be exemplified by twin computer screens to employees to reduce paper print, video conferencing, rather than travel, sorting and recycling company garbage, and energy efficient lighting in the company's offices.

Prevention of corruption; The company's industry is subject to strict rules and regulations concerning corruption. The insider trading regulations are read and signed by all employees. In addition, we refer to the ethical guidelines for the company, which are ratified by the Board of Directors.

Specific policies or measures related to Protector's social responsibility are not yet established, but it will be considered.

SOLVENCY CAPITAL AND DIVIDENDS

The company has continuous focus on ensuring that the solvency margin capital matches Protector's objectives, strategy and risk profile. The company shall endavour to optimize its capital while at the same time maintain sufficient capital to satisfy the regulatory capital requirements, shareholders' confidence and flexibility for growth and development.

The company's goal is to maintain a long-term solvency capital above 150% (calculated according to Solvency II regulations). The Board is of the opinion that the company's core markets provide good opportunities for profitable growth in the coming years, and believes that the company and the shareholders will benefit from reinvesting the profit in the company during this growth period.

The Board is also authorized to repurchase 8,615,560 own shares. This corresponds to approximately 10% of the company's total share capital. This authority expires with the ordinary general meeting in 2019, however, no later than 30 June 2019.

The Board of Directors' will propose for the general meeting that the authorization is renewed. At yearend 2018, the company holds 4,406,762 own shares.

The Board is authorized to increase share capital through the subscription of new shares with an aggregate nominal value of up to NOK 8,615,560 divided on 8,615,560 shares, each with a nominal value of NOK 1. The authorization may be used for one or more share issues. The Board of Directors may decide to deviate from the pre-emptive right of shareholders to subscribe for shares pursuant to section 10-4 of the Public Limited Liability Companies Act. The Board of Directors may decide that payment for the shares shall be effected in assets other than cash, or the right to subject the company to special obligations pursuant to section 10-2 of the Public Limited Liability Companies Act. The authorization also applies to decisions to merge pursuant to section 13-5 of the Public Limited Liability Companies Act. This authorization is valid until the Annual General Meeting in 2019, however, no later than 30 June 2019. The Board will propose to the General Meeting that the authorization is renewed.

The Board is authorized to raise subordinated loans and other debt limited to NOK 2,500 million and under the conditions stipulated by the Board. The authorization is valid until the Annual Meeting 2019, however, no later than 30 June 2019. The Board will propose to the General Meeting that the authorization is renewed.

According to the Norwegian Code of Corporate Governance, the authorization should be restricted to defined purposes. The Board wants a mandate that gives flexibility, thus the recommendation is not followed.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The company has only one class of shares and all shareholders are treated equally.

Existing shareholders have re-emption rights to subscribe for shares in the event of an increase in capital, unless the Board finds it expedient and in the interest of the shareholders to waive this right. If the Board proposes to the general meeting to waive this pre-emption right, then such a proposal must be fully justified. If the board of directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. Any transactions carried out by the company in its own shares shall be carried out through the stock exchange whenever possible.

The company is listed on the Oslo Stock Exchange under the ticker PROTCT. The company has established rules for trading in the company's shares by primary insiders or close associates of any such parties (defined as transactions that involve shareholders, board members, executive managers, members of the control committee or auditor and close associates of these). There are also insider rules for other employees in the company.

The company is generally reserved about transactions by shareholders, board members, executive managers and their close associates. To avoid damaging the company's reputation, the Board believes it essential to be open and cautious about transactions that could be perceived as doubtful in terms of the closeness between the parties. The members of the board and management shall therefore give the board by the chairman written notification if they have significantly direct or indirect interests in transactions undertaken by the company.

The company follows the principles for equal treatment and transactions with close associates that are laid down in the Norwegian Code of Practice for Corporate Governance.

FREELY NEGOTIABLE SHARES

There is no restriction on negotiability of the company's shares beyond the provisions of the Financial Institutions Act.

GENERAL MEETINGS

Protector holds its AGM no later than the end of June each year. All shareholders with a known address receive written notice of the AGM by post, sent out no later than 21 days before the AGM.

The notice calling the meeting and supporting papers are published on the company's website 21 days before the general meeting. All shareholders are entitled to attend general meetings, and arrangements are also made for proxy voting. The company should to the extent possible, prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

The Chairman of the board and the Chief Executive Officer shall be present at the meeting. The external auditor shall be present in General Meetings if deemed necessary due to the nature of the matters being processed. The Chairman of the nomination committee shall be present in General Meetings when election and remuneration of board members are to be considered. An independent chairman shall be elected to conduct the meeting, the individual is not required to be a shareholder.

NOMINATION COMMITTEE

Protector's articles of association regulate the company's nomination committee, which has three members. The shareholders at the general meeting elect the members of the committee. The nomination committee is independent of the company's board of directors and management, and its composition aims to ensure broad representation of shareholder interests.

The nomination committee is responsible for proposing candidates to the board of directors and the nomination committee, and the remuneration of the members of these bodies. The committee must give reasons for their recommendations. The committee shall operate in accordance with the Norwegian Code of Practice for Corporate Governance.

THE BOARD OF DIRECTORS

According to the company's articles of association the board of directors shall consist of minimum 5 and maximum 9 directors including the number of deputy directors decided by the general meeting. The company's employees shall appoint at least 1 member and one deputy director.

If a director elected by the employees resigns from the company, the director shall resign from the board of directors. The directors of the board of directors and the deputy directors are elected for two – 2 – year terms. When retiring there will be a drawing of lots among those having served for an equal length of time.

The Chairman of the board and Deputy Chairman are elected for one year at a time.

The company's intention with the composition of the company's board is that the members are elected in light of an evaluation of the company's needs for expertise, capacity and balanced decisions, and with an intention to ensure that the board can perform independent of any special interests and that the board can function effectively as a collegiate body. Moreover, majority of the board members shall be independent of the company's executive management and material business contacts. At least two of the board members elected by shareholders shall be independent of the company's main shareholders.

The board of directors shall not include representatives of the company's executive management.

An assessment of independence shall take into consideration whether the board member; has been employed in the company, has share options in the company, has cross relations with other board members or general management, has close family links or otherwise has represented or represents material business relations with the company. Information about the individual board member's qualifications, capacity and independence are given in the report. Moreover, note 12 to the annual accounts states how many shares the individual shareholder owns in the company. Members of the board are encouraged to buy shares in the company.

The nomination committee's proposals for individuals as board members will be based on the above-mentioned guidelines.

In the company's opinion the current board of directors satisfies the requirements set by the Norwegian Code of Practice for Corporate Governance to the members' independence of the company's executive management and material business relations.

THE WORK OF THE BOARD OF DIRECTORS

In accordance with Norwegian law, the board of directors has the ultimate responsibility for the management at the company and for supervising its day-to-day management and activities in general. In addition to the mandatory requirements, the board of directors shall operate in accordance with the company's written instructions for the board. The instructions stipulate rules for administrative procedure, confidentiality, competency and responsibility for establishing a control system to ensure that the company is run in accordance with relevant laws and regulations. A deputy chairman shall be elected for the purpose of chairing the board in the event that the chairman cannot or should not lead the work of the board. In accordance with its instructions, the board of directors shall, to the extent it is necessary, agree to strategies, business plans and budgets for the company. In addition, the board shall ensure that the company has a good management with a clear internal allocation of responsibilities and duties. In this connection, a set of instructions has been prepared for the CEO.

Board members and senior executives are obliged to make the company aware of any significant interests they may have in matters that the Board of Directors is to handle.

A member of the board of directors may not participate in the discussion or decision of any matter which is of such particular importance to himself or any related party that he must be deemed to have a special and prominent personal or financial interest in the matter. This provision is similarly applicable to the CEO., cf. asal. § 6-27.

Each year, the board of directors agrees a concrete meeting and work plan for the following year. The plan includes strategy work, other relevant business problems and control work. Further information about the work of the board of directors is provided in the directors' report.

The Board conducts an annual evaluation of its activities and, on this basis, discusses improvements in the organization and implementation of board work.

BOARD COMMITTEES

The Company shall, in accordance with Norwegian law have an audit committee.

The Audit Committee consists of 3 members elected by and from the board members. The majority of the Audit Committee must be independent. The Audit Committee shall have the duties imposed by the Financial Corporations Act §8-19.

The Board shall, in accordance with Norwegian law have a Compensation Committee.

The Compensation Committee consists of the Chairman of the board and two board members. The Committee shall be independent of the company management.

The Compensation Committee shall prepare and present:

- The annual evaluation of and matters regarding salary and other remuneration to the CEO.
- Guidelines for and matters regarding salary and other remuneration to senior executives.
- Declaration concerning the determination of salary and other remuneration to senior executives (cf Public Limited Companies Act § 6-16a), including:
    - Guidelines concerning the determination of salary and other remuneration for the upcoming fiscal year.
    - An account of the remuneration policy that has been conducted the previous fiscal year, including how the guidelines for executive salaries have been conducted.
    - An account of the impact on the company and the owners of implementation / changes to incentive schemes linked to shares.
- Other significant employment issues for senior executives

RISK COMMITTEE

The Board shall, according to the Financial Corporations Act have a Risk Committee.

The Risk Committee consists of three directors, of whom at least one member shall have expertise in the assessment of insurance and / or financial risk.

The Risk Committee shall have the duties as the Law on financial institutions and financial (Finance Corporate Law) §13-6.

The board will not establish sub-committees beyond the legal requirements. The size of the board and the frequency of its meetings mean that such committees are not required.

RISK MANAGEMENT AND INTERNAL CONTROL

The company is subject to strict requirements for risk management and internal control. This includes a requirement for an annual review of the company's most important areas of exposure to risk and its internal control arrangements. This annual review is to be confirmed by an external auditor. In connection with the annual review of the company's internal control, a complete assessment of all routines and procedures is implemented, including an updating of the risk to which the management believes the company is exposed and accompanying control measures. As a finance institution the company is subject to a an government issued regulation on risk management and internal control. The company has established routines that are in accordance with the regulation.

Protector's internal control of financial reporting encompasses guidelines and procedures that ensure that accounts are prepared according to the Accounting Act, regulations for annual accounts for insurance companies and good accounting practices and ensures a correct picture of the company's operations and financial position. .

REMUNERATION OF THE BOARD OF DIRECTORS (INCLUDING SUB COMMITTEES)

The annual general meeting determines the fees paid to the board of directors following a proposal from the nomination committee. The remuneration shall reflect the board's responsibility, expertise, time commitment and the complexity of the company's business.

The chairman of the board has a higher fee than other board members as a result of the larger responsibility and time consumption connected to his position. The board receives a fixed annual fee for its work, and has no share options. Details of the amounts paid to the individual board members are provided in the annual report. As a rule, members of the board, or companies to whom they are linked, shall not take on assignments beyond the work done by the board for the company. If they nevertheless take on such assignments, they must inform the entire board.

Substantial payments from the company over and above the fixed board fees shall be presented to the general meeting for approval. Information about the scope and costs linked to such work shall also be provided in that payments beyond the normal fee shall be specified separately in the annual report. The company does not give loans to members of the board of directors.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board's statement of guidelines for the pay and other remuneration of the executive management has since 2007 been presented for the General Meeting for necessary treatment. The declaration is stated in the financial statement notes. The salary and other remuneration for the CEO are determined by the Board after the suggestion of the Compensation Committee. The determination of salary and other remuneration for other executive managers is determined by the CEO with boundaries discussed with the Compensation Committee. Further information concerning compensation, loans and share ownership of senior management is set out in note 19. The executive management is encouraged to buy shares in the company.

INFORMATION AND COMMUNICATIONS

For the communication of financial and other price-sensitive information, the board of directors has based its policy on the requirements of the stock market regulations and provisions of the Acts relating to accounting and securities trading. In addition, Protector has a corporate culture based on openness, which means that all relevant information about the company's business activity will be published on the company's website, including annual and quarterly reports.

Annual and quarterly reports are also made available via the Oslo Stock Exchange's reporting system. The company also aims to provide open presentations in connection with the publishing of annual and quarterly reports.

The company has a financial calendar on its homepage and will provide the same information via the Oslo Stock Exchange's reporting system. This overview will contain the date for the annual general meeting as well as dates for the publishing of quarterly reports.

With the presentation of company information for individual shareholders or other interested parties, only publicly available information is presented.

TAKE-OVERS

In the event of a take-over bid for the company, the board of directors shall evaluate the situation thoroughly and with consideration for the rules relating to equal treatment of all shareholders. The board shall gather all relevant information, including the views of the employees, in order to undertake the best possible assessment of such an event. The board will thereafter give the individual shareholders the best possible advice with underlying information that ensures that each individual shareholder is able to take a position on an eventual bid. The board's statement on the offer shall make it clear whether the views expressed are unanimous, and if this is not the case it shall explain the basis on which specific members of the board have excluded themselves from the board's statement. The board shall arrange a valuation from an independent expert. The valuation shall include an explanation, and shall be made public no later than at the time of the public disclosure of the board's statement.

The board of directors will not seek to hinder or obstruct takeover bids for the company's activities or shares unless there are particular reasons for this.

Any transaction that is in effect a disposal of the company's activities shall be decided by a general meeting.

The company has no clauses that can exclude it from the restrictions under the Securities Trading Act § 6-17 concerning “Restriction of the offeree company’s freedom of

action” in a take-over process. Nor has the general meeting given the board of directors or CEO any special authority for use in such situations.

AUDITOR

The auditor shall submit the main features of the plan for the audit of the company to the Board of Directors Audit Committee annually.

The auditor shall take part in meetings with the board of directors that deal with the annual accounts. At these meetings, the auditor shall review any material changes in the company’s accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The board of directors will meet the auditor at least once a year to go through a report on the auditor’s views on areas of risk, internal control routines, etc. The board shall arrange an annual meeting with the auditor that excludes the executive management.

Significant services beyond the statutory audit must be pre-approved by the Board.

Information about the auditor’s fees for a mandatory audit and other payments shall be presented in the annual report.

PROTECTOR FORSIKRING ASA
Støperigata 2
PB 1351 Vika, 0113 Oslo
Tlf.: 24 13 17 00
info@protectorforsikring.no
www.protectorforsikring.no

PROTECTOR forsikring