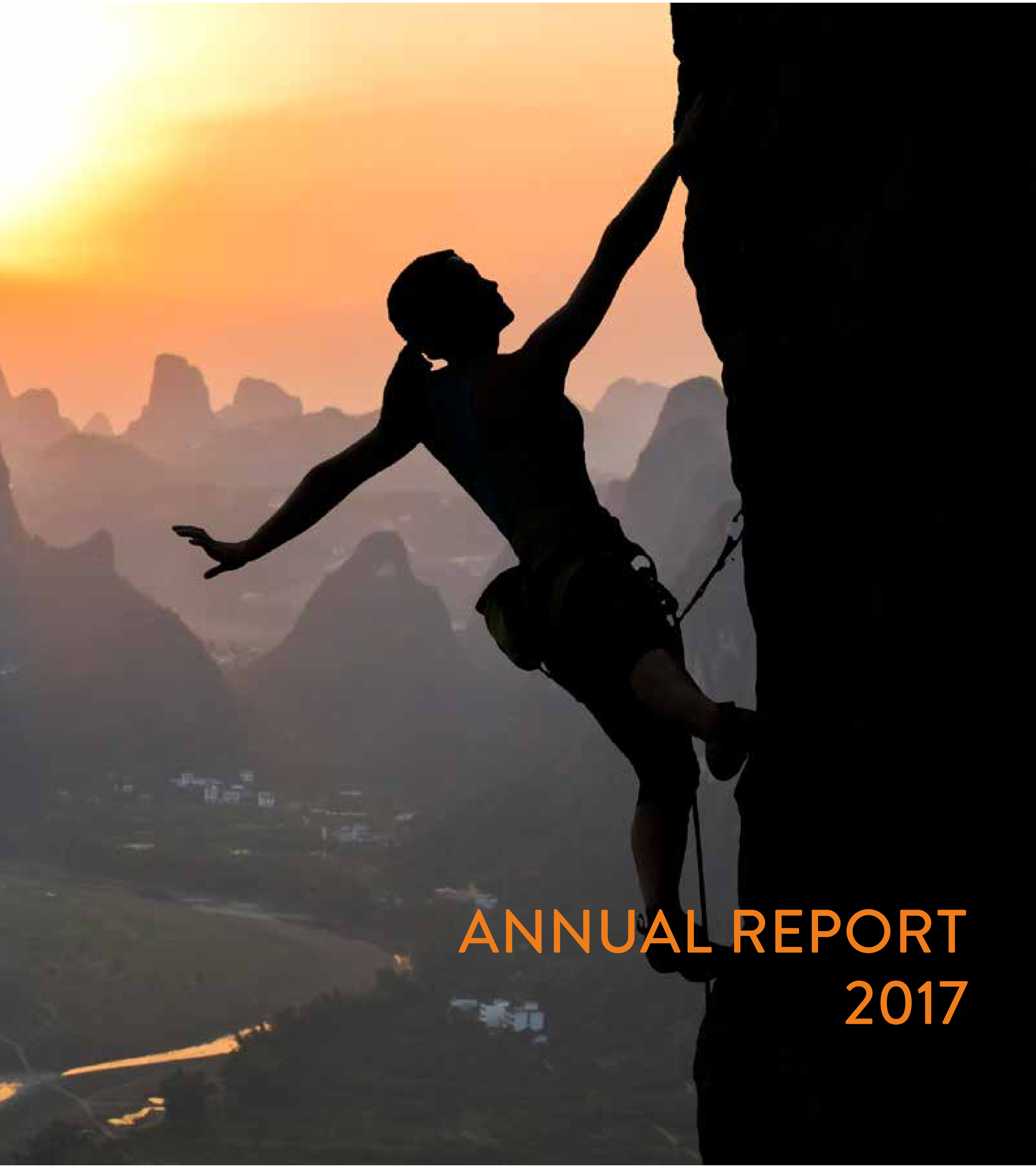


PROTECTOR
forsikring

CONTENTS

HIGHLIGHTS 2017

Total premiums amounted to NOK 4.163 million compared to NOK 3.439 million in 2016, an increase of 21 %. The growth occurred within the Norwegian commercial and public sector lines of business (9 % of growth), within Sweden (32 % of growth) and Denmark (7 % of growth).

The gross cost ratio in 2017 was 7.4 %, up from 6.8 % in 2016. The increase is mainly caused by cost related to the establishment and development of the branches in UK and Finland, increased cost of the long-term performance payment due to the development in the company's share price and increased sales cost in UK and Norway.

The combined ratio was 93.1 % at the end of 2017 compared to 97.0 % in 2016. The profitability in Norway and Sweden is good, while Denmark has a negative impact on the total profit for 2017. The gross combined ratio was 113.9 % in 2017 compared to 99.2 % in 2016. The increase is mainly caused by the Grenfell Tower fire in UK.

The operating profit amounted to NOK 562.2 million compared to NOK 541.1 million in 2016.

The company's underlying profitability is good. Existing and new profitability improvement measures are expected to result in good technical results in future periods.

Protector will be the challenger. This position will be achieved through unique relationships, best in class 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, reaching a goal that was stated from the beginning.

The company's «scalable business model» will be used as a foundation for further 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 will be the challenger. This position will be achieved through unique relationships, best in class 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

The company's long-term financial objectives are:

- Growth rate of gross written premium: 15 %
- Combined ratio for own account: 92 %
- 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. The same strategy applies to our affinity programs. Change of ownership insurance is sold through selected real estate agents and lawyers.

MARKET STRATEGY

Protector operates in non-marine insurance. The company has clearly defined market segments:

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 close to 600 municipalities and over 30 county councils on its client list at the end of 2017. 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 55, 35, 26 and 12 employees respectively by the end of 2017. 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.

Change of Ownership Insurance

Change of ownership insurance covers the seller's responsibility for the estate's material defects as specified by the sale of property law («Avhendingsloven»). Protector is the market leader within change of ownership insurance with more than 50 % market share. Protector has an effective value chain and the necessary critical mass to continue as a leading market player in years to come.

STRATEGY FOR CLAIMS HANDLING

Our claims handling team counts 132 employees in total, spread over the commercial line of business and change of ownership insurance. 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 our 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 latest 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 300 people at the end of 2017. 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.

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 Acadamy is our culture arena and internal educational program with a goal to increase the level of competence and culture compliance for both new and experienced employees. The Protector profile is a map of competence which is used on a regular basis and was developed to support the leadership development agenda for each and every employee, including leaders.

«Next Level» is our 7th and ongoing 18-month leadership development program which started in February 2017. The program builds on experiences from previously held programs with continuity since 2013.

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

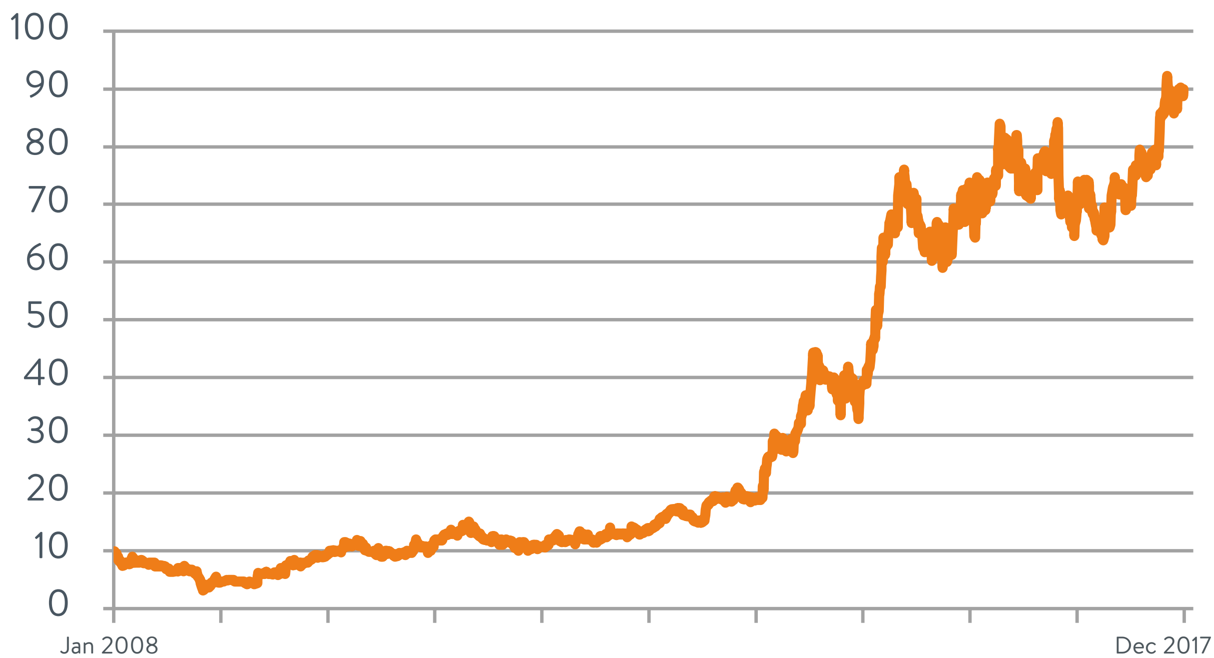
[1.000 NOK]		2017	2016	2015
Gross premiums written		4 163 210	3 439 047	2 843 364
Gross premiums earned		3 805 536	3 250 368	2 791 062
Gross claims incurred		(4 054 193)	(3 005 015)	(2 283 632)
Earned premiums, net of reinsurance		2 925 859	2 669 030	2 175 953
Claims incurred, net of reinsurance		(2 647 503)	(2 540 363)	(1 861 018)
Commission from reinsurers		204 129	172 267	141 084
Administration costs		(280 600)	(220 820)	(210 188)
Other insurance-related income/costs		(3 312)	(10 406)	(2 626)
Net financial income		419 462	499 265	303 791
Other income/costs		(55 851)	(27 879)	(10 857)
Profit before tax		**562 184**	**541 095**	**536 140**
Profit before components of comprehensive income		476 717	452 681	464 237
Profit for the year		516 535	449 322	481 729
Claims ratio, net of ceded business	(1)	90,5 %	95,2 %	85,5 %
Expense ratio, net of ceded business	(2)	2,6 %	1,8 %	3,2 %
Combined ratio, net of ceded business	**(3)**	93,1 %	97,0 %	88,7 %
Gross claims ratio	(4)	106,5 %	92,5 %	81,8 %
Gross expense ratio	(5)	7,4 %	6,8 %	7,5 %
Gross combined ratio	**(6)**	113,9 %	99,2 %	89,4 %
Retention rate	(7)	76,9 %	82,1 %	78,0 %
Earnings per share	(8)	5,53	5,25	5,48

(1) Claims incurred, net of reinsurance in % of earned premiums, net of reinsurance
(2) Operating expenses in % of earned premiums, net of reinsurance
(3) Net claims ratio + net expense ratio
(4) Gross claims incurred in % of gross premiums earned
(5) Sales and administration costs in % of gross premiums earned
(6) Gross claims ratio + gross expense ratio
(7) Earned premiums, net of reinsurance in % of gross earned premiums
(8) Profit before other comprehensive income divided by weighted number of shares

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 2017, Protector's share price increased by 34.2 % including dividends and 30.9 % excluding dividends. The Oslo Benchmark (OSEBX) increased by 19.1 % during the same period. In 2016, Protector's share price decreased 3.7 % including dividends and 6.8 % excluding dividends. The Oslo Benchmark index increased by 12.1 % during the same period.

DEVELOPMENT IN PROTECTOR'S SHARE PRICE

The average trading volume of Protector's shares on the Oslo Stock Exchange was 134,450 shares in 2017, relative to 153,961 in 2016. At the end of 2017, the Protector share was traded at NOK 90. The market value of total outstanding shares was NOK 7,754 million.

DIVIDEND POLICY

The company's goal is to maintain a solvency margin (calculated according to the Solvency II regulations) above 150 %. The final dividend decision will take into account the company's results and capital requirement including adequate financial buffers and the necessary flexibility for growth and development. Protector's board normally proposes a dividend per share in connection with the publication of Protector's preliminary annual results in February. The General Meeting then considers the proposition in April.

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

Consequently, the Board will not propose distribution of dividend for the fiscal year 2017.

Dividends of NOK 2.25 per share, totalling NOK 193.9 million were distributed in 2017 for the fiscal year of 2016.

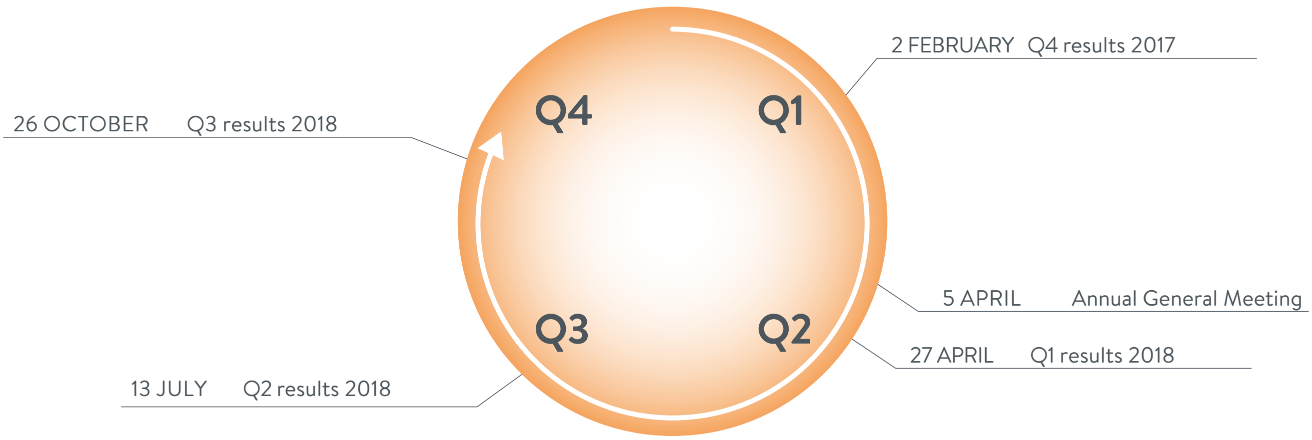
SHAREHOLDERS AND VOTING RIGHTS

The company has issued a total of 86,155,605 shares and there is only one class of shares with equal rights for all shareholders. 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 April 5th, 2017 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



2017 - APPROXIMATELY 20 % GROWTH 10 YEARS IN A ROW

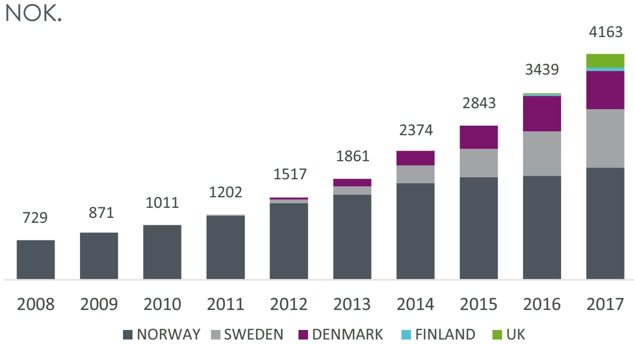
AT THE BEGINNING OF 2017, OUR TARGETS WERE:

- 16 % GROWTH
- CR 92
- EXPENSE RATIO < 7 %

In 2017 we grew 21 %, with a net combined ratio of 93.1 % - of which the expense ratio constituted 7.4 %. In addition, the company's financial results were very good – with a rate of return of 4.8 %, split between a good equity portfolio result and a very good bond portfolio result. Profit after tax amounted to NOK 476.7 million, up 5.3%, which yields a ROE of 19.6 %.

10 YEARS IN A ROW WITH APPROX. 20 % GROWTH

Protector has, over a period of 10 years, experienced a growth rate of approximately 20 % per year. The market share relative to our competitors is increasing, supported by our world leading cost ratio. A world leading cost ratio translates into low and competitive insurance premiums for both our Brokers and the end customer – during the last years we have saved small and medium sized enterprises for billions of NOK.



The graph shows Protectors growth during the last 10 years

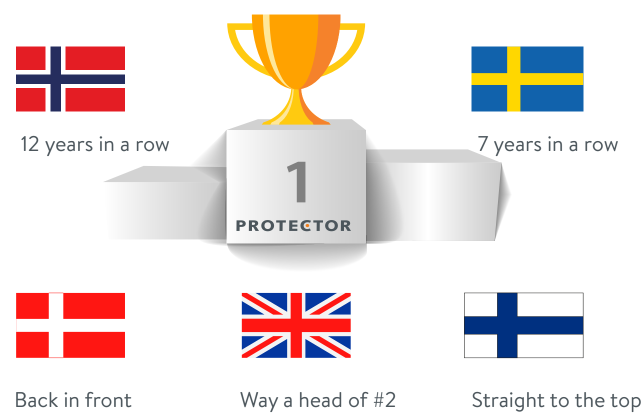
THE GRENFELL TOWER FIRE

In 2017 Protector received our largest claim to date. A tragic fire in London that took many lives and affected a large number of people, both directly and indirectly. The situation, process and the claims handling has been demanding, but so far the feedback we have received is very good.

In the wake of the Grenfell Tower fire, a conflict with our Property reinsurer arose – a conflict that is likely to end in an arbitration in Oslo.

QUALITY LEADERSHIP IN ALL MARKETS – HUMBLE AND PROUD

Protector is now the quality leader in all segments and countries we are represented in – a true vote of confidence by our Brokers and Realtors. The feedback is incredibly inspiring and we will use the feedback to learn and further develop both ourselves and the definition of quality.



QUALITY LEADERSHIP IN ALL MARKETS

Grenfell Tower after the tragic fire 14th of June 2017.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	avg. 08-17
Protector	-2.1 %	16.1 %	9.7 %	-2.3 %	8.9 %	7.0 %	5.3 %	5.2 %	7.0 %	4.8 %	6.0 %
KLP	0.4 %	8.3 %	7.2 %	4.5 %	6.5 %	6.5 %	6.5 %	4.4 %	6.1 %	3.8 %	5.4 %
If	-3.1 %	12.4 %	7.4 %	1.8 %	6.1 %	5.0 %	4.1 %	1.5 %	2.9 %	2.6 %	4.1 %
Gjensidige	-0.6 %	5.5 %	5.2 %	4.4 %	5.4 %	4.3 %	4.3 %	2.6 %	3.9 %	3.7 %	3.9 %
Tryg	3.5 %	6.6 %	4.3 %	4.8 %	5.1 %	2.5 %	4.3 %	0.7 %	3.7 %	2.1 %	3.8 %
Länsforsäkringar	-14.0 %	10.0 %	6.0 %	-2.0 %	5.0 %	6.1 %	6.5 %	4.6 %	5.6 %	5.5 %	3.3 %
Codan/Trygg Hansa	5.6 %	5.9 %	3.5 %	3.0 %	3.9 %	-0.4 %	3.9 %	3.0 %	2.8 %	1.1 %	3.2 %
Topdanmark	-6.9 %	7.3 %	4.8 %	3.1 %	6.9 %	4.1 %	3.4 %	1.0 %	4.4 %	2.1 %	3.0 %
Avg. eks. PF	-2.2 %	8.0 %	5.5 %	2.8 %	5.6 %	4.0 %	4.7 %	2.5 %	4.2 %	3.0 %	3.8 %

Return on investment portfolio, Protector vs. competitors. KLP and Länsforsäkringar per Q3 17, Codan/Trygg Hansa per Q2 17.

INVESTMENTS ARE CORE BUSINESS

In 2017 our investment portfolio yielded a return of 4.8 %, behind benchmarks on both equities and bonds for the short term. The investment portfolio amounted to NOK 9.4 billion at the end of 2017.

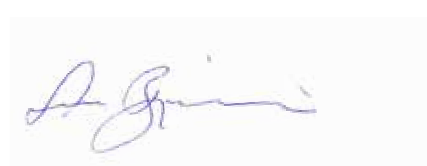
During the last 10 years approximately 75 % of our result after tax has stemmed from investment activities. Without insurance as a foundation, investments wouldn't be a possibility, but Protector acknowledge Investments as a core business, as opposed to many of our competitors.

THE BALANCE

At the end of 2017 Protector had a SCR-ratio fully utilized by Tier 1 capital of 199.4 %, which makes us one of the most financially solid companies in the Nordics. A major increase in the balance sheet in 2017 is the result of an issued subordinated loan of NOK 600 million and a new solvency based reinsurance solution, which gives the company capital at a low cost. The rating agency A.M. Best assigned Protector with a credit rating of BBB+, something that will contribute to an increased access to clients and accounts in some segments.

With a SCR-ratio of 199.4 %, we are well prepared for further growth both in the Nordics and in the UK.

I would like to take the opportunity to thank both our Insurance Brokers and our Realtors for the very good quality feedback we received and the trust you have shown us. We are both proud and excited about the fact that we are a contributor to making the day for your customers better and easier.



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 a CEO in Torinno and as a CEO in Ementor Norge.

NORWAY: CORPORATE AND PUBLIC SECTORS

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

CONTINUED GROWTH IN 2017

Gross premium written amounted to MNOK 1,517 in 2017 against MNOK 1,394 in 2016, an increase of 9 %. The growth is coming from the commercial sector, while the public sector experienced a small negative growth. In particular, growth has been very good for the Property, Casualty and Motor products, which gives the company a more diversified portfolio. This is achieved through targeted efforts and use of the company's competitive advantages. For the employee benefit products the growth is moderate, driven by high pressure on rates and a mature portfolio exposed to competition. EB remain the largest share of the portfolio. The renewal rate was 89 % in 2017, up from 87 % in 2016.

The company has maintained its cost leadership and achieved good profitability through 2017. This gives room for competitive pricing and a continued high success rate in both policy renewals and sales of new policies in the future.
Single-digit growth is expected in 2018, as low rates and high premium awareness at both clients and brokers will make negative contributions.

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 2017, the brokers ranked Protector as their preferred insurance company for the eleventh consecutive year. This is also supported by the insurance brokers'

own survey, where Protector was ranked on top in 6 out of 7 areas in 2017, as in 2016.

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. Competi¬tion in the commercial market and in the public sector is perceived to be variable and is sharpest where the margins and value chains are historically already under pressure.

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

ORGANIZATION

The business area implemented a number of development and improvement projects in 2017. 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 well proven in underwriting and market, where professional development and targeted market approach raise the operational level, and to an increasing degree also in claims handling.

In 2017, 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.

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.

SWEDEN:
COMMERCIAL & PUBLIC LINES OF BUSINESS

Protector follows the same business model in Sweden as in Norway and Denmark – distribution through insurance brokers.

32 % GROWTH
Gross premiums were NOK 1,078 million in 2017, an increase from NOK 815 million in 2016 – equivalent to 32 % growth. The growth was observed within all product lines and segments, backed up by very strong levels of new sales and 84 % renewal rate. Protector is number one in the Swedish municipality market, and insure 205 municipalities and 7 regions. Protector is also number one in the bus market insuring 45% of buses in Sweden and a big insurer of housing societies, with around 1,000 housing societies as customers.
The portfolio has less long-tailed business in Sweden than in Norway and Denmark. Just over 80 % of our volume comes from motor and property insurance.

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 81 out of 100 possible points in 2017. The distance to market average increased in 2017 and is 28 points and the distance to the closest competitor is 13 points. As quality leader for the sixth year running we claim that we are setting a new standard of quality in Sweden.

ORGANISATION AND COMPETENCE
The cost percentage was 13.4 % in 2017, down from 15.5 % in 2016. Protector's Swedish branch consists of 55 employees, where the majority works in underwriting and claims handling. This is up from 49 employees in 2016. We now consider the investment in the organization to be complete, i.e. the staffing will increase slower than the premium volume in the future with a declining cost ratio as a result.

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 Länsförsäkringar. Didring's last position was as Head of Broker Sales and Service at If in Stockholm.

DENMARK:
COMMERCIAL & PUBLIC LINES OF BUSINESS

Protector follows the same business model in Sweden as in Norway and Sweden – distribution through insurance brokers.

7 % GROWTH

Gross premiums were NOK 704 million in 2017, a modest increase from NOK 655 million in 2016, equivalent to 7 % growth. 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 78 municipalities and 3 county municipalities as customers. Profitability improved in 2017 compared to 2016, net combined ratio ended at 108.9 %

DISTRIBUTION AND MARKET

Protector continuously work to develop our relations with Danish insurance brokers, and has during the year taken important steps towards resuming the position as quality leader in Denmark, a position already held by Protector in Norway and Sweden. In the 2017 measurement of the insurance brokers satisfaction with insurance companies services and offers, Protector achieved 65 out of 100 possible points, which defined Protector as the quality leader. The distance to our competitors however, is small and we will work hard to increase the distance going forward.

ORGANISATION AND COMPETENCE

Our expense ratio was 6.1 % in 2017, down from 7.7 % in 2016. Protector's Danish branch consists of 35 employees, in line with the number in 2016 and the majority works in underwriting and claims handling. The team will be strengthened further in 2018 , and as such we expect the cost ratio to go slightly up.

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:
COMMERCIAL & PUBLIC LINES OF BUSINESS

Protector follows the same business model in the UK as in Scandinavia – distribution through insurance brokers.

2017 was the second year with operations in the UK. Protector has developed its position in both the Public and Housing segments, as well as in the Commercial segment. At year end, the Gross Written Premium (GWP) amounted to NOK 253 million, whereof the Public Sector represents half of the volume.

On 14th June, fire broke out in Grenfell Tower which resulted in a human tragedy of unprecedented proportions. As the insurer for Royal Borough of Kensington and Chelsea, we have worked closely with our client and innumerable stakeholders. The focus has been on the victims of this tragedy, and on analysing and implementing risk improvement measures working alongside involved authorities.

DISTRIBUTION AND MARKET

Protector has been very well received by the insurance brokers in the UK. A significant number of broker relationships across segments have been established and further strengthened throughout 2017. Protector's proposition in respect of Underwriting, Service, Risk Management and Claims Handling is highly regarded by brokers and clients alike.

The first Broker Satisfaction Survey in the UK was completed in the fourth quarter, and the feedback on our deliveries is very positive – Protector is considered the quality leader and far ahead of number 2. It is humbling to receive such positive feedback after only two years of operations in the UK market.

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. The premium rates are considered attractive, in part because of Protector's low 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. Transferring the culture, the risk evaluation methodology and processes has been the a strong area of focus. The overall experience and competence that sits within the UK team is solid, and further recruitment is ongoing. Offices in other UK cities is being considered, and it is expected that another office will be established in 2018. The UK branch is run in line with the company's performance culture and value-based management.

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.

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. Responsible for UK since 2016.

FINLAND:
COMMERCIAL & PUBLIC LINES OF BUSINESS

Protector follows the same business model in Finland as in Scandinavia – distribution through insurance brokers.

124 % GROWTH

Gross premiums were NOK 60.3 million in 2017, an increase from NOK 26.9 million in 2016 – equivalent to 124 % growth. The growth was observed within all product lines and segments, with Public market and Workers´ Comp. being the growth drivers.

DISTRIBUTION AND MARKET

Protector is still new on the Finnish market and even though we have been well received by the brokers, we still lose a lot of commercial business even though we are recommended by brokers. In January 2018 we measured for the first time how satisfied the insurance brokers are with the insurance companies' service and offers. Protector came out as number one on the list and obtained 74 out of 100 possible points, which was 11 point ahead of number two.

ORGANISATION

Protector's Finnish branch consists of 12 employees, where the majority works in underwriting and claims handling. This is up from 4 employees in 2016. We will continue to recruit more people in line with growth, although staffing will increase slower than the premium volume – with declining cost ratio as a result. Onboarding and setting the culture have been in focus during 2017, due to fast growth in the number of staff.

KRISTER RÄIHÄ
Country Manager Finland

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

INVESTMENTS

Protector's investment portfolio is primarily managed internally and consists of investments in interest-bearing instruments and shares.

4.8% RETURN

The financial result in 2017 was NOK 419.5m (NOK 499.3m), which yielded a return of 4.8 % (7.0%). At the end of 2017, the investment portfolio amounted to NOK 9.4bn compared with NOK 7.5bn at the end of 2016. At the end of 2017, the whole portfolio was internally managed.

The allocation of assets in the portfolio is based on the company's capitalisation and risk capacity, investment philosophy as well as risk appetite. At the end of 2017, 17.6% of the portfolio was invested in equities and 82.4% in interest-bearing instruments and bank deposits.

Protector's equity portfolio consisted primarily of investments in companies listed on the Norwegian and Swedish stock exchanges. The return on equity investments was 12.1 % in 2017, whereas the Oslo and Stockholm Stock exchange generated returns of 19.1 % and 6.4 % respectively during the same period.

The return on the fixed income portfolio was 3.1% in 2017. Protector's outperformance compared with the benchmark was 26 bp.

The return on the fixed-income portfolio was positively affected by the credit spread tightening in the Nordic bond markets, while the decline in NIBOR interest rates affected the return negatively due to the bond portfolio mainly consisting of floating bonds. Protector's risk assessment of the bond portfolio at the end of 2017 translates to an average A rating.

ORGANISATION

The investment department consisted of six employees at the end of 2017: two portfolio managers and four analysts.

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.

NORWAY: CHANGE OF OWNERSHIP INSURANCE

Protector maintained a market share of more than 50 % in 2017. The company's three most important sales channels are Eiendoms-Megler1, PRIVATmegleren and Krogsveen.

CORRECTION IN REAL ESTATE PRICES

After a long period of high growth, there was a correction in the real estate prices in 2017. The prices went down last 8 months of 2017. The growth rate was 5.7 % year over year, due to high growth in the beginning of the year. The number of sold properties in the market was 1 % higher in 2017 than in 2016. Our premiums revenues ended at NOK 551 million for the year, up 5 % from 2016 (NOK 524 million). The Hit Ratio was stable at approximately 80 %.

PARTNER FOR ESTATE AGENTS

In 2017, Protector held specialist courses and provided training for a majority of the more than 2,500 estate agents who constitute the company's sales channel. A specialist course in the Norwegian Alienation Act (Avhendingsloven), estate agent liability and other relevant themes provide approved supplementary training points from the Financial Supervisory Authority of Norway. The training courses offered have been very well received by the chains of estate agents. In total, Protector awarded nearly 7,000 course points to the estate agency industry in 2017, equal to approximately NOK 9 million in saved course fees.

Protector's satisfaction index remains at a very high level with 89 points out of a possible 100, and the assessment of the company's claims handling quality is at an all-time high level.

ALL-TIME HIGH CLAIMS HANDLING QUALITY

Approximately 4,800 claims were filed in 2017. We received more than 390 writs of summons and a somewhat higher number of notices of intent to file a writ of summons. This is on the same level as in 2016.

The Claim handling quality was on a very high level in 2017. The Department makes decisions in 89 % of the cases within 14 days from when the claimant has submitted documentation of the claim. The outstanding claims portfolio has been reduced to the lowest level ever, to 1.130 claims as at the year-end. This ensures good portfolio control and is an important success factor for the very good claims settlement quality. Regarding claims for which complaint were brought before Protector's own complaints board, the Norwegian Complaints Board for Change of Ownership Insurance (KKFE), and the Norwegian Financial Services Complaints Board (FinKN), the complaints boards found for the company in 75 % of the complaints in 2017. Of the approximately 390 concluded court cases to which the company was a party in 2017, 66 % were settled. Of the remaining cases, 68 % were wholly or partly won by Protector before the District Court. This is a good result and shows that Protector's claims settlement is of a high quality.

THE CONFLICT LEVEL IN NORWEGIAN HOUSING MARKET IS LOW

In May 2017, Protector released a report about Norwegian housing market. This report documents that the conflict level is low. The claim frequency is reduced by 44 % since 2004, to approx. 10 % today. Number of private housing sales that ends in a conflict is below 2 %.

Even though the conflict level is low, Protector believes that a further reduction is possible. Protector thinks that technical surveys with good quality is the main key. Therefor Protector has developed an IT-solution for technical surveys, called ProTakst. This is an ipad-based tool, which makes the procedure for filling in technical survey reports both more efficient and more consistent. The tool was launched spring 2017, and is available to all surveyors who wish to use them.

Protector has also change the (Norwegian) product name. The new product name («Boligselgerforsikring») will better reflect what the product is, and will reduced number conflicts related to misunderstandings of what the product covers.

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.

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, Denmark in 2012 and Finland and UK in 2016. Protector is operating from its head office in Oslo.

HIGHLIGHTS FOR 2017:

- 24 % growth in the corporate segment and in the public sector
- 4.8 % return on the investment portfolio
- 19.6 % return on equity

PREMIUM INCOME

The company's gross premium written increased by 21.1 % in 2017 to a total of MNOK 4,163.2.

Gross premium earned increased by MNOK 555.2 to a total of MNOK 3,805.5. Net premium earned amounted to MNOK 2,925.9, up 9.6 % from 2016. The company entered into a quota share agreement with a 10 % cession rate effective from July 1st 2017, which reduces the growth in net premiums earned.

The corporate and public sectors increased by 24 % driven by Sweden, UK and Norway. Gross premium written in Sweden amounted to MNOK 1,078.3, a growth rate of 32.2 % from MNOK 815.4 in 2016. Gross premium written in Denmark amounted to MNOK 703.6, a growth rate of 7.4 % from MNOK 655.1 in 2016.

Gross premium written in Norway (corporate and public), excluding UK and Finland, amounted to MNOK 1,517.4, a growth rate of 8.9 % from 2016. Gross premiums written in UK and Finland for 2017 amounted to MNOK 252.9 and MNOK 60.3 respectively. The growth is driven by high sales of new insurance policies and a good renewal rate. Of the total growth of 24% in the corporate and public sectors, 4.3 percentage points came from Norway, 9 percentage points from Sweden, 1.7 percentage points from Denmark, 7.8 percentage points from UK and 1.1 percentage points from Finland.

The company is the market leader on the Scandinavian municipal market. In 2017, the growth rate for the municipal sector was 22.7 %. The growth rate was 16.9 % in Sweden and 53.3 % in Denmark, while Norway had a decrease of 8.7 %. Finland and UK amounted to 15.2 % of the premiums in 2017 compared to 4.2 % in 2016. The majority of the growth came from general insurance. In Sweden, the public sector constituted 30.3 % of the total premium volume, in Norway 16.2 %, Denmark 28.3%, UK 49.2 % and Finland 50.5 %.

The premium income from the change of ownership insurance, the company's largest affinity programme, amounted to MNOK 550.6, up 5.1 % from 2016. Protector's market share is well over 50 %, which is around the same level as in 2016. The hit ratio in 2017 was in line with 2016 at approximately 80 %.

RESULT

Profit before tax (operating profit) amounted to MNOK 562.2 against MNOK 541.1 in 2016. The improvement in profit is due to a strengthening of the technical result combined with strong financial return. The rate of return on average equity ended at 19.6 % in 2017.

The claims ratio, net of reinsurance improved from 95.2 % in 2016 to 90.5 % in 2017. Net expense ratio amounted to 2.6 %, up from 1.8 % in 2016. The development in loss and expense ratios results in a combined ratio of 93.1 % in 2017 against 97.0 % in 2016.

The profitability in Norway and Sweden is good, while Denmark has a negative impact on the total profit for 2017.

The gross combined ratio in 2017 increased from 99.2 % in 2016 to 113.9 % in 2017, mainly caused by the Grenfell Tower fire in UK. The net combined ratio ended at 93.1 % down from 97.0 %.

The expense ratio margin has increased in 2017 compared with 2016. On a gross basis, the expense ratio amounted to 7.4 % against 6.8 % in 2016. The increase is mainly caused by cost related to the establishment and development of the branches in UK and Finland, increased cost of the long-term performance payment due to the development in the company's share price and increased sales cost in UK and Norway. The expense ratio is expected to be on the same level in 2018 despite additional hire of resources in UK and Finland, compensated by top-line growth and continued strong focus on efficiency and cost management.

The net result from the investments amounted to MNOK 419.5 in 2017, corresponding to 4.8 %, down from MNOK 499.3, corresponding to 7.0 % in 2016. The result is caused by a both good share return and interest rate return.

The interest rate portfolio yielded a positive return of MNOK 224.4 in 2017, corresponding to 3.1 %. In 2016, the return on the interest rate portfolio was MNOK 292.0, corresponding to 5.1 %.

The return on shares amounted to MNOK 195.0, corresponding to 12.1 % in 2017, against MNOK 207.3, corresponding to 14.3 % in 2016.

The company's growth in Sweden, Denmark, UK and Finland provides greater diversification geographically and product wise.

The profit for the year 2017 in Protector Forsikring ASA was MNOK 516.5 up from MNOK 449.3 in 2016.

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.

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 organizations:
Chairman of the Board, Holmen Fondsforvaltning 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:
Attorney at kontorfellesskap Advokatfirmaet Hjort DA (2016 -),
Partner in Advokatfirmaet Hjort DA (1991-2015)
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 organizations:
Chairman of the Board Kommunalbanken
Chairman of the Board Eksportkreditt.
Board member in Aker Kværner Holding AS.
Regarded as an independent board member: Yes

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 199.4 % at the end of 2017. The calculation of the SCR-ratio is described in further detail in Note 24.

At the end of 2017, the company's eligible solvency capital amounted to MNOK 3,656. The solvency capital constituted of MNOK 2,381 in Tier 1 capital, MNOK 358 in restricted Tier 1 capital and MNOK 917 in Tier 2 capital.

The cash flow statement showed a positive cash flow from operating activities, before investments in financial assets, of MNOK 1,415.1. There was a negative net cash flow of MNOK 318.4. Cash and cash equivalent amounted to MNOK 537.7 at the end of 2017.

The company's capital situation and solvency is regarded as satisfactory by the Board of Directors.

The company had 2,411 shareholders as at 31.12.2017.

DIVIDEND

As the Board is of the opinion that the company's core markets provide good opportunities for strong profitable growth in the coming years, it believes that the company and the shareholders will benefit from reinvesting the full earnings in the company during this growth period. Consequently, the Board will not propose distribution of dividend for the fiscal year 2017 to the General Meeting in 2018.

The company's objective is to maintain a solvency margin (calculated in accordance with the Financial Supervisory Authority of Norway's Solvency I rules) that is higher than 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 organisation. 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 2017, the company had an investment portfolio of BNOK 9.4, 80.2 % of which was invested in interest-bearing instruments, 17.6 % in shares and 2.2 % in other investments. The percentage of shareholdings has been reduced by 4.5 percentage point during 2017. The duration (term) in the interest-rate portfolio is 0.29 years as at the end of 2017, a reduction of 0.25 from the end of 2016. 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 risk-bearing 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's total assets has primarily been managed internally. The largest external investment and asset managers during the year has been: KLP Fondsforvaltning, Carnegie Kapitalforvaltning, Nordea Investment Management and Arctic Fund Management. At the end of 2017 the whole portfolio was managed in-house.

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 programme with well-established reinsurers.

The framework for the reinsurance programme 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 programme. The retained risk ratio amounted to 76.9 % in 2017, a decrease of 5.2 percentage point from 82.1 % in 2016. 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. In 2017, the duration of credit for the interest-rate portfolio has been stable at 2.9 years, which is the same level as in 2016. The average credit rating for the issuers in the portfolio is A at the end of 2017.

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

RANDI HELENE RØED
Board Member
Chairman Audit Committee
Chairman Risk Committee

Education:
MSc in Economics and Business Administration from NHH.
Work experience:
EVP HR Norsk Tipping (since 2015),
CFO Norsk Tipping (2008-2015),
Director in Eidsiva Energi (2002-2008),
Senior Associate in PWC (1999-2002),
Controller in IBM and NIT,
Office Manager Group Accounting in DNB
Board member of Protector since: 2014
Other essential tasks in companies and organizations:
Deputy chairman and chairman of audit committee 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

FREDRIK H. ØYAN
Board member
(elected by and amongst the employees)

Education:
B. Sc. Management (2005),
M. Sc. Insurance and Risk Management (2006)
Work experience:
Chief Underwriter P&C and Reinsurance in Protector Forsikring ASA (from 2009),
Account Executive in Willis Ltd, London (2006 – 2008)
Board member of Protector since: 2012
Other essential tasks in companies and organizations:
None

on a 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 regarded as having been 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 2017 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, WORKING ENVIRONMENT AND SOCIAL RESPONSIBILITY

The company had 306 employees as at the end of 2017. This is an increase of 38 employees during the year. The increase is driven by the extending claims handling and growth in Sweden, UK and Finland. Out of the company's 306 employees, 55 are employed in Sweden, 35 in Denmark, 26 in UK and 12 in Finland. Significant importance is attached to managerial and competence development as well as to recruitment of highly competent personnel. In 2017, the company's capacity and competence have been further strengthened for continued growth.

The company's employees are distributed on 46 % women and 54 % 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.

The rate of absence due to sickness in Protector was 4.3 % in 2017 against 3.9% in 2016.

There were no accidents at work or occupational injuries during 2017.

The company's business activities do not result in any significant pollution of the external environment. For further information about social responsibility, see the company's report on its corporate governance

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 30 October 2014. For a more detailed description of the Protector's corporate governance, see a separate article in this report.

OUTLOOK

There is normally an element of uncertainty connected with assessments of future conditions, but the Board of Directors finds that the company is well equipped to meet the competition in the coming years.

The company expects continued strong growth in 2018, mainly driven by growth in Sweden and UK. The growth assumptions are based on an excellent start to 2018 on all our established markets and continued good inflow of business.

The company's underlying profitability is expected to remain good. The company's investment returns will be subject to market volatility.

BIRTE T. ØYGARD
Board member
(elected by and amongst the employees)

Education:
Master of Laws, 2012
Bachelor`s degree in Organization and Leadership, 2008
Work experience:
Protector Insurance, Lawyer, Claims handler Liability 2014-
Agriculture directorate, Executive Officer, Natural Disaster compensation, 2013
Board member of Protector since: 2016
Other essential tasks in companies and organizations: None

Oslo, 9 March 2018
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll
(Chairman)

Jørgen Stenshagen

Else Bugge Fougner

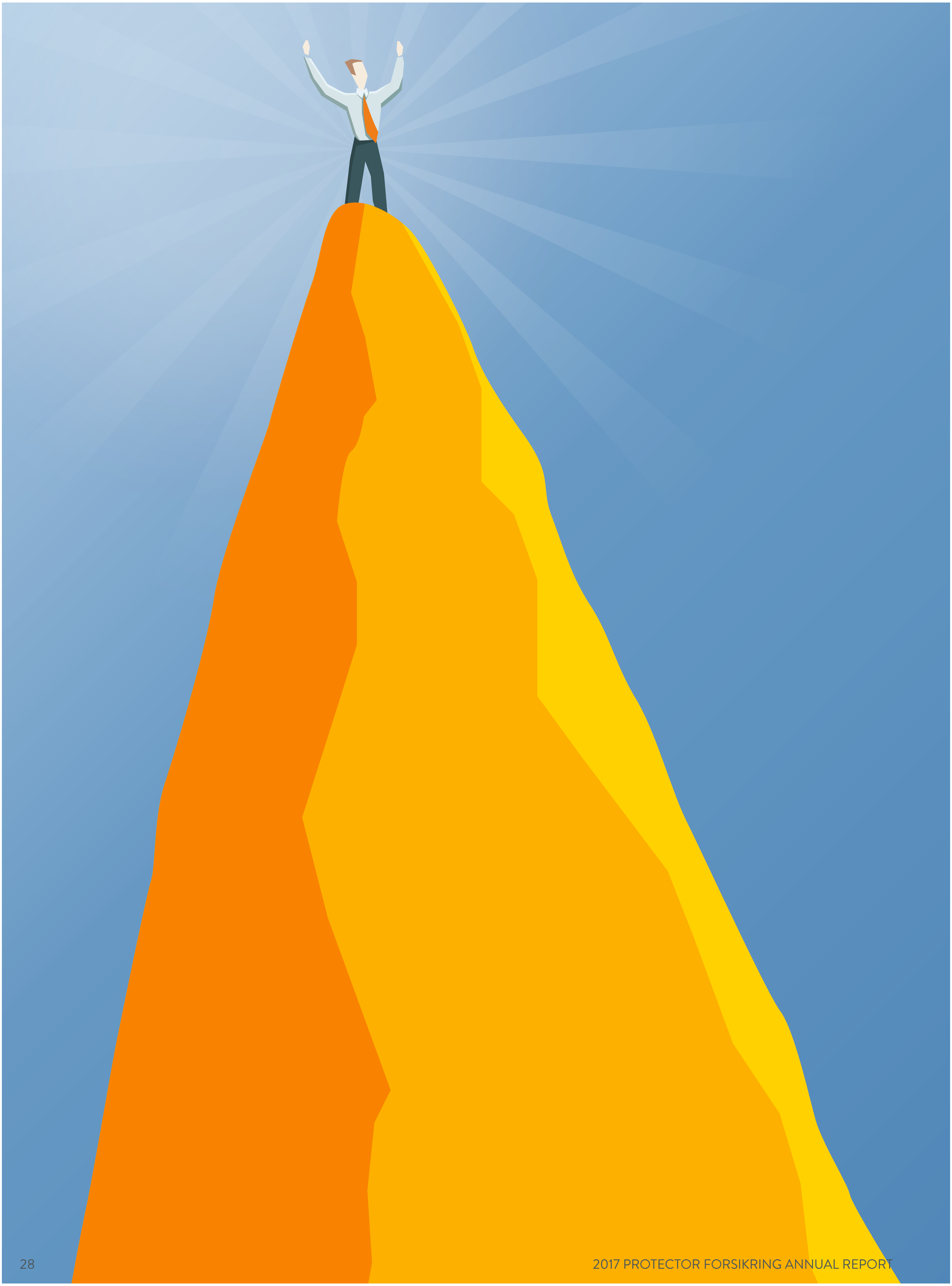
Erik G. Braathen
(Deputy Chairman)

Randi Helene Røed

Fredrik Øyan

Birte T. Øygard

Sverre Bjerkeli
(CEO)



INCOME STATEMENT

[1.000 NOK]	Notes	2017	2016
PREMIUM INCOME			
Gross premiums earned		3 805 536	3 250 368
Reinsurers' share of earned premiums		(879 677)	(581 338)
Earned premiums, net of reinsurance	**6**	**2 925 859**	**2 669 030**
Other insurance-related income		**5 111**	**15 433**
CLAIMS			
Gross claims incurred		(4 054 193)	(3 005 015)
Reinsurers' share of claims incurred		1 406 690	464 652
Claims incurred, net of reinsurance	**6**	**(2 647 503)**	**(2 540 363)**
INSURANCE-RELATED OPERATING EXPENSES			
Sales expenses	18	(158 099)	(116 656)
Insurance-related administrative expenses	14, 19-21	(122 501)	(104 164)
Commissions from the reinsurers		204 129	172 267
Total operating expenses		**(76 471)**	**(48 552)**
Other insurance-related expenses		**(8 423)**	**(25 839)**
Technical result		**198 573**	**69 708**
NET FINANCIAL INCOME			
Interest income and dividend from financial assets		224 074	191 485
Changes in value on investments		(166 949)	310 999
Realised gain and loss on investments		386 055	17 757
Administration expenses related to investments, including interest expenses		(23 719)	(20 976)
Total net financial income	**22**	**419 462**	**499 265**
Other costs		**(55 851)**	(27 878)
Non-technical result		**363 611**	**471 386**
Profit before tax		**562 184**	**541 095**
Tax	15	(85 467)	(88 414)
Profit before other comprehensive income		**476 717**	**452 681**
OTHER COMPREHENSIVE INCOME			
Actuarial gain and loss from defined benefit pension plans- benefits to employees		(8 396)	(1 181)
Currency changes from foreign enterprise		61 488	(3 297)
Tax on other comprehensive income		(13 273)	1 120
PROFIT FOR THE YEAR		**516 535**	**449 322**

STATEMENT OF FINANCIAL POSITION

[1.000 NOK]	Notes	2017	2016
ASSETS			
INTANGIBLE ASSETS			
Other intangible assets	7	20 857	15 817
Total intangible assets		**20 857**	**15 817**
BUILDINGS AND OTHER REAL ESTATES			
Owner-occupied property	8	13 450	13 725
Total buildings and other real estates		**13 450**	**13 725**
FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS			
Shares		1 649 325	1 670 208
Bonds and other fixed-income securities		7 519 860	5 224 987
Bank deposit		210 187	651 762
Financial derivatives		2 520	1 313
Total financial assets	**4, 9**	**9 381 892**	**7 548 270**
REINSURERS' SHARE OF GROSS TECHNICAL PROVISIONS			
Reinsurers' share of gross premium provisions		228 606	65 980
Reinsurers' share of gross claims provision		1 829 437	638 166
Total reinsurers share of gross technical provisions	**6**	**2 058 043**	**704 146**
RECEIVABLES			
Policyholders		207 610	83 798
Intermediaries		81 615	76 366
Other receivables		10 284	16 251
Total receivables	**10**	**299 510**	**176 414**
OTHER ASSETS			
Tangible fixed assets	8	15 688	12 421
Cash and bank deposits	11	327 475	204 307
Total other assets		**343 163**	**216 728**
PREPAID EXPENSES AND ACCRUED INCOME			
Other prepayments and accrued income	12	155 211	182 930
Total prepaid expenses and accrued income		**155 211**	**182 930**
TOTAL ASSETS		12 272 127	8 858 030

STATEMENT OF FINANCIAL POSITION

[1.000 NOK]	Notes	2017	2016
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital [86.155.605 shares at NOK 1]	13	86 154	86 156
Other paid-in equity		267 677	267 677
Total paid-in equity		**353 831**	**353 833**
EARNED EQUITY			
Natural perils capital		22 701	8 326
Guarantee scheme provision		85 909	83 301
Other equity		2 128 821	1 822 740
Total earned equity		**2 237 431**	**1 914 368**
Total equity		**2 591 263**	**2 268 200**
SUBORDINATED LOAN CAPITAL			
Other subordinated loan cpaital	9, 25	1 243 285	645 875
Total subordinated debt		**1 243 285**	**645 875**
GROSS TECHNICAL PROVISIONS			
Provision for unearned premiums		964 726	590 750
Claims provision	3	6 084 658	4 557 233
Total gross technical provisions	**6**	**7 049 384**	**5 147 982**
PROVISION FOR LIABILITIES			
Pension liabilities	14	12 090	10 924
Current tax liabilities	15	42 722	8 947
Deferred tax liabilities	15	151 001	156 927
Total provision for liabilities		**205 813**	**176 798**
LIABILITIES			
Liabilities related to direct insurance operations	16	59 239	7 311
Liabilities related to reinsurance operations	16	671 632	196 841
Financial derivatives	4, 9	9 205	2 899
Other liabilities	16	57 444	58 352
Total liabilities	**16**	**797 520**	**265 404**
ACCRUED EXPENSES AND DEFERRED INCOME			
Other accrued expenses and deferred income	17	384 862	353 771
Total accrued expenses and deferred income		**384 862**	**353 771**
TOTAL LIABILITIES AND EQUITY		**12 272 127**	**8 858 030**

Oslo, 9 March 2018
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll
(Chairman)

Jørgen Stenshagen

Else Bugge Fougner

Erik G. Braathen
(Deputy Chairman)

Randi Helene Røed

Fredrik Øyan

Birte T. Øygard

Sverre Bjerkeli
(CEO)

CASH FLOW STATEMENT

[1.000 NOK]	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Premiums paid	3 962 835	3 331 377
Claims paid	(2 574 043)	(2 218 039)
Paid reinsurance	(13 723)	(120 312)
Paid operating expenses including commissions	(199 887)	(275 953)
Interest and dividend income	273 106	179 462
Net payments from financial assets	(2 055 563)	(490 926)
Payable tax	(33 243)	(107 827)
Net cash flow from operating activities	**(640 518)**	**297 782**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investmest tangible fixed assets	(25 137)	(13 955)
Net cash flow from investment activities	**(25 137)**	**(13 955)**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Dividend payments	(193 825)	(193 850)
Net payments on subordinated loan capital	597 410	497 750
Interest payments on subordinated loan capital	(56 338)	(22 795)
Net cash flow from financial activities	**347 247**	**281 104**
Net cash flow for the period	**(318 408)**	**564 932**
Net changes in cash and cash equivalents	(318 408)	564 932
Cash and cash equivalents at the start of the year	856 069	291 138
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**537 660**	**856 069**

STATEMENT OF CHANGES IN EQUITY

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Natural perils capital	Gua-rantee scheme provision	Other equity	Total equity
Equity as at 31.12.2015	**86 156**		**267 677**	**212**	**77 743**	**1 580 940**	**2 012 728**
1.1- 31.12.2016							
Dividend payments						(193 850)	(193 850)
Total equity before profit for the year	**86 156**		**267 677**	**212**	**77 743**	**1 387 090**	**1 818 878**
Profit before other comprehensive income						452 681	452 681
Actuarial gain and loss from defined benefit pension plans- benefits to employees						(1 181)	(1 181)
Currency changes from foreign enterprise						(3 297)	(3 297)
Tax on other comprehensive income						1 120	1 120
Total equity before fund provisions	**86 156**		**267 677**	**212**	**77 743**	**1 836 412**	**2 268 200**
Provisions to obliged fund gross				8 114	5 558	(13 672)	-
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)
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 from defined benefit pension plans- benefits to employees						(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**	**2 591 263**
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**	**2 128 820**	**2 591 263**

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 acceptance of the bid. 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.

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, while other IT-systems are standard systems.

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 pension costs and pension liabilities are calculated on a straight-line earning profile basis, based on assumptions related to discount rates, projected salaries, the amount of pension and benefits from the National Insurance Scheme, future return on pension funds, and actuarial calculations relating to mortality rate, voluntary retirement, etc. Pension funds are recognised at fair value net of pension liability in the balance sheet. Changes in the pension liability due to changes in the pension plans are recognised over the estimated average remaining service period. Changes in and deviations from actuarial assumptions (changes in estimates) are recognised in the other comprehensive income, along with any related tax effects.

Linear contribution and expected terminal pay form the basis of contribution when pensions are accounted. Plan changes are amortized over estimated remaining service period.

Employers' national insurance contributions are ascribed to net pension commitment.

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 93,634 as of 31.12.2017), 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, a 25 % tax rate has been used 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. Contingent liabilities are measured in each case and will be based on legal considerations. 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 a side 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 2017, the claims provisions amounted to NOK 4,255 million for own account. The duration of the provisions, that is, the average duration of provisions being settled to clients, was 3.53 years at 31 December 2017. 1%-point increases in inflation will result in a growth in claims provisions of NOK 149 million. The table below shows how future cash flow is related to provisions for outstanding claims for own account at 31 December 2017.

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.

CASH FLOW CONNECTED TO CLAIMS PROVISIONS FOR OWN ACCOUNT

[1.000 NOK]	Future cash flow related to claims incurred					
At 31 December 2017		0 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 - 25 years
Claims provisions for own account	4 255 221	3 276 212	697 400	188 174	71 099	22 336

GROSS CLAIMS DEVELOPMENT

[1.000 NOK]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	**Total**
GROSS												
2007	496 529											496 529
2008	496 175	522 126										1 018 301
2009	478 992	516 928	658 842									1 654 761
2010	497 981	509 203	625 905	711 482								2 344 570
2011	497 501	525 928	624 251	662 924	825 611							3 136 214
2012	512 527	563 829	620 136	669 016	784 480	1 077 231						4 227 220
2013	509 904	549 598	622 392	675 139	786 139	1 024 604	1 407 317					5 575 091
2014	510 713	541 374	603 159	671 979	794 104	1 024 641	1 391 281	1 747 204				7 284 456
2015	494 007	543 766	610 578	681 336	776 215	1 064 251	1 414 302	1 697 683	2 100 091			9 382 230
2016	500 219	555 079	600 550	668 523	768 754	1 031 227	1 419 911	1 793 343	2 111 880	2 604 506		12 053 992
Estimated amount as at 31.12.2017	496 056	555 646	620 646	659 700	781 057	1 027 638	1 370 971	1 732 590	2 085 341	2 719 798	3 916 632	15 966 074
Total disbursed	481 488	544 217	589 207	605 339	716 205	880 468	1 090 891	1 243 951	1 303 068	1 585 834	1 102 787	10 143 454
Claims provision	14 568	11 430	31 439	54 362	64 851	147 170	280 080	488 639	782 273	1 133 964	2 813 845	5 822 619
Provision for previous year's claims												5 142
Provision for indirect claims handling costs												256 897

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.

EFFECT ON PROFIT BEFORE TAX [1.000 NOK]	2017	2016
1 % change in insurance-related operating expenses	765	486
1 % change in claims incurred	26 475	25 404
1 % - point change in combined ratio	29 259	26 690
1 % - point change in inflation	149 072	152 844

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] As of 31 December 2017	Less than one year	1 - 3 years	More than 3 years	Total cash flow	Total carrying amount
Subordinated loan capital*)	58 525	117 050	1 301 607	1 477 182	1 243 285
Foreign exchange derivatives	9 205			9 205	9 205
Liabilities	442 306			442 306	442 306
Total financial liabilities	**510 036**	**117 050**	**1 301 607**	**1 928 693**	**1 694 796**

*)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 21.8 million before tax. This corresponds to an interest rate sensitivity of about 0.29 percent.

Foreign exchange risk

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

Credit Risk

Rating	Investments allocated per rating category	
[1.000 NOK]	**2017**	**2016**
Bonds and other investments with fixed-income		
AAA	3 343 676	798 647
AA	23 154	87 585
A	603 403	286 120
BBB	617 346	414 613
BB	267 831	19 641
B		27 636
No rating	2 664 450	3 590 745
Total bonds and other investments with fixed-income	**7 519 860**	**5 224 987**
Cash and cash equivalens related to investement portfolio		
AA	210 187	651 762

The table shows investments allocated per rating category, 0 % (27 % in year 2016) of the bonds are allocated in the category, "no rating".

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*		Sweden		Denmark	
[1.000 NOK]	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Gross written premiums	**2 381 242**	1 968 520	**1 078 346**	815 401	**703 622**	655 126
Gross premium earned	**2 189 780**	1 920 069	**915 768**	670 200	**699 988**	660 099
Gross claims incurred	**(2 657 992)**	(1 871 921)	**(719 738)**	(462 929)	**(676 463)**	(670 165)
Premiums earned for own account	**1 794 538**	1 666 652	**663 891**	511 089	**467 429**	491 289
Other insurance-related income	**4 113**	15 059	**56**	(1)	**943**	374
Claims incurred for own account	**(1 600 396)**	(1 602 758)	**(523 148)**	(386 065)	**(523 960)**	(551 540)
Sales expenses	**(57 598)**	(37 035)	**(84 344)**	(65 345)	**(16 156)**	(14 276)
Administration expenses	**(57 457)**	(29 161)	**(38 556)**	(38 623)	**(26 489)**	(36 380)
Commission from reinsureres	**77 819**	86 434	**68 783**	39 781	**57 528**	46 052
Other insurance-related expenses	**(8 124)**	(25 426)	**(214)**	(300)	**(85)**	(113)
Net financial income	**372 984**	436 954	**35 315**	29 644	**11 163**	32 667
Other income/expenses	**(55 575)**	(27 727)	**(280)**	(87)	**3**	(65)
Profit before tax	**470 304**	**482 991**	**121 503**	**90 095**	**(29 623)**	**(31 992)**
Claims ratio, net of ceded business	**89,2 %**	96,2 %	**78,8 %**	75,5 %	**112,1 %**	112,3 %
Expense ratio, net of ceded business	**2,1 %**	-1,2 %	**8,2 %**	12,6 %	**-3,2 %**	0,9 %
Combined ratio, net of ceded business	**91,3 %**	**95,0 %**	**87,0 %**	**88,1 %**	**108,9 %**	**113,2 %**
Claims ratio gross	121,4 %	**97,5 %**	78,6 %	**69,1 %**	96,6 %	**101,5 %**
Cost ratio gross	5,3 %	**3,4 %**	13,4 %	**15,5 %**	6,1 %	**7,7 %**
Combined ratio gross	126,6 %	**100,9 %**	92,0 %	**84,6 %**	102,7 %	**109,2 %**

* Finland and UK are included in the numbers for Norway

NOTE 6 PREMIUMS AND CLAIMS

[1.000 NOK]	General insurance										Life insurance	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	Direct business and accepted proportional reinsurance:	Group life	Total
PREMIUM INCOME[1]												
Premiums written	82 857	290 465	580 816	289 517	715 751	9 924	1 618 218	231 483	332	3 819 362	343 848	4 163 210
Premiums written ceded	43 980	(94 207)	(34 692)	(15 701)	(38 817)	(497)	(775 420)	(24 774)	(22)	(940 149)	(18 426)	(958 575)
Premiums written for own account	126 836	196 258	546 124	273 816	676 934	9 427	842 798	206 709	310	2 879 213	325 422	3 204 635
PREMIUMS EARNED												
Gross premiums earned	82 147	259 403	585 362	255 756	632 285	9 291	1 431 329	199 901	322	3 455 796	349 740	3 805 536
Reinsurers' share of gross premiums earned	38 742	(86 885)	(34 692)	(15 701)	(38 817)	(497)	(698 605)	(24 774)	(22)	(861 250)	(18 426)	(879 677)
Premiums earned for own account	120 889	172 518	550 671	240 055	593 468	8 794	732 724	175 127	301	2 594 546	331 313	2 925 859
CLAIMS												
Gross claims	92 151	199 037	589 339	213 876	528 561	8 243	1 416 540	686 434	392	3 734 573	319 620	4 054 193
Reinsurers' share of gross claims	20 505	(53 934)	(2 205)	(89)	(220)		(881 375)	(494 666)		(1 411 984)	5 294	(1 406 690)
Total claims for own account	112 657	145 103	587 134	213 787	528 341	8 243	535 165	191 768	392	2 322 589	324 915	2 647 503
GROSS CLAIMS INCURRED												
Occurred this year	119 918	174 012	576 171	203 239	529 421	7 148	1 443 892	660 281	354	3 714 436	326 785	4 041 221
Occurred previous years	(27 767)	25 025	13 168	10 637	(860)	1 095	(27 352)	26 153	37	20 137	(7 165)	12 972
Total for the accounting year	92 151	199 037	589 339	213 876	528 561	8 243	1 416 540	686 434	392	3 734 573	319 620	4 054 193
CLAIMS INCURRED FOR OWN ACCOUNT												
Occurred this year	118 688	127 365	575 554	203 357	529 207	7 148	532 110	166 200	354	2 259 984	325 938	2 585 922
Occurred previous years	(6 031)	17 737	11 580	10 430	(866)	1 095	3 055	25 568	37	62 605	(1 024)	61 581
Total for the accounting year	112 657	145 103	587 134	213 787	528 341	8 243	535 165	191 768	392	2 322 589	324 915	2 647 503
TECHNICAL PROVISIONS GROSS												
Provisions for unearned premiums	26 299	70 436	76 637	90 403	223 495	2 786	351 690	59 828	15	901 589	63 138	964 726
Provisions for outstanding claims	169 281	601 795	2 194 572	131 805	323 541	7 348	1 782 595	770 358	92	5 981 385	103 273	6 084 658
Technical provisions gross	195 580	672 231	2 271 209	222 208	547 036	10 134	2 134 284	830 185	107	6 882 974	166 410	7 049 384
TECHNICAL PROVISIONS FOR OWN ACOUNT												
Provisions for unearned premiums	23 678	56 823	68 997	81 391	201 216	2 508	190 787	53 864	14	679 277	56 844	736 120
Provisions for outstanding claims	162 255	278 614	2 188 401	131 413	322 571	7 348	792 123	280 863	92	4 163 680	91 541	4 255 221
Technical provisions for own account	185 933	335 437	2 257 399	212 804	523 787	9 856	982 910	334 727	105	4 842 957	148 384	4 991 341

[1] Premiums comprise of insurance premiums in Norway, Sweden, Denmark, Finland and UK. Gross written premiums in Norway constitute NOK 2,068.0 million (49,7%), Sweden NOK 1,078.3 millione (25,9%), Denmark NOK 703,6 million (16,9%), UK NOK 252.9 million (6,1%) and Finland NOK 60.3 million(1,4%)

NOTE 7 INTANGIBLE ASSETS

Intangible assets [1.000 NOK]	Software	IT- system	Total 2017	Total 2016
Cost as at 01.01.2017	7 646	55 537	63 183	54 475
Convension difference	(55)	41	(14)	(83)
Additions	2 984	11 642	14 626	8 791
Cost as at 31.12.2017	**10 576**	**67 219**	**77 795**	**63 183**
Accumulated depreciation at 31.12.2017	**(6 120)**	**(50 817)**	**(56 911)**	**(47 366)**
Net book value as at 31.12.2017	**4 455**	**16 402**	**20 883**	**15 817**
Annual depreciation	1 652	7 907	9 559	8 710

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

Expected useful life (years)	4	3		

NOTE 8 PROPERTY AND TANGIBLE FIXED ASSETS

Fixed assets [1.000 NOK]	Cars	Office machinery	Furniture and fixtures	Art	Total 2017	Total 2016
Cost as at 01.01.2017	1 266	20 534	8 678	216	30 693	26 634
Convension difference		(54)	321		267	(244)
Additions		10 072	253		10 325	4 868
Disposals	(480)				(480)	(565)
Cost as at 31.12.2017	**786**	**30 552**	**9 252**	**216**	**40 805**	**30 693**
Accumulated depreciation at 31.12.2017	**(284)**	**(21 045)**	**(3 788)**		**(25 117)**	**(18 272)**
Net book value as at 31.12.2017	**502**	**9 507**	**5 464**	**216**	**15 688**	**12 421**
Annual depreciation	205	5 642	1 241		7 087	6 095

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 2017	Cabin 2016
Cost as at 01.01.2017	14 561	13 836
Additions	319	725
Cost as at 31.12.2017	**14 880**	**14 561**
Accumulated depreciation as at 31.12.2017	**(1 430)**	**(835)**
Net Book value as at 31.12.2017	**13 450**	**13 726**
Annual depreciation	594	571

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 31.12.17	Fair value 31.12.17	Book value 31.12.16	Fair value 31.12.16
Shares	1 649 325	1 649 325	1 670 208	1 670 208
Bonds and other fixed-income securities	7 519 860	7 519 860	5 224 987	5 224 987
Bank deposits related to investments	210 187	210 187	651 762	651 762
Financial derivates	2 520	2 520	1 313	1 313
Total financial assets at fair value	**9 381 892**	**9 381 892**	**7 548 270**	**7 548 270**
Financial derivatives	(9 205)	(9 205)	(2 899)	(2 899)
Total financial liabilities at fair value	**(9 205)**	**(9 205)**	**(2 899)**	**(2 899)**

Financial liabilities at 31.12.2017 were related to foreign exchange contracts. In 2017, changes were made in the accounting of foreign exchange contracts. Previously, the cost price of each derivative appeared gross, but this has now changed to showing the net value for each contract. Derivatives with a positive market value appears as financial assets, while derivatives with a negative market value are shown as financial liabilities. Comparable figures have been restated.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

STOCKS AND SHARES

Investment [1.000 NOK]	Currency	Fair value	Identification no. Norwegian companies
Majestic Wine Plc	GBP	130 299	
Lehto Group PLC	EUR	47 657	
Zooplus AG	EUR	133 232	
B3IT Management AB	SEK	91 593	
Dustin Group AB	SEK	125 587	
Moment Group AB	SEK	3 623	
NilörnGruppen AB Class B	SEK	23 197	
Bouvet	NOK	146 880	974442167
Compusoft AS	NOK	163 936	952977482
Medistim ASA	NOK	56 459	936656013
Multiconsult ASA	NOK	77 259	910253158
Olav Thon Eiendomsselskap	NOK	133 662	914594685
Schibsted ASA CL B	NOK	273 077	933739384
XXL ASA	NOK	242 863	995306158
		1 649 325	

The share portfolio consist of shares listed on the stock exchange in Norway, Sweden, Finland, UK and Germany. Compusoft 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.	100 292	0,20
Corporate bonds etc.	7 419 568	0,29
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
Total bonds and other fixed-income securities year 2016	5 224 987	0,54
- of this, subordinated loan capital in other companies 2016	634 080	0,75

Average yield adjusted for currency hedging effect is 1.8 %.
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.
There has been no movement between the various valuation levels in 2017. Changes in classification of the valuation levels in 2017 have been made in relation to how this was presented in the 2016 annual accounts. Comparable figures have been restated.

Financial assets at fair value through profit or loss [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**		**Total**
Shares	649 172	1 000 153			1 649 325
Bonds and other fixed-income securities		7 519 860			7 519 860
Bank deposits	210 187				210 187
Foreign exchange contracts		2 520			2 520
Total assets year 2017	**859 359**	**8 522 533**	**-**		**9 381 892**
Total assets year 2016	**2 222 562**	**5 325 708**	**-**		**7 548 270**

Financial liabilities at fair value through profit or loss [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**		**Total**
Foreign exchange contracts		(9 205)			(9 205)
Total financial liabilities year 2017		(9 205)			(9 205)
Total financial liabilities year 2016		(2 900)			(2 900)

Financial liabilities at amortized cost [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total book value**
Subordinated loan capital		(1 283 218)		**(1 283 218)**	(1 243 285)
Total financial liabilities year 2017				(1 283 218)	(1 243 285)
Total financial liabilities year 2016		(645 875)		(645 875)	(645 875)

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 2016, no receivables due later than due later than one year.

NOTE 11 RESTRICTED BANK DEPOSITS

[1.000 NOK]	**2017**	**2016**
Employee withholding tax	8 234	7 438
Total	8 234	7 438

NOTE 12 PREPAID EXPENSES AND DEFERRED INCOME

[1.000 NOK]	2017	2016
Prepaid expenses	21 320	28 264
Accrued unbilled premium	133 891	154 666
Total	**155 211**	**182 930**

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 2411 shareholders at 31.12.2017.			

List of the 20 major shareholders at 31.12.2017	No.of shares	Face value	Ownership share in percent
Stenshagen Invest As	6 150 000	6 150 000	7,1 %
Odin Norden	4 485 857	4 485 857	5,2 %
Swedbank Robur Smabolagsfond	3 963 756	3 963 756	4,6 %
Ojada AS	3 563 116	3 563 116	4,1 %
Hvaler Invest AS	3 186 809	3 186 809	3,7 %
State Street Bank And Trust Comp	2 481 341	2 481 341	2,9 %
Awilhelmsen Capital Holdings AS	1 867 833	1 867 833	2,2 %
Verdipapirfondet Dnb Norge (Iv)	1 824 461	1 824 461	2,1 %
Artel AS	1 802 293	1 802 293	2,1 %
Tine Pensjonskasse	1 720 379	1 720 379	2,0 %
Vevlen Gård AS	1 650 000	1 650 000	1,9 %
Frognes AS	1 499 916	1 499 916	1,7 %
Citibank, N.A.	1 484 268	1 484 268	1,7 %
Skandinaviska Enskilda Banken Ab	1 450 000	1 450 000	1,7 %
Generali Paneurope Ltd -Gp11940006	1 413 350	1 413 350	1,6 %
Swedbank Robur Nordenfon	1 400 000	1 400 000	1,6 %
State Street Bank And Trust Comp	1 378 171	1 378 171	1,6 %
Johan Vinje AS	1 187 841	1 187 841	1,4 %
Nordnet Bank AB	1 182 567	1 182 567	1,4 %
Avanza Bank AB	1 182 535	1 182 535	1,4 %
Total	**44 874 493**	**44 874 493**	**52,1 %**
Protector Forsikring ASA	1 303	1 303	0,0 %
Other shareholders	41 279 809	41 279 809	47,9 %
Total number of shares	**86 155 605**	**86 155 605**	**100,0 %**

Shares owned by the board of directors and their close relations, together with shares owned by other senior executives and their close relations at 31.12.2017	Identification	No.of shares	Face value	Ownership share in percent
Stenshagen Invest AS	Board member, Jørgen Stenshagen	6 150 000	6 150 000	7,1 %
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 %
Henrik Wold Høye	Director for commercial and public sector	16 100	16 100	0,0 %
Birte Thorsnes Øygard	Employees' representative	4 100	4 100	0,0 %
Alexander Amsrud	Deputy Employees' representative	387	387	0,0 %
Total		**13 973 463**	**13 973 463**	**16,2 %**

Stenshagen Invest AS has a shareholding of 6.555.000 shares, of which 400.000 shares are lending.

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. The defined benefit plan is closed (discontinued from 1 July 2012). New employees are enrolled in defined contribution pension plan. The defined benefit plan is settled with effect from 31.12.2017. As a result NOK 5.3 million is credited to income. Employees that were included in this scheme are now 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 (i.e. maximum 8.4 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 12.1 million at 31.12.2017.

NOTE 15 TAX

[1.000 NOK]	2017	2016
THIS YEAR'S TAXES ARE DIVIDED BETWEEN		
Payable tax	92 512	44 509
Correction previous years	(1 120)	2 247
Change in deferred tax	(5 926)	41 659
Total tax	**85 467**	**88 414**

COMPUTATION OF THIS YEARS TAX		
Profit before tax	562 184	541 095
Permanent differences	(198 854)	(182 753)
Changes in temporary differences	6 720	(180 308)
Basis for the tax expense of the year	370 050	178 034
Payable tax 25%	92 512	44 509
Payable tax foreign operations		(12 925)
Payable tax from previous years	(1 120)	
Other differences		(1 120)
Payable tax	**91 393**	**30 464**

TEMPORARY DIFFERENCES [1.000 NOK]	2017	2016	Changes
Fixed assets	(1 432)	(808)	624
Receivables	(900)	(895)	5
Financial assets	33 977	55 886	21 909
Technical provisions	720 429	703 446	(16 983)
Pension liabilities	(12 090)	(10 924)	1 166
Net temporary differences	**739 984**	**746 704**	**6 720**
Differences which are not included in the calculation of deferred tax / deferred tax assets	135 981	118 997	(16 983)
Basis for deferred tax in the balance sheet	604 003	627 707	(23 703)
Deferred tax 25 %	151 001	156 927	(5 926)
Deferred tax/ deferred tax assets in the balance sheet	**(151 001)**	**(156 927)**	**5 926**

RECONCILIATION OF TAX			
[1.000 NOK]		2017	2016
Profit before taxes 25%		140 546	135 274
Permanent differences 25%		(49 714)	(45 688)
Corrected tax previous years		(1 120)	3 023
Differences which are not included in the calculation of deferred tax / deferred tax assets		(4 246)	(3 418)
Net paid tax for companies abroad			(776)
Calculated tax		85 467	88 414
Tax on other comprehensive income		13 273	(1 120)
Total tax accordring to income statement		**98 740**	**87 294**

NOTE 16 OTHER LIABILITIES

[1.000 NOK]	2017	2016
Payables, operations	14 420	6 695
Payables, claims	44 819	616
Liabilities related to direct insurance operations	59 239	**7 311**
Reinsurance yet to be settled	671 632	196 841
Liabilities related to reinsurance operations	671 632	**196 841**
Allocation of employers contribution	8 288	8 074
Advance tax deduction	9 415	8 183
Other liabilities	39 742	42 095
Other liabilities	**57 444**	**58 352**
Financial derivatives	9 205	2 899
Total liabilities	**797 520**	**265 404**

The company has no secured liabilities.

NOTE 17 ACCRUED EXPENSES AND DEFERRED INCOME

[1.000 NOK]	2017	2016
Bonus	59 275	49 641
Accrued vacation pay	23 200	20 064
Defferred income	184 401	186 110
RTV tax	87 683	82 472
Other accrued expenses	30 302	15 485
Total	**384 862**	**353 771**

NOTE 18 SALES EXPENSES

[1.000 NOK]	2017	2016
Internal payroll expenses	70 910	62 875
Commissions	87 189	53 781
Total	**158 099**	**116 656**
in % of overdue premium	3.8 %	3.4 %

In 2017 there have been changes in the classification of sales expenses, these expenses also include internal salary costs. Comparable figures have been restated.

NOTE 19 INSURANCE-RELATED ADMINISTRATIVE EXPENSES

Insurance-related administrative expenses [1.000 NOK]	2017	2016
Depreciations (note 7 and 8)	17 240	15 376
Salary- and pensions costs (note 18)	337 002	286 371
Administrative costs	26 526	24 371
Remunerations	21 607	19 916
Claims handling costs (transferred to gross claims paid)	(242 423)	(215 221)
Internal sales expenses	(70 910)	(62 875)
Internal administrative costs	(25 787)	(19 417)
Other insurance-related administrative expenses	59 246	55 643
Total	**122 501**	**104 164**

Auditing remuneration [1.000 NOK]	2017	2016
Auditing (inclusive VAT)	925	2 179
Services regarding tax (inclusive VAT)	413	271
Other services outside auditing (inclusive VAT)		1 472
Total	**1 338**	**3 922**

NOTE 20 LABOUR EXPENSES, PENSIONS, NUMBER OF EMPLOYEES

Labour- and pension costs [1.000 NOK]	2017	2016
Salaries [1]	247 262	208 897
Director's remuneration, control committee, nomination committee, audit committee, the board of representatives	2 575	2 395
Defined benefit pension costs [2]	3 687	8 979
Defined contribution pension costs [2]	12 918	8 121
Social security tax	52 382	33 582
Other payments	18 177	24 397
Total	**337 002**	**286 371**

[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 12.8 million for bonuses in 2017. 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	2017	2016
Number of employees at 31.12.	306.0	268.0
Number of man-labour years at 31.12.	299.2	265.4
Average number of employees at 31.12.	288.1	249.4
Average number of man-labour years at 31.12.	286.0	246.7

NOTE 21 REMUNERATIONS 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 2017 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 2017 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 remunera-tions[2]	Paid-up pension premium	Total remunera-tions
Senior executives					
Sverre Bjerkeli, CEO[1]	6 626	3 446	450	269	10 791
Vibeke Krane, CFO	1 710	38	13	123	1 884
Merete C. Bernau, Director	3 237	1 400	20	224	4 881
Henrik Wold Høye, Director for commercial and public sector	3 307	1 276	13	72	4 668
Hans Didring, Country Manager Sweden	3 463	926	82	426	4 897
Flemming Conrad, Country Manager Denmark January-February	512		106	551	1 170
Erik Sand, acting Country Manager Denmark March-July	853		5	34	893
Thomas Boutrup, Country Manager Denmark August-December	1 310	627	4	131	2 072
Total	**21 019**	**7 713**	**694**	**1 829**	31 255

[1] The CEO has an agreement about top-pension with a recognized cost of NOK 1.2 million in 2017.
[2] Other remunerations comprises of company car, telephone, insurance and other contractual benefits.
[3] Paid out bonus long term bonus plan. The provision for this long term bonus plan by the end of 2017 is NOK 7.8 million.

Payments and remunerations [1.000 NOK] [1]	Remunerations
The board	
Jostein Sørvoll, Chairman of the Board, Chairman of the Compensation Committee, member of the Audit Committee, member of the Risk Committee	693
Erik G. Braathen, Deputy Chairman, member of the Compensation Committee	355
Else Bugge Fougner, Board member, member of the Compensation Committee	320
Jørgen Stenshagen, Board member, member of the Audit Committee, member of the Risk Committee	413
Randi Helene Røed, Board member, Chairman of the Audit Committee, Chairman of the Risk Committee	438
Fredrik Øyan, Board member chosen by and amongst the employees	140
Birte Thorsnes Øygard, Board member chosen by and amongst the employees	126
Alexander Amsrud, Deputy Board member chosen by and amongst the employees	14
Total	**2 498**
Nomination Committee	
Per Ottar Skaaret, Chairman	33
Anders Jørgen Lenborg, member	23
Nils Petter Hollekim, member	23
Total	**78**

[1] Remunerations paid out in accounting year 2017, and includes remunirations from sub-committees.

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]	2017	2016
Net financial income from financial assets		
Interest income	187 708	154 299
Dividend shares	36 307	35 938
Dividend bond funds	59	1 247
Unrealised gains/losses on financial assets	(166 949)	310 999
Gains/losses from realisation of financial assets	386 055	17 757
Administrations expenses on financial assets	(23 719)	(20 976)
Net financial income	**419 462**	**499 265**

NET FINANCIAL INCOME DIVIDED BY ASSET CLASS		
Interest income and gains/ (loss) from financial assets at fair value through profit or loss		
Interest income from financial assets at fair value through profit or loss	187 708	188 802
Dividend	36 307	35 938
Net gains / (loss) from shares	171 743	174 445
Net gains / (loss) from bonds and other fixed-income securities	54 136	115 169
Net gains / (loss) from foreign exchange contracts	(6 713)	5 887
Administration expenses	(23 719)	(20 976)
Total net income and gains/ (loss) from financial assets at fair value through profit or loss	**419 462**	**499 265**

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]	2017	2016
Profit for the year assigned to the company's shareholders	476 717	452 681
Weighted average number of shares	86 150 999	86 155 605
Earnings per share	5,53	5,25

Diluted earnings per share
There were no share dilution in 2017 and 2016.

NOTE 24 CAPITAL RATIO AND SOLVENCY MARGIN

Available and eligble own fund

[1.000 NOK]	2017	2016
BASIC OWN FUNDS AS FORESEEN IN ARTICLE 68 IN THE ANEX OF 21ST DECEMBER 2015 REGULATION NR. 1807 REGARDING SUPLEMENTING RULES TO SOLVENCY II REGULATION		
Tier 1 - unrestricted	2 381 322	1 885 430
Tier 1 - restricted	357 920	
Tier 2	950 142	676 169
Total basic own funds	**3 689 384**	**2 561 599**
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 capital constituted 65% (74%) of the total capital. Tier 1 restricted capital constituted 10% (0%). Tier 2 capital constituted 26% (26%). The company has no Tier 3 capital.		
AVAILABLE OWN FUNDS TO MEET THE SCR		
Tier 1 - unrestricted	2 381 322	1 885 430
Tier 1 - restricted	357 920	
Tier 2	950 142	676 169
Total available own funds to meet SCR	**3 689 384**	**2 561 599**
AVAILABLE OWN FUNDS TO MEET THE MCR		
Tier 1 - unrestricted	2 381 322	1 885 430
Tier 1 - restricted	357 920	
Tier 2	950 142	676 169
Total available own funds to meet the MCR	**3 689 384**	**2 561 599**
ELIGIBLE OWN FUNDS TO MEET THE SCR		
Tier 1 - unrestricted	2 381 322	1 885 430
Tier 1 - restricted	357 920	
Tier 2	916 998	676 169
Total eligible own funds to meet the SCR	**3 656 240**	**2 561 599**
ELIGIBLE OWN FUNDS TO MEET THE MCR		
Tier 1 - unrestricted	2 381 322	1 885 430
Tier 1 - restricted	357 920	
Tier 2	154 684	135 431
Total eligible own funds to meet the MCR	**2 893 927**	**2 020 861**

SOLVENCY CAPITAL REQUIREMENT (SCR)	2017	2016
Market risk	1 085 177	1 027 393
Counterparty default risk	55 305	60 203
Health underwriting risk	938 599	802 175
Non-life underwriting risk	956 392	698 530
Diversification	(1 007 327)	(839 409)
Basic Solvency Capital Requirement	2 028 146	1 748 892
Operational risk	193 052	139 023
Loss-absorbing capacity of deferred taxes	(387 203)	(315 409)
Total solvency capital requirement	**1 833 996**	**1 572 505**

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]	2017	2016
MINIMUM CAPITAL REQUIREMENT		
Linearly calculated MCR	773 421	677 157
Upper limit for MCR	825 298	707 627
MCR floor	458 499	393 126
Combined MCR	773 421	677 157
Absolute floor of the MCR	35 238	33 428
Minimum capital requirement	**773 421**	**677 157**

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	**199 %**	**163 %**
RATIO OF ELIGIBLE OWN FUNDS TO MCR	**374 %**	**298 %**

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 is 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	**12 352 537**	**12 258 637**
Intangible assets	20 857	
Reinsurers' share of gross technical provisions	2 058 299	1 985 139
Own shares		117
Total liabilities and total assets minus liabilities,	**12 352 537**	**12 258 637**
Total assets minus total liabilities	2 591 519	2 404 141
Technical provisions included risk margin	7 049 384	7 014 878
Subordinated loan capital included in the basic capital	1 243 285	1 285 361
Other liabilities	485 028	570 938

NOTE 25 SUBORDINATED LOAN CAPITAL

The company has three subordinated loans at NOK 500 million, NOK 400 million and NOK 350 million.
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 100 millon.
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 2017.

DECLARATION 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 2017 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, 9 March 2018
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll (Chairman)	Jørgen Stenshagen	Else Bugge Fougner
Erik G. Braathen (Deputy Chairman)	Randi Helene Røed	Fredrik Øyan
Birte T. Øygard	Sverre Bjerkeli (CEO)	

AUDITOR'S REPORT

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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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 2017, 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 2017 and its financial performance 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 2017. 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 2017, gross provision for claims outstanding of MNOK 6 085 were recorded in the accounts. 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 2017 constitutes MNOK 1 829. 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 2017, financial assets measured at fair value constitute MNOK 9 382, of which MNOK 8 523 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

Building a better working world

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 and in the statement on corporate governance 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, 9 March 2018
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 17 March 2016. The principles shall contribute towards creating the greatest 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 30 October 2014.

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 30 October 2014.

CORE VALUES, ETHICAL GUIDELINES AND SOCIAL RESPONSIBILITY

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.

Protector has defined 4 core values as the basis for developing a corporate culture and which will guide the day-to-day running of the business. These core values are: Credible, Open, Bold, Committed.

Protector has established a set of ethical guidelines to govern what is acceptable behavior for employees and others who represent the company. The aim of the guidelines is to create a solid corporate culture as well as look after Protector's integrity by helping employees to exercise good business practice. The guidelines are also meant as a tool for evaluating our individual performances, as well as a means for developing our corporate identity.

Human rights: The company always strives to get to know our suppliers, and seek to avoid using suppliers whom do not satisfy our core values, which include not breaking human rights in their operations.

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 & obligations in the best possible manner.

Two of the board members are chosen by and amongst the employees.

The external environment: The company's operations are not considered to pollute the external environment. Nevertheless, the company strives to find green solutions wherever possible in its day to day operations. Such solutions can be exemplified by twin computer screens to employees to reduce paper print, and the use of video conference equipment as a substitute for traveling between our offices.

Combatting corruption: The company's industry is subject to strict rules & regulations concerning combatting of 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.

Protector's mission is to indemnify lives and assets and relieve the customers of economic risk, which is also our most important social responsibility. Specific policies or measures related to Protector's corporate social responsibility are not yet established, but it will be considered.

BUSINESS

The articles of association describe the company's business and objectives. Protector's objective is to provide general insurance and reinsurance and the company has a license to operate within all classes except classes credit insurance and guarantee insurance. The company's prioritized market segments include the commercial and public sector and the market for affinity insurance. The company's annual report provides more information about the company's objectives, and the main features of its business strategy and activity. The articles of association can be found on the company's website www.protectorforsikring.no

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

Consequently, the Board will not propose distribution of dividend for the fiscal year 2017 to the General Meeting in 2018.

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 2018, however, no later than 30 June 2018.

The Board of Directors' will propose for the general meeting that the authorization is renewed. At yearend 2017, the company holds 1,303 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 2018, however, no later than 30 June 2018. The Board will propose to the General Meeting that the authorization is renewed.

The Board is authorized to raise subordinated loans and other debt not exceeding NOK 1,500 million and under the conditions the Board. The authorization is valid until the Annual Meeting 2018, however, no later than 30 June 2018. The Board will propose to the general meeting that it will be renewed and increased to NOK 2,500 million.

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 pre-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. 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.

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.

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