ANNUAL REPORT

PROTECTOR
forsikring

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HIGHLIGHTS 2020

In 2020, total premiums amounted to NOK 5,516 million against NOK 5,100 million in 2019. The growth in the Nordics was negative by -1%, while growth in the UK was 56%.

The combined ratio in 2020 ended at 94.8% against 103.8% in 2019.

The technical result is driven by very strong results in the UK and Norway, good results in Sweden, reserve gains in Finland and large reserve losses in Denmark. In total, the underlying profitability is considered to be somewhat better as the reserve losses and the large claims are above normal and in total exceeds the positive effects of Covid-19.

The claims ratio for own account was 84.6%, down from 95.2% in 2019. Price increases and portfolio clean up drives the claims ratio down. The Covid-19 pandemic had a positive effect on the claims ratio for own account, approximately at 1 percentage point. The effect was primarily related to motor insurance, partially offset by business interruptions in the UK. The landslide in Gjerdrum in December was a natural peril event and resulted in a loss of NOK 45 million. The effect on the claims ratio was 1 percentage point for the full year.

The return on the investment portfolio was 8.0%, against a return of 1.5% in 2019. Our investments, both equities and bonds, are very little exposed to industries and companies that are directly affected by Covid-19.

Profit for the year was NOK 981.6 million, compared to NOK -4.9 million in 2019.

The Board of Directors proposes a dividend of NOK 3.00 per share for the fiscal year 2020, corresponding to NOK 246.9 million.

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. Protector entered the Swedish insurance market in 2011, the Danish in 2012 and the Finnish and British in 2016.

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

VISION AND BUSINESS CONCEPT

Protector is the challenger. This position will be achieved through unique relationships, 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 in selected segments

The company's long-term financial objectives are:

- Combined ratio for own account: 90-92 %
- Return on equity: 20 %
- Growth rate of gross written premium: Disciplined
- Solvency margin: > 150 %

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.

MARKET STRATEGY

Protector operates in non-marine insurance. The company has two business segments: the commercial lines of business and the public lines of business.

Commercial Lines of Business

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

Public Lines of Business

Protector has established itself as the largest insurer in the public sector in the Nordics with more than 600 municipalities and over 30 county councils on its client list at the end of 2020.

Sweden, Denmark, UK and Finland

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

STRATEGY FOR CLAIMS HANDLING

Our claims handling team counts 195 employees in total. We have chosen to have claims handling in-house and have gained substantial competence within this area. By using skills and competences across claims handling, underwriting and sales the company achieves high cost efficiency while maintaining high quality.

IT-STRATEGY

Going against the insurance industry standard of outsourcing both IT infrastructure and development, Protector's core insurance systems are developed, maintained and operated in-house. In-house IT enables us to recruit highly skilled resources and create a unique combination of advanced technology and deep business understanding. A well-functioning cooperation in the matrix, puts ownership of IT initiatives in the business units, and reduces time to market for innovations. Due to our lean organization, we are able to adapt to changes in our business in days, rather than months.

The in-house development and operations have also contributed to our cost- and quality leadership. Protectors main business is within the broker based industry and our investments within digitalization are primarily targeted to strengthening this value chain by producing flexible solutions that contribute to innovation and business development.

IT is a strong contributor, making it possible for Protector to be the challenger in the market by combining important insurance competency, cost efficiency innovation with quick and targeted technology development.

PERFORMANCE BASED CULTURE

Protector's organization is based upon highly qualified employees counting over 428 people at the end of 2020. 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. On all levels of the organization, a structure has been created for regular employee appraisals. Protector has defined four core values, which are part of the criteria on which employees are assessed in this process: Credible, Open, Bold and Committed.

EMPLOYEE AND LEADERSHIP DEVELOPMENT

Protector utilizes 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 will recruit, **develop** and retain the right people. We believe in developing key skills through continuous and deliberate learning. We have established Protector University, an insurance university with the purpose of supporting onboarding of new employees and continuous training of all employees so that we can make best in class decisions. Through Protector University we will map, assess and give feedback on employees' competence, and together with the "Protector Profile" and quarterly personal development discussions, employees and managers can follow up that learning takes place and that goals are set for future development.

"Great@Work", our 8th 18-months leadership development program which started in February 2019 was completed in September 2020. A new leadership development program will start in April 2021. 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

[1.000.000 NOK]		2020	2019
Gross premiums written[1]		5 516	5 100
Gross premiums earned		5 380	4 996
Gross claims incurred		-4 425	-4 724
Earned premiums, net of reinsurance		4 614	4 148
Other insurance related income		20	11
Claims incurred, net of reinsurance		-3 901	-3 949
Sales cost		-331	-234
Administration cost		-221	-180
Commission from reinsurer		82	57
Other insurance related expenses		-14	-16
Technical result		**247**	**-163**
Other income/costs		-67	-50
Net financial income		865	141
Profit before tax		**1 045**	**-72**
Discontinued operations		94	72
Net comprehensive income		2	0
Profit for the period		**982**	**-5**
Claims ratio, net of reinsurance[1]	(1)	84,6 %	95,2 %
Expense ratio, net of reinsurance[1]	(2)	10,2 %	8,6 %
Combined ratio, net of reinsurance [1]	**(3)**	**94,8 %**	**103,8 %**
Gross claims ratio[1]	(4)	82,2 %	94,6 %
Gross expense ratio[1]	(5)	10,3 %	8,3 %
Gross combined ratio[1]	**(6)**	**92,5 %**	**102,8 %**
Retention rate[1]	(7)	85,8 %	83,0 %
Earnings per share[1]	(8)	12,0	(0,1)

(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

[1] Defined as alternative performance measure (APM). APMs are described on www.protectorforsikring.no in document named APMs Protector Forsikring 2020

DITLEV DE VIBE VANAY
CFO

Employee since 2019. Ditlev de Vibe Vanay holds a MSc in Economics and Business Administration from BI. He has more than 20 years experience within insurance, finance, business controlling and IT, from Protector, Storebrand, If and Tinde. Vanay was also positioned as CFO in the period 2005-2015.

Our promise to insurance brokers and clients is that we will be easy to business with, commercially attractive and trustworthy.

SHAREHOLDER INFORMATION

THE PROTECTOR SHARE

In 2020 Protector's share price increased by 13.6 %. The Oslo Benchmark (OSEBX) increased by 4.6 % during the same period. In 2019, Protector's share price increased by 9.7%, while The Oslo Benchmark index increased by 16.5 % during the same period.

DEVELOPMENT IN PROTECTOR'S SHARE PRICE

The average trading volume of Protector's shares on the Oslo Stock Exchange was 110,940 shares in 2020, relative to 96,041 in 2019. At the end of 2020, the Protector share was traded at NOK 59.60. The market value of total outstanding shares was NOK 4,880 million.

DIVIDEND

The Board of Directors proposes a dividend of NOK 3.00 per share for the fiscal year 2020, corresponding to NOK 246.9 million. The Board considers the size of the dividend to be in line with the company's financial position and the position in the market.

The Board will further propose that the dividend policy in the coming years be an intention to pay 20 - 80 % of the profit for the year after tax as an ordinary dividend. Final determination will be based on the company's result, capital requirements including satisfactory buffers and the necessary flexibility for growth and development in the company. Ordinary dividends will, as a general rule, only be paid at a solvency margin above 150 %. With a solvency margin above 180 %, the board's intention is to over time return surplus capital to the shareholders in the form of extraordinary dividends or repurchases of shares.

The Board prepares quarterly dividend assessments on the basis of the most recently approved annual accounts.

CAPITAL REDUCTION BY CANCELLATION OF OWN SHARES

The Board will propose to the Annual General Meeting that 3,655,605 of the company's own shares are cancelled. The share capital will be reduced from NOK 86,155,605 to NOK 82,500,000. The motivation for the proposal is to optimize the company's capital structure. Share buy-back and subsequent cancellation of shares is also in accordance with the Company's earlier statement of distributing capital to the shareholders.

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 8th, 2021 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

2020
- A YEAR FOR THE HISTORY BOOKS

PROFITABILITY BACK ON TRACK

In 2020 we grew premium volumes 8% (2% in local currencies). This was in line with what we expected entering the year.

Following a rough couple of years, we are "back on track" delivering a 2020 net combined ratio at 94.8%. The highest average price increases seen in the Nordics for the two previous decades have been effectuated throughout 2019 and 2020, causing historical high client churn. However, more moderate price increases throughout Q4 2020 and January 1st have verified our belief that client churn will be normalised going forward.

CHALLENGES IN THE NORDICS HANDLED VERY WELL

After many challenges including soft market rates, the grey silverfish crisis, the exit of a significant segments, and some mistakes self-made in Nordic UW areas, we are 'back on track'. Norway and Sweden have both delivered significant improvements. Profitability has been re-established, and the organisations are better prepared to tackle future challenges. Denmark is still 'getting to grips' with some historical issues, but despite the currently high combined ratio, the underlying reality is more positive and will further be improved as prices continue to rise. In Finland, the portfolio has been through a clean-up and we have benefitted from run-off gains, which improved the overall performance.

SIGNIFICANT REDUCTION IN WORKERS' COMPENSATION (WC) VOLUME

In March 2020 the Norwegian authorities enacted a new WC law, including sars-CoV-2 (Covid-19) as an occupational disease within the health and welfare sectors. Due to the significant risk related to this pandemic, and future potential governmental decisions in similar situations, we have taken the decision to leave the market and ceased writing such business. Furthermore, we took the decision to also phase out WC as a single product in Denmark as of January 1st 2021. This was due to a combination of poor historical profitability and the fact that the product consumes a massive amount of risk capital, which we cannot justify in a low interest rate environment.

UK LIVING "THE CHALLENGER"

In 2020, our UK business grew to a volume (GWP) of MNOK 1 328. This represented a 56% volume growth, compared to 2019. Combining this with a healthy net combined ratio at 84.9%, we are looking at a very satisfying result. This outcome is reflective of the great service quality offered to brokers and customers (as measured in both internal and external quality surveys), disciplined underwriting and "One Team" living and breathing our strong Protector Culture. As our critical mass grows in the UK, our cost ratio will normalise and further improve the returns delivered.

INVESTMENTS – THE MOMENT OF TRUTH

In the course of the first months of 2020, Covid-19 developed to become a global pandemic. Coupled with a significant oil price reduction, financial markets experienced extreme turbulence. For Protector, and our investment team, this was the moment of truth. For several years prior to the Covid-19 financial turmoil, we had deliberately reduced risk within our investment portfolio, in preparation for a substantial market correction. When Covid-19 hit the world, we were ready to act. Throughout some hectic weeks in March/April, we bought the majority of available High-Yield (HY) bonds in the Nordic market, and followed up with allocation towards HY bond funds. Because we were well prepared and able to act, our actions yielded us an excess return of MNOK 320.

The full year 2020 was a very profitable year for us in regards to investments. Our total portfolio returned MNOK 970 (8%); the equity portfolio yielding 36.1% and the fixed income portfolio yielding 5%. We invest for the long run; short term gains and losses will to a great extent be unrealized.

In Protector, investment is core; we take calculated risk both on insurance and on investments. Our assets under management have grown to NOK 13.5 billion (up from NOK 10.9 billion). At year end 13.5% was allocated towards equities and 86.5% towards fixed income securities.

OUTLOOK 2021

Entering 2021 we have been through some rough years requiring significant Nordic price increases and clean-up activities. The quality of our maturing insurance portfolios has improved, and we will experience further 'tailwind' from an earned premium lag effect following 2020 price increases. We will continue to increase prices beyond the expected claims inflation, and we are not alone in doing so. We are currently experiencing a hardening market, where prices are rising. There is no single reason for this, but rather a combination of many. Lack of profitability in our segments, the disciplining effect of low interest rates and increased prices from reinsurers (who have taken a large Covid-19 hit in 2020) all point towards higher premiums in our markets.

Taking above mentioned effects into account, and furthermore, adjusting for run-offs, large losses, balanced Covid-19 effects, an improved cost ratio and adding a margin of safety (we are in the insurance business), we expect to deliver a net combined ratio within the range of 90-92% in 2021.

With regards to volume, we expect GWP to grow 10% (in local currencies) in 2021.

CAPITAL CONSUMPTION AND CAPITAL ALLOCATION

Throughout the years Protector has migrated towards more short-tail frequency-based business. Due to the low interest rate environment and other factors, we do not see this tendency changing going forward. These products consume less solvency capital than long-tail business (e.g. WC). Because we have, relative to history (20-25% growth), more limited growth expectations, and new business consume relatively little capital, the growth in solvency capital requirement is more limited as well.

With regards to investments, equity markets are back to all time high levels and credit spreads have pulled back (tightened) a lot since the financial turmoil in 2020. Great investment ideas (ROE > 20%) are thus more difficult to encounter, and capital allocation towards investments is less attractive.

The 2020 balance sheet leaves us with a solid solvency capital requirement ratio (SCR-ratio) at 203%. Our solvency based reinsurance solution has been renewed, and the credit rating agency A.M Best has affirmed Protector's investment grade rating of BBB+.

Based on current realities, the Board of Directors will propose for the Annual General Meeting to pay a dividend of NOK 3 per share. We would still have financial solidity and flexibility to act on potential opportunities that may arrive.

SUCCESSOR CEO APPOINTED

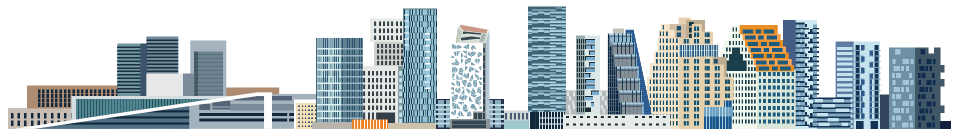
The top management team in Protector has for several years discussed succession openly, transparently and inclusively in order to mitigate vulnerabilities and to build a team stronger than the sum of individuals. When retiring in September, I am very confident that I leave behind a strong team, ready to take Protector to the next level. I believe Henrik will be a great CEO, Hans will be a strong "nr 2" and that they together with 20-25 other "Top managers" will manage future challenges and opportunities. This journey has just started.

I would like to take this opportunity to thank all our employees for handling the challenging Covid-19 situation with energy and discipline. Furthermore, I would like to thank brokers for the great cooperation during 2020. You are our only channel to market and our allies in the fight against direct insurers. We look forward to further developing our relationships in 2021, and hopefully we can soon meet in person.

SVERRE BJERKELI

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

NORWAY



Turnaround completed – strong entry to 2021

PROFITABILITY
Norway delivered a net combined ratio of 86.3 % in 2020 (105.3 % in 2019). The net combined ratio is an outcome of a net claims ratio of 80.2 % (99.2 %) and a net expense ratio of 6.1 % (6.1 %). Our gross expense ratio was 8.6 % (5.3 %). This yields a technical result of MNOK 181 (MNOK -75).

Profitability on Property and Motor is good, where Motor experience some positive effects of the Covid-19 shutdowns. On the contrary, Other Illness is negatively impacted by Covid-19 and the increase in unemployment.

VOLUME, GROWTH AND PORTFOLIO MIX
In 2020 gross written premium amounted to MNOK 1,383 – a decrease of 10 %. This was driven by a very poor churn of 34 %, with the loss of our largest single client and the much needed portfolio clean-up. January 1st the churn was at 13 %, whereof 5 %-points from the exit from workers compensation covers within the health and welfare industry due to the Government's decision to include Covid-19 in the cover.

PRICE INCREASES
Strong price increases initiated in 2019, and continued through 2020, now shows its effect on the result. A continued hardening market allowed us to realize price increases of 14 % (11 %). In addition, the portfolio has gone through the most thorough renewal ever, where some clean-up was necessary. January 1st we further increased prices and the price increases will continue throughout 2021.

DISTRIBUTION AND MARKET
We aim to be the preferred partner among brokers. Therefore we have increased our capacity towards the market and improved our renewal processes before the 1st of January renewal. This is to ensure that renewal terms are communicated both in due time, and with good argumentation, in order to get the necessary price increases. Low churn, combined with strong price increases, on 1st of January indicates a positive effect. We look forward to the brokers response in the next BSI to these changes, and to help us improve even more.

ORGANISATION AND COMPETENCE
On average, we were 109 FTE's in 2020 including change of ownership insurance. Competence in Underwriting are in-house for all products. On claims handling, the only products handled externally is Health insurance. Cross-border specialty groups ensures the best available competence where needed for P&C products.

Costs has increased as part of the turnaround. In 2021 we will focus on decreasing these again to ensure our competitive advantage.

LARS KRISTIANSEN
COUNTRY MANAGER NORWAY

Employee since 2016. MSc in Economics and Administration from NHH. He has experience as an Underwriter and Business Controller in Protector.

SWEDEN

Back on track - largest in Protector

PROFITABILITY

Sweden delivered a net combined ratio of 92.7 % in 2020 (94.7 % in 2019). The combined ratio is an outcome of a net claims ratio of 79.8 % (83.7 %) and a net expense ratio of 12.8 % (11.0 %). Gross expense ratio was 12.7 % (11.4 %). Our Swedish business generated a technical result of MNOK 101.4 (MNOK 65.3)

Profitability varied between products. Motor insurance was very profitable, mainly due to price increases and positive risk selection. Covid-19 had a positive effect. Property insurance, and real estate in particular, was unprofitable. It is explained by too low pricing, high claims inflation and relatively high claims cost for large losses exceeding MSEK 10.

VOLUME, GROWTH AND PORTFOLIO MIX

Volume increased slightly. Churn was very high (23 %), mainly driven by real estate. Renewal rate was supported by significant price increases. We increases prices 13 % on average, some 9%-points above claims inflation. It will improve profitability a lot. Commercial property received higher than average increases, whereas Public sector received substantially lower.

Tender volume decreased from last year with more than 30 %. It is partly explained by less tenders in a hardening market. New sales hit ratio was relatively low in H1, but picked up in H2, and ended around 30%.

DISTRIBUTION AND MARKET

The market has been eventful. A hardening market involve a substantial capacity withdrawal from insurance, and increasing prices. International insurers are driven by capacity. They have increased prices and exited products and accounts. The mutual insurers have also increased prices, but at a slower pace. Protector has strengthened its position helping brokers to solve issues while taking on good risks.

ORGANISATION AND COMPETENCE

Sweden had an average of 100 FTEs during 2020. Protector's IT department made working from home run smoothly for all in a challenging pandemic situation. The Swedish organization hold most of our expertise in-house, but Nordic specialty resources support on some P&C underwriting. Within claims handling, property claims project management has been insourced during 2020. This entails improved cost control and customer satisfaction, the best of two worlds.

Our cost ratio increased in 2020, as number of FTEs increased relatively more than volume. Also, the long-term bonus scheme added costs due to good results and share price development.

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 experience from various positions in If P&C and Länsforsäkringär. Didring's last position was as Head of Broker Sales and Service at If P&C in Stockholm.

DENMARK

Losing money - underlying profitability better

PROFITABILITY

Net combined ratio ended at 124.7 % in 2020 (104.7 % in 2019). Our combined ratio is an outcome of a net claims ratio at 115.1% (98.8%) and a net expense ratio at 9.6 % (5.9 %). Gross expense ratio was 6.7 % (6.4 %). Denmark delivered a technical result of MNOK -218.3 (MNOK -37.2).

The Claims result in 2020 was very poor, mainly driven by run-off losses on long-tail products. Workers' compensation had negative reserve development on previous years. Motor had a few bodily injuries that were underestimated due to inadequate claims handling. Reserves have been reviewed. On Liability we had one very large reserve increase due to an Appeal Court decision in our disfavour (appealed by claimant). Our portfolios have been through clean-up in 2018-2020, and most poor performing customers were exited many years ago. The underlying profitability for the current portfolio is much better.

VOLUME, GROWTH AND PORTFOLIO MIX

Volume decreased (in local currency) due to deliberate phaseout of Workers' compensation. Capital consumption for the product would require an impossibly low combined ratio to meet the ROE target. Growth is good for motor and real estate. The latter product is a recent success as market prices has reached a profitable level. The portfolio has rapidly moved towards higher share of short-tail products with more certain claims prognoses, and hence lower capital requirements.

PRICE INCREASES

Average price increases were realized at 11 %, about 9 %-points above claims inflation. It will improve profitability a lot. Motor clients received the highest increases due to poor profitability in recent years. We were too soft on Public segment price increases, partly due to long-term premium adjustment agreements.

DISTRIBUTION AND MARKET

The market has been eventful. Many insurers communicate increased prices. Some international insurers price Workers' Comp. on a substantially lower level than what is rational. Property rates have increased the latest years, following many years with low prices.

Protector has improved broker relations during the year. It is due to high service level in both broker- and claims service. The teams have delivered very good on KPIs during the year.

ORGANISATION AND COMPETENCE

Denmark comprised 56 FTEs on average in 2020. Protector's IT department has enabled a smooth transition to home office, and virtual onboarding of new employees has been successful. The Danish organization hold most insurance related expertise in-house, but Swedish specialty resources support on Motor underwriting. In claims handling, property claims project management and the RiskManagement function has been insourced during the year. It leads to improved cost control and customer satisfaction, the best of two worlds.

Our cost ratio increased in 2020, as number of FTEs increased while premium volume decreased. The cost level in Denmark, relative to other business units in Protector, is way too high.

ANDERS BLOM MONBERG
COUNTRY MANAGER DENMARK

Employee since 2021. Educated from the Danish Insurance Acadamy and various leadership programmes, lately from INSEAD. He has over 20 years of experience from the insurance industry. Head of Brokered Clients at Gjensidige from 2011 to 2018 and Head of Insurance Brokers at Aon Denmark from 2019 to 2021.

UK

No. 1 on quality in the market - the first billion passed

PROFITABILITY

Our net combined ratio (NCR) ended at 84.9 % in 2020 (99.1 % in 2019). NCR is the result of a net claims ratio at 70.7 % (86.4 %) and a net expense ratio at 14.2 % (12.7 %). The UK insurance business generated a technical result of MNOK 136.1 (MNOK 4.8), with COVID 19 having both a positive and negative impact . Lower road usage lead to reduced frequency in motor claims, which was partially offset by reduced premium income. There were some large losses / reserve increases (mainly in Q4) but frequency remained stable.

VOLUME, GROWTH AND PORTFOLIO MIX

Overall GWP growth of 46 % (£34.7m) was achieved in 2020, driven mainly by exceptional opportunities in the Property Market. Rate increases and capacity restrictions supported the existing plans and allowed us to react positively and efficiently to market pressures. Motor and Casualty growth was slower and whilst we saw lots of tenders, pricing was marginal, even for good risks. Our patience in the Public Sector was rewarded by a more aligned pricing structure enabling us to achieve the growth that we had resisted for the previous 18 months.

DISTRIBUTION AND MARKET

Reduced capacity in the Property sector created a frenzy of activity within the market. Quota share coinsurance re-emerged, increasing opportunity but challenging quality. We remained selective.

Our distribution strategy was unchanged, focussing upon a small panel of Brokers. We joined the Marsh and Aon commercial panels WEF 1.1.20 which created new opportunities.

We maintained #1 position in the BSI survey, with improvement in our Claims Handling result. This was validated by strong performance in Broker surveys too.

ORGANISATION AND COMPETENCE

The British unit comprise 85 employees in 2020 with Management, Underwriting, Claims Handling, Risk Management and Finance and Administration inhouse. Our cost ratio ended at 9.2 % (gross ex commission). This was higher than target, but will reduce with scale.

The UK team grew by over 50 % across Manchester & London during 2020. We employed 33 new colleagues of which 27 were 'on boarded' during lockdown. From 16 March 2020 the entire team worked effectively 'from home'. The summer return to office was short-lived, due to UK Government restrictions. Our IT investment allowed us to maintain and in some areas enhance the quality of service provided. The One Team culture is totally embedded in the UK and as we emerge from Lockdown in the spring, we are well positioned for further Profitable Growth.

STUART WINTER
COUNTRY MANAGER UK

Employee since 2019 (June). Winter has more than 30 years experience from the insurance industry. He joined Protector from the position as UK Retail CEO in JLT.

HENRIK HØYE
DIRECTOR UK AND PUBLIC SECTOR

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 initiatives.

FINLAND

Turnaround delivered - run off gains in 2020

PROFITABILITY
In Finland our net combined ratio ended at 77.5 % in 2020 (153.7 % in 2019). This is the result of a net claims ratio of 74.0 % (143.1 %) and a net expense ratio of 3.5 % (10.6 %). Our gross expense ratio was 5.2 % (5.3 %). Protector Finland generated a technical result of MNOK 46.3 (MNOK -120.6).

Claims result were great because reported property claims were settled at much lower costs than reserved. Property frequency claims costs decreased a lot as we exited the housing segment. Motor profitability had help from substantial price increases. The underlying profitability within our current portfolio is ok.

Average price increases were 21 %, which is some 19 %-points above claims inflation. It will improve profitability a lot; Motor got the highest increases due to poor profitability for several years. The Public segment price increases were too small, partly due to long-term premium adjustment agreements.

VOLUME, GROWTH AND PORTFOLIO MIX
Volume decreased due to the exit of Housing and certain Property customers. Moreover, Motor and Workers' compensation decreased, as some customer contracts bundle all products. The current portfolio mix is 2/3 public segment, and heavily weighted towards Employee benefit products.

DISTRIBUTION AND MARKET
The Finnish market is very concentrated. Incumbents control 93 % of the market. They communicate less externally than in other markets and no clear movements are visible in the market.

Protector has maintained relationships with selected brokers during 2020; the service level has been very good in both broker service and claims service.

ORGANISATION AND COMPETENCE
Finland comprise 22 FTEs. In a challenging time, Protector's IT department has enabled a smooth transition to home office, and the possibility to onboard new employees virtually. Finland has local expertise in claims handling and works closely with the Swedish organisation on underwriting.

Our cost ratio including claims handling costs increased to 9.9 %, as volume decreased. The cost level is too high due to the lack of critical mass.

CONSTANZE BENN-IBLER
GENERAL AGENT & FINANCE MANAGER FINLAND

Employee since 2017. Benn-Ibler holds a master's in Finance and Tax Law from Vienna University of Business Administration as well as vocational training as a tax lawyer (member of the Austrian bar). She collected prior working experiences in four different countries among others with GE, Genworth as well as the United Nations.

INVESTMENTS

All stars aligned

The investment portfolio returned 970 MNOK in 2020 with strong contributions from both fixed income and equities. We are very satisfied with this result, but bear in mind that it is above our long-term earnings power on the investment side. Still 2020 is an example of what we can achieve in years with high financial volatility and with good preparation. However, do not get too excited about strong returns in a single year nor too disappointed when the returns are poor. Instead, measure us on our long term performance.

FIXED INCOME INVESTMENTS IN 2020

The performance on fixed income of 5,0 % far exceeded our expectations at the start of the year with a portfolio yielding 1,9 %. We entered the year with caution in an environment where compensation for risk-taking was close to historical lows. Most of the portfolio was allocated towards the safest harbours of the market proving to be a very good starting point. Our low allocation to riskier bonds at beginning of 2020 was based on inadequate findings of investments meeting the company return target. This process is based on individual bottom-up analysis and not a market directional bet as we seldom have a strong view on how Mr. Market will behave.

For several years leading up to 2020 we decreased our risk and especially reduced our BBB exposure. This rating class consist of mainly good credits with corresponding low credit spreads. We have however, witnessed high volatility in the pricing during financial turmoil. When credit spreads widens, in general the price of a 5 year bond will be hit harder than 1 year bond. 500 basis points spread widening will cause a price decline of ~25 % for the 5 year bond and ~5 % for the 1 year bond. Usually spreads widens the most for short credit durations, but history show that prices of longer bond fall significantly more. This is the reason why we reduced our credit duration during the last years with tightening spread levels, from 3.0 in 2016 to 1.6 in 2019. The shorter duration increases the refinancing risk in the portfolio, which we try to counter with thorough credit analysis.

Protector use one part of solvency capital (shareholders' equity and subordinated loan) and one part of float when investing. Because of leverage it is critical to set aside money to avoid forced selling, even if turmoil seldom occurs. Bond funds do not have to think of this the same way, since clients' money is 100% equity. At the same time, without investment clients, we do not have to think about customers withdrawing money. This opens for the possibility to capitalize on strong credits with use of excess capital in distressed markets.

In 2020 spread levels for some rating classes in the Nordics was higher than ever witnessed before. Credit spread levels in Norway fared much better than in relevant other markets during the financial crises in 2008, so our internal stress tests has always been based on what happened internationally. With this, record high spread levels experienced in Norway in 2020 were still well within our stress levels.

INVESTMENT ALLOCATION EVALUATION 2020

During March 2020 equities was on average down 20-25% and our own share was cut in half which made it relevant to evaluate several allocation alternatives. The Norwegian FSA ruled out buy-backs as an alternative and it was an easy decision to focus on the high yield market which had declined almost as much as the stock market. The level of certainty that you get on a high quality credit is also much higher than that of an equity investment. In addition, capital consumption for us is usually ~3x higher in equities than HY bonds. In March 2020 it was an even bigger difference since the high yield markets were closer to their all-time high spread levels. Bond funds, due to no fault of their own, had to sell bonds during the turmoil. This was mainly due to banks demanding more collateral (cash) after a large decline in the value of the Norwegian krone with the funds investing in bonds in other currencies than NOK and hedging this currency exposure. Some funds also witnessed withdrawals creating a buyer's market. We had a low risk portfolio and excess capital going into the turmoil and was prepared with analysis on a number of companies we didn't own. Liquidity in the market froze and with forced sellers we could find very strong credits at, in our opinion, very attractive levels. We used all available capital and at the same time ensuring adequate risk evaluation on a company level including Covid19 exposure on our insurance coverage. We sit close to the CEO, CFO and the CRO and completed daily capital meetings making it possible for us to act as we did.

Fixed income and investment performance always has to be evaluated over a credit cycle. We have witnessed two periods with severe stress in Nordic bond markets since our insourcing of the fixed income portfolio. Starting with the oil price collapse in the fourth quarter of 2014 benefitting our portfolio with no exposure to that sector at the time, and now this year. So far we only have had limited losses. Our focus on credit quality has a price in normal years with low/ no volatility. In good times also weak companies get funding and can refinance. This extra yield that these companies provides we call "fools yield" and is a "fake" outperformance that only can be measured over the long term. We therefore expect slightly lower returns than peers in normal years.

As always, if you as an owner or potential investor reading this have any relevant suggestions (books, cases etc.) on how we can improve feel free to reach out. The most valuable input we can get is a short thesis on any of the companies we are invested in.

DAG MARIUS NERENG
CHIEF INVESTMENT OFFICER (CIO)

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

BOARD OF DIRECTORS

JOSTEIN SØRVOLL

CHAIRMAN OF THE BOARD

Chairman of the Compensation Committee

Education:
Actuary from the University of Oslo (1973)

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

ARVE REE

DEPUTY CHAIRMAN OF THE BOARD

Member of the Compensation Committee
Member of the Audit Committee
Member of the Risk Committee

Education:
MSc in Industrial Economics and Technology Management, Norwegian University of Science and Technology

Experience:
Managing Director of AWC AS (2015-)
Head of Ferd Special Investments in Ferd (2008-2014)
Portfolio Manager in De Putron Fund Management (2005-2008)
Analyst in JP Morgan (2003 and 2004-2005)

Board member of Protector since: 2020

Other essential tasks in companies and organisations:
Chairman of the Board in Indico Systems AS and board member of the companies Dips ASA, Cambi ASA and Linstow AS

Regarded as an independent board member: Yes

ELSE BUGGE FOUGNER

BOARD MEMBER

Member of the Compensation Committee

Education:
Cand. Jur. from the University of Oslo (1971)

Experience:
Employee Partner Advokatfirmaet Hjort DA (2019-)
Lawyer at kontorfellesskap Advokatfirmaet Hjort DA (2016-2018), 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 organisations:
Chairman of the Board, Eksportkreditt
Board member of the interim board for the merging of GIEK and Eksportkreditt AS

Regarded as an independent board member: Yes

RANDI HELENE RØED

BOARD MEMBER

Chairman Audit Committee
Chairman Risk Committee

Education:
MSc in Economics and Business Administration NHH
AFF Solstrandprogrammet

Experience:
Chief Adviser Sustainability Norsk Tipping AS (2018-), EVP HR Norsk Tipping AS (2015-2018), CFO Norsk Tipping (2008-2015), Director in Eidsiva Energi (2002-2008), Senior Associate in PWC (1999-2002), Controller in IBM and NIT (1993-1999), Office Manager Group Accounting in DNB (1989-1993)

Board member of Protector since: 2014

Other essential tasks in companies and organisations:
Board member in Gudbrandsdal Energi Holding AS, Gudbrandsdal Energi Fornybar AS, Gudbrandsdal Energi Nett AS and Gudbrandsdal Energi Produksjon AS.

Regarded as an independent board member: Yes

KJETIL GARSTAD

BOARD MEMBER

Member of the Audit Committee
Member of the Risk Committee

Education:
MSc in Economics NHH (2001)

Experience:
Analyst in Stenshagen Invest (2014-)
Oil services analyst in Arctic Securities (2007-2013)
Oil services analyst in SEB Enskilda (2004-2007)
Corporate Finance in UBS Warburg (2001-2004)

Board member of Protector since: 2020

Other essential tasks in companies and organisations:
Board member in the company's Norwegian Finans Holding, Gaming Innovation Group, Øgreid and Vininor

Regarded as an independent board member: Yes

KRISTINE RØKEBERG NILSEN-MOE

BOARD MEMBER

(elected by and amongst the employees)

Education:
Master of Law, University of Oslo (2002-2007)
Insurance Law, University of Oslo (2011)

Experience:
Lawyer and manger liability claim, Protector Forsikring ASA (2017-)
Lawyer, Watercircles Norge AS, (2016-2017)
Manager, PriceWaterhouseCoopers (PwC) (2013-2016)
Advisor, Inventura AS (2011-2013)
Associate and lawyer, If P&C Insurance (2007-2011)

Board member of Protector since: 2020

MATHEWS AMBALATHIL

BOARD MEMBER

(elected by and amongst the employees)

Education:
Bachelor in Hotel Management (1990)

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

Board member of Protector since: 2018

DIRECTORS' REPORT

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. The insurances are sold through selected insurance brokers.

Protector was founded in 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 2007. Protector entered the Swedish insurance market in 2011, the Danish in 2012 and the Finnish and British in 2016. In 2018, the company exited the Norwegian change of ownership insurance (COI) market.

The company has grown rapidly since its inception, and today counts over 420 employees, with offices in Stockholm, Copenhagen, Helsinki, London, Manchester and Oslo (head office).

After the decision to exit the COI market, COI is defined as "discontinued operations" in the accounts.

HIGHLIGHTS FOR 2020:

- 8 % growth in gross premiums written
- Combined ratio for own account 94.8 %
- 8.0 % return on the investment portfolio
- 43.7 % return on equity
- Solvency margin 190 %
- Dividend NOK 3 per share, totalling NOK 246.9 million

The Covid-19 pandemic had a positive impact on the company's claims costs corresponding to approx. 1 percentage point on the claims ratio. The effect was primarily related to motor insurance as a result of less driving. The positive effect was partially offset by business interruption in the UK.

The landslide at Gjerdrum in Norway in December, a natural peril event, incurred a large loss of NOK 45 million for own account, corresponding to 1 percentage point on the claims ratio.

PREMIUM INCOME

In 2020, gross premiums written increased by 8 % to a total of NOK 5,516.3million. In local currencies the growth was 2%.

Gross premiums earned increased by NOK 383.8 million to a total of NOK 5,379.6 million.

Premiums earned for own account amounted to NOK 4,613.5 million, an increase of 11 % compared to 2019. The growth in premiums earned for own account is driven by changes in the reinsurance structure.

Premium growth is driven by the UK and Nordic price increases. In the UK, gross written premiums increased by 56 % to a total of NOK 1,327.8 million. Growth in the Nordic countries was 4 % in Sweden to a total of NOK 1,607.4 million, 4 % in Denmark to a total of NOK 972.5 million, 2 % in Finland to a total of NOK 226 million and in Norway -10 % to a total of NOK 1,382.6 million. In local currencies, growth was 45 % in the UK and -7 % in the Nordics. In total, price increases in the Nordics amounted to 13.7% against 10.5 % in 2019. The renewal rate including the UK was 83.0% against 94.7 % in 2019. The customer churn in the Nordics was unusually high in 2020 due to sharp price increases and other profitability measures, but has normalized entering 2021.

The company is the market leader in the Scandinavian municipal market. In 2020, total growth in the municipal sector was 9 % in local currencies. Growth within the personal lines of business and other business was 0 % and 12 % respectively. Growth in Sweden was 10 %, in Denmark -3 % and in Norway -11 %. In the UK and Finland, growth was 49 % and 14 % respectively. In Denmark, the public sector accounted for 30 % of total premium volume, in Sweden 28 %, in Norway 21 %, in the UK 28 % and in Finland 68 %.

At the beginning of 2021, Protector has withdrawn from workers compensation (WC) covers within the Norwegian health and welfare industry due to the Government's decision to define Covid-19 as an occupational disease within the WC cover. Moreover, we have withdrawn from WC as a single product in Denmark due to a significant capital consumption on this product combined with poor profitability. These deliberate measures represent a premium reduction of approximately NOK 200 million in 2021.

The company expects growth to increase going forward. The UK will continue to grow according to plan, and the high customer churn in the Nordic markets is expected to normalize. Despite the mentioned measures within workers compensation, a growth of approximately 10 % in local currencies is expected in 2021.

RESULT

Profit before tax (operating profit) amounted to NOK 1,044.8 million compared to NOK -71.9 million in 2019.

The strong result is due to a good technical result and a strong investment result. Profit for discontinued operations (change of ownership insurance) was NOK 94.3 million against NOK 71.5 million in 2019. The return on the average equity was 43.7 %, against -0.2 % in 2019.

The claims ratio for own account improved from 95.2 % in 2019 to 84.6 % in 2020. The expense ratio for own account amounted to 10.2 %, up from 8.6 % in 2019. The development in claims and expense ratios results in a combined ratio for own account of 94.8 % in 2020, against 103.8 % in 2019.

The technical result is driven by very good results in the UK and Norway, good results in Sweden, reserve gains in Finland and large reserve losses in Denmark. Overall, the underlying profitability is considered to be somewhat better as the reserve losses and the large loss ratio are above normal and in total exceed the positive effects of Covid-19.

Gross cost ratio has increased from 8.3 % in 2019 to 10.3 % in 2020. The increase is driven by higher personnel costs and broker commissions. A reduction in the cost percentage is expected in 2021. This is due to cost measures in the Nordic countries and higher top-line growth.

The net result from investments for the company's total investment portfolio amounted to NOK 969.6 million in 2020, corresponding to 8.0 %, up from NOK 157.2 million, corresponding to 1.5 % in 2019. The return is driven by a strong return on both equities and interest-bearing securities.

The return on the fixed income portfolio amounted to NOK 535.7 million, corresponding to 5.0%. In 2019, the return on the fixed income portfolio was NOK 201.7 million, corresponding to 2.1%.

The return on equities amounted to NOK 433.8 million, corresponding to 34.9%, compared with NOK -44.5 million, corresponding to -3.9% in 2019.

The technical result for discontinued operations (change of ownership insurance) was NOK 14.2 million and the result was NOK 94.4 million. In 2020, the company continued to sell change of ownership insurance due to existing agreements with some real estate agents. The company has a 50 % quota share (reinsurance) contract covering all change of ownership insurance written in Norway until 1 July 2020.

The profit for the year 2020 in Protector Forsikring ASA was NOK 981.6 million up from NOK -4.9 million in 2019.

The annual accounts have been presented based on a going concern assumption and the Board confirms that the assumption is present. 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 at the end of 2020 203 % before proposed dividend and 190% after. The calculation of the SCR-ratio is described in further detail in Note 24. The company's objective is to maintain a SCR-ratio above 150 %.

The company's equity amounted to NOK 3,030.5 million, an increase of NOK 1,011.1 million.

The cash flow statement showed a positive cash flow from operating activities, before investments in financial assets, of NOK 1,295.4 million. Net cash flow was positive by NOK 110.5 million. Cash and cash equivalents amounted to NOK 2,312.1 million at the end of 2020.

The company's capital situa¬tion and solvency is considered as satisfactory.

In December, Protector placed a new subordinated loan of NOK 500 million. The loan qualifies as Tier 2 capital under the European Solvency II capital adequacy regulations for insurance companies. NOK 269 million of the proceeds from the tier 2 issue has been used for a buy-back of the tier 2 bond (NOK 500m) which has the first call date in April 2021. The increase in tier 2 capital has a limited effect on the SCR-ratio.

The company had 2,069 shareholders as at 31.12.2020.

DIVIDEND

The Board of Directors proposes a dividend of NOK 3.00 per share for the fiscal year 2020, corresponding to NOK 246.9 million. The Board considers the size of the dividend to be in line with the company's financial position and the position in the market. Proposed dividend is included in other earned equity.

The Board will further propose that the dividend policy in the coming years be an intention to pay 20 - 80% of the profit for the year after tax as an ordinary dividend. Final determination will be based on the company's result, capital requirements including satisfactory buffers and the necessary flexibility for growth and development in the company. Ordinary dividends will, as a general rule, only be paid at a solvency margin above 150%. With a solvency margin above 180%, the board's intention is to over time return surplus capital to the shareholders in the form of extraordinary dividends or repurchases of shares.

The Board prepares quarterly dividend assessments on the basis of the most recently approved annual accounts.

RISK EXPOSURES

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

Market risk

Protector is exposed to losses due to changes in observable market variables such as interest rates and securities prices. At the end of 2020, the company had an investment portfolio of NOK 13.5 billion, of which 86.5 % was invested in interest-bearing instruments and 13.5 % in equities. The share invested in equities has increased by 3.4 percentage points during 2020. The duration in the fixed income portfolio at the end of 2020 was 0.4 years, unchanged from the end of 2019. Interest rate risk is considered low.

The Board annually determines the company's investment strategy, including its risk profile and restrictions on investments in various instruments. The investment strategy sets a framework that is adapted to the company's risk bearing capacity. The consolidated market risk is measured and reported quarterly to the Board of Directors.

The total market risk for the company's financial investments is considered as acceptable.

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

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

Insurance Risk

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

The framework for the reinsurance program is laid down based on the need to protect the company's equity capital against loss occurrences in excess of an amount that is regarded as sound and on the need to reduce result fluctuations. The company is satisfactorily protected against disasters and large-scale claims through its reinsurance program. The retention rate amounted to 85.8 % at the end of 2020.

Credit Risk

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

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

The company has established frameworks for the various securities issuers as well as defined minimum credit ratings for the various issuer groups for interest-bearing securities. Frameworks have also been established for the duration of credit. At the end of 2020, the credit duration in the interest-rate portfolio was 1.4 years, down from 2.0 years in 2019. The average credit rating for the issuers in the portfolio is A- at the end of 2020 down from A+ at the end of 2019.

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

In P&C insurance, the liquidity risk is general low since premiums are due for payment before claims have to be paid.

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 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 calculated and reported in accordance with Solvency II rules. The company also implements and documents operational risk in connection with internal control processes in the company. The main features of this work are that the individual leader within his or her respective area carries out a process to identify the most significant risks before and after the measures implemented. The work revealed in 2020 no risk conditions that were not adequately controlled. The operational risk is considered to be 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.

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 the highest possible value creation over time for the shareholders 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. For a more detailed description of the Protector's corporate governance, see a separate statement in the annual report.

SOCIAL RESPONSIBILITY

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

ORGANIZATION AND WORKING ENVIRONMENT

The company had 428 employees as at the end of 2020. This is an increase of 44 employees during the year. The increase is driven mainly by the extending claims handling and growth in the UK. Of the company's 428 employees, 170 are employed in Norway, 99 are employed in Sweden, 51 are employed in Denmark, 83 are employed in the UK and 25 are employed in Finland.

Significant importance is attached to managerial and competence development as well as to recruitment of highly competent personnel. In 2020, the company's capacity and competence have been strengthened for continued growth in the UK and continued profitability focus and moderate growth in the Nordic countries.

Like the rest of society, the company has developed in the direction of increased cultural diversity. The company strives for equal treatment and equal opportunities in all internal and external recruitment and development processes. As an employer, Protector is concerned with promoting equality and counteracting discrimination.

Of the company's employees, 45 % are women and 55 % are men. The company's management team consists of only men. In addition to the top management, the company has 71 managers, whereof 45 % are women. The Board of Directors has three female Board members and four male Board members. The company has 12 part-time employees of which 75% are women and 25% are men and 37 temporary employees of which 73% are men and 27% are women. During 2020, 51 employees, divided into 27 men and 24 women, had parental leave. The average parental leave has been 8 weeks for men and 21 weeks for women. The Board is of the opinion that there are equal opportunities for both genders in the company. Salary surveys will be carried out for the first time for the financial year 2021.

Twice a year, the company conducts an employee survey (puls) to measure and chart the level and development of employee satisfaction. Instead of a pulse survey, a more comprehensive work environment survey was conducted in the second half of 2020. The overall results were at a good level, but with somewhat more variation in the results in Norway. The company has implemented measures and action plans that over time will yield positive results.

The rate of absence due to sickness in Protector was 1.9 % in 2020, against 2.9% in 2019. No occupational accidents or occupational injuries occurred during 2020.

The company's CEO Sverre Bjerkeli will leave the company in September 2021 in accordance with his pension agreement. Henrik Golfetto Høye, director of UK & Public in Protector, will then take over as the new CEO.

PROSPECTS

Strong price increases and other profitability measures in the Nordics improve the claims ratio significantly. The underlying profitability is good and with continued high or moderate price increases the technical result is expected to further improve in 2021.

Entering 2021, the company has experienced a significantly reduced client churn and a hardening market. A higher growth rate in local currencies must be expected.

The Covid-19 situation has to this point had a limited effect on the company's insurance business. Products in our portfolio that may be adversely affected by Covid-19 are limited. The situation may lead to some increase in pay-outs within products like other illness and business interruption but at the same time reduced economic activity has led to stronger profitability expectations on other products.

There is normally uncertainty related to future conditions, but the Board is of the opinion that the company is well equipped to meet the competition going forward.

Oslo, 3 March 2021
The Board of Directors of Protector Forsikring ASA
Translation - not to be signed

Jostein Sørvoll (Chairman)	Arve Ree (Deputy Chairman)	Else Bugge Fougner	Randi Helene Røed
Kjetil Garstad	Kristine Røkeberg Nilsen-Moe	Mathews Ambalathil	Sverre Bjerkeli (CEO)

INCOME STATEMENT

[1.000 NOK]	Notes	2020	2019
PREMIUM INCOME			
Gross premiums earned		5 379 562	4 995 754
Reinsurers' share of earned premiums		(766 049)	(848 241)
Earned premiums, net of reinsurance	6	4 613 513	4 147 513
Other insurance-related income		**19 510**	**10 510**
CLAIMS COST			
Gross claims incurred		(4 424 620)	(4 723 921)
Reinsurers' share of claims incurred		523 249	774 823
Claims incurred, net of reinsurance	6	(3 901 370)	(3 949 099)
OPERATING EXPENSES			
Sales costs	18	(331 332)	(233 508)
Administration costs	14,19-21	(221 286)	(179 916)
Commission from reinsurers		81 607	57 188
Total operating expenses, net of reinsurance		(471 012)	(356 236)
Other insurance-related expenses		**(14 049)**	**(15 717)**
Technical result		**246 591**	**(163 029)**
NET INCOME FROM FINANCIAL ASSETS			
Interest income and dividend from financial assets		247 396	228 256
Changes in value on investments		550 439	48 111
Realised gain and loss on investments		126 058	(115 057)
Administration expenses related to investments, including interest expenses		(58 694)	(19 871)
Total net financial income	22	865 199	141 439
Other income		902	1 709
Other expenses		(67 874)	(52 055)
Total other income/expenses		(66 973)	(50 346)
Non-technical result		798 227	91 093
Profit before tax		1 044 818	(71 935)
Tax	15	(159 958)	(4 143)
Profit from continued operations		884 860	(76 079)
Discontinued operations	27	94 344	71 545
Profit before components of comprehensive income		**979 204**	**(4 534)**
COMPONENTS OF COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gain and loss from defined benefit pension plans		(511)	(1 759)
Tax on other comprehensive income that will not be reclassified subsequently to profit or loss	15	128	440
Total other comprehensive income that will not be reclassified subsequently to profit or loss		(383)	(1 319)
Other comprehensive income that will be reclassified subsequently to profit or loss			
Exchange differences from foreign operations		3 670	1 307
Tax on other comprehensive income that will be reclassified subsequently to profit or loss	15	(918)	(327)
Total other comprehensive income that will be reclassified subsequently to profit or loss		2 753	980
Total other comprehensive income		2 370	(339)
Profit for the period		**981 573**	**(4 873)**

STATEMENT OF FINANCIAL POSITION

[1.000 NOK]	Notes	31.12.2020	31.12.2019
ASSETS			
INTANGIBLE FIXED ASSETS			
Other intangible fixed assets	7	53 690	34 550
Total intangible fixed assets		**53 690**	**34 550**
BUILDINGS AND OTHER REAL ESTATES			
Owner-occupied property	8	-	12 814
Total buildings and other real estates		**-**	**12 814**
FINANCIAL ASSETS			
Shares		1 601 735	916 923
Securities, bonds etc		8 574 739	6 773 506
Financial derivatives		47 879	32 616
Bank deposits		1 812 088	1 529 412
Total financial assets	**4, 9**	**12 036 440**	**9 252 457**
REINSURERS SHARE OF GROSS TECHNICAL PROVISIONS			
Reinsurers share of gross premium provisions		158 990	130 287
Reinsurers share of gross claims provisions		1 380 843	1 686 916
Total reinsurers share of gross technical provisions	**6**	**1 539 832**	**1 817 204**
RECEIVABLES			
Policyholders		310 219	416 243
Intermediaries		3 152	5 128
Other receivables		112 271	48 309
Total receivables	**10**	**425 642**	**469 681**
OTHER ASSETS			
Tangible fixed assets	8	30 444	34 114
Cash and bank deposits	11	263 165	343 262
Total other assets		**293 609**	**377 375**
PREPAID EXPENSES			
Other prepaid expenses	12	505 293	349 666
Total prepaid expenses		**505 293**	**349 666**
Assets discontinued operations	27	1 895 744	2 428 459
Total assets		**16 750 251**	**14 742 205**

STATEMENT OF FINANCIAL POSITION

[1.000 NOK]	Notes	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital [86.155.605 shares]	13	86 156	86 156
Own shares	13	(4 269)	(4 394)
Other paid-in equity		267 677	267 677
Total paid-in equity		**349 563**	**349 439**
EARNED EQUITY			
Natural perils capital		70 153	76 876
Guarantee scheme provision		84 875	89 170
Other equity		2 525 882	1 503 850
Total earned equity		**2 680 909**	**1 669 896**
Total equity		**3 030 473**	**2 019 335**
SUBORDINATED LOAN CAPITAL			
Subordinated loan capital	9, 25	1 243 285	1 473 035
Total subordinated loan capital		**1 473 035**	**1 243 285**
TECHNICAL PROVISIONS			
Provisions for unearned premiums		1 396 714	1 211 486
Provisions for claims	3	7 788 403	7 127 697
Total technical provisions	**6**	**9 185 116**	**8 339 183**
PROVISIONS FOR OTHER RISKS AND LIABILITIES			
Pension liabilities	14	17 892	16 040
Current tax liability	15	103 323	-
Deferred tax liability	15	124 472	103 149
Total provisions for other risks and liabilities		**245 687**	**119 189**
LIABILITIES			
Liabilities in connection with insurance	16	43 084	70 451
Liabilities in connection with reinsurance	16	934 027	727 728
Financial derivatives	4, 9, 16	61 402	45 512
Other liabilities	16	250 477	325 720
Total liabilities	4, 16	**1 288 990**	**1 169 412**
INCURRED EXPENSES AND PREPAID INCOME			
Other incurred expenses and prepaid income	17	415 381	299 553
Total incurred expenses and prepaid income		**415 381**	**299 553**
Liabilities discontinued operations	27	1 111 569	1 552 247
Total equity and liabilities		**16 750 251**	**14 742 205**

Oslo, 3 March 2021
The Board of Directors of Protector Forsikring ASA
Translation - not to be signed

Jostein Sørvoll (Chairman)

Arve Ree (Deputy Chairman)

Else Bugge Fougner

Randi Helene Røed

Kjetil Garstad

Kristine Røkeberg Nilsen-Moe

Mathews Ambalathil

Sverre Bjerkeli (CEO)

CASH FLOW STATEMENT

[1.000 NOK]	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Premiums paid	5 888 027	5 343 923
Claims paid	(4 558 162)	(4 003 992)
Net reinsurance	208 511	659 244
Paid operating expenses including commissions	(473 651)	(581 459)
Interest / dividend income	270 093	268 902
Net payments from financial instruments	(1 337 143)	(278 296)
Payable tax	(39 409)	4 225
Net cash flow from operations	**(41 733)**	**1 412 548**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in fixed assets	(15 804)	(47 797)
Net cash flow from investment activities	**(15 804)**	**(47 797)**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Net payment of subordinated loan capital	229 750	
Interest payments on subordinated loan capital	(61 665)	(66 616)
Net cash flow from financial activities	**168 085**	**(66 616)**
Net cash flow for the period	**110 549**	**1 298 135**
Net change in cash and cash equivalents	110 549	1 298 135
Cash and cash equivalents opening balance	2 155 126	859 450
Effects of exchange rate changes on cash and cash equivalents	**46 473**	(2 459)
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**2 312 148**	**2 155 126**

STATEMENT OF CHANGES IN EQUITY

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Natural perils capital	Guarantee scheme provision	Other equity	Total equity
Equity as at 31.12.2018	**86 156**	**(4 407)**	**267 677**	**54 814**	**88 463**	**1 540 371**	**2 033 073**
1.1- 31.12.2019							
Purchase of own shares		13					13
Total equity before profit for the year	**86 156**	**(4 394)**	**267 677**	**54 814**	**88 463**	**1 540 371**	**2 033 087**
Profit before other comprehensive income						(4 534)	(4 534)
Actuarial gain and loss pensions						(1 759)	(1 759)
Currency changes from foreign enterprise						1 307	1 307
Tax on other comprehensive income						113	113
Other changes in equity						(8 879)	(8 879)
Total equity before fund provisions	**86 156**	**(4 394)**	**267 677**	**54 814**	**88 463**	**1 526 619**	**2 019 335**
Provisions to obliged fund gross				22 062	707	(22 769)	-
Equity as at 31.12.2019	**86 156**	**(4 394)**	**267 677**	**76 876**	**89 170**	**1 503 849**	**2 019 335**
1.1- 31.12.2020							
Purchase of own shares		124					124
Total equity before profit for the year	**86 156**	**(4 269)**	**267 677**	**76 876**	**89 170**	**1 503 849**	**2 019 459**
Profit before other comprehensive income						979 204	979 204
Actuarial gain and loss pensions						(511)	(511)
Currency changes from foreign enterprise						3 670	3 670
Tax on other comprehensive income						(790)	(790)
Other changes in equity						29 440	29 440
Total equity before fund provisions	**86 156**	**(4 269)**	**267 677**	**76 876**	**89 170**	**2 514 863**	**3 030 473**
Provisions to obliged fund gross				(6 723)	(4 296)	11 019	-
EQUITY AS AT 31.12.2020	86 156	(4 269)	267 677	70 153	84 875	2 525 882	3 030 473

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

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

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

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

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

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

Total insurance-related operating expenses
Total insurance-related operating expenses consist of sales- and administrative expenses, less commissions received on ceded reinsurance premiums. Operating costs related to claims handling are transferred to claims cost.

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

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

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

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

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

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

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

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

Pension

Protector has country-specific defined contribution pension schemes. A defined contribution pension scheme means that the company pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The company has no further obligation related to work effort delivered after the annual contribution has been paid. There is no provision for accrued pension obligations in such schemes. Defined contribution pension plans are expensed directly.

Tax

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

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

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

Discontinued operations

Protector presents discontinued operations on separate lines in the income statement and balance sheet when the relevant business on the reporting date has been decided to sell or liquidate. The comparative figures are restated accordingly. Specification of the individual items are included in a separate note.

Cash flow statement

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

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

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

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

No discounted values are used for the accounting technical provisions.

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

NOTE 3 INSURANCE RISK

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

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

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

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

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

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

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

Reserve risk

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

The size of the claims provisions is determined both through individual assessments and actuarial calculations. At 31 December 2020, the claims provisions amounted to NOK 6,408 million for own account. The duration of the provisions, that is, the average duration of provisions being settled to clients, was 4.7 years at 31 December 2020. 1%-point increases in inflation will result in a growth in claims provisions of NOK 299 million. The table below shows how future cash flow is related to provisions for outstanding claims for own account at 31 December 2020.

CASH FLOW CONNECTED TO CLAIMS PROVISIONS FOR OWN ACCOUNT

	Future cash flow related to claims incurred					
[1.000 NOK] At 31. desember 2020		0 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	More than 20 years
Claims provisions for own account	6 407 560	4 918 462	721 234	191 675	157 557	418 632

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

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

GROSS CLAIMS DEVELOPMENT

[1.000 NOK]	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**	Total
GROSS											
2011	570 707										570 707
2012	569 696	808 829									1 378 525
2013	546 000	787 758	1 157 525								2 491 284
2014	554 969	788 515	1 144 521	1 435 072							3 923 078
2015	556 583	792 037	1 145 918	1 400 422	1 793 811						5 688 771
2016	531 567	711 408	1 124 848	1 447 439	1 744 304	2 288 759					7 848 325
2017	531 977	737 271	1 087 996	1 390 333	1 722 230	2 359 937	3 554 617				11 384 361
2018	523 594	727 217	1 074 835	1 353 262	1 708 699	2 341 456	3 483 932	3 882 631			15 095 625
2019	526 852	705 575	1 065 100	1 330 017	1 728 158	2 410 805	3 505 709	3 991 883	4 318 733		19 582 832
Estimated amount as at 31.12.2020	525 408	696 737	1 066 438	1 379 293	1 798 728	2 551 554	3 535 339	4 104 664	4 329 862	4 018 661	24 006 684
Total disbursed	505 559	659 295	960 689	1 176 605	1 403 947	1 928 168	2 459 454	3 151 064	2 823 067	1 514 891	16 582 739
Provisions for claims	19 849	37 442	105 749	202 689	394 781	623 386	1 075 885	953 599	1 506 796	2 503 769	7 423 946
Provisions for claims from claims prior years (before 2011)											26 789
Provision for indirect claims handling costs (ULAE)											337 668
Total provisions for claims											7 788 403

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 (NOK 1.000)	2020	2019
1 % change in insurance-related operating expenses	4 710	3 562
1 % change in claims incurred	39 014	39 491
1 % - point change in combined ratio	46 135	41 475
1 % - point change in inflation	298 643	166 869

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, in addition to bank deposits, mainly invested in liquid fixed-income securities and shares. The liquidity risk is therefore limited. 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] At 31. desember 2020	Less than one year	1 - 3 years	More than 3 years	Total cash flow	Total carrying amount
Subordinated loan capital*)	285 987	796 731	537 751	1 620 469	1 473 035
Foreign exchange derivatives	61 402			61 402	61 402
Liabilities	1 642 968			1 642 968	1 642 968
Total financial liabilities	**1 990 357**	**796 731**	**537 751**	**3 324 840**	**3 177 406**

*)The cash flow 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 44.8 million before tax. This corresponds to an interest rate sensitivity of about 0.38 percent.

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

Credit Risk

Rating	Investments allocated per rating category	
[1.000 NOK]	2020	2019
Bonds and other fixed-income securities		
AAA	3 101 944	5 002 516
AA	10 967	94 553
A	622 852	244 476
BBB	601 033	235 354
BB	176 688	334 804
No rating	4 086 041	2 173 781
Totalt bond by rating	**8 599 526**	**8 085 484**
Bond fund not managed by Protector	1 009 423	
Total bonds and other fixed-income securities	**9 608 949**	**8 085 484**
Cash and cash equivalents related to investment portfolio		
AA	258 294	1 825 648
A	1 459 020	
BBB	40 082	
No rating	273 249	
Totalt cash and cash equivalents related to investment portfolio	**2 030 646**	**1 825 648**

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 frequency 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 reports the company’s risk exposure to the Board of Directors.

NOTE 5 SEGMENT INFORMATION

	Norway[2]		Sweden		Denmark		UK		Finland		Total	
[1.000 NOK]	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gross written premiums[1]	1 382 605	1 540 492	1 607 426	1 549 545	972 504	937 058	1 327 792	852 688	225 996	220 675	5 516 322	5 100 457
Gross premiums earned	1 443 433	1 583 931	1 605 185	1 491 939	982 997	921 528	1 130 990	744 386	216 957	253 970	5 379 562	4 995 754
Gross claims incurred	(1 170 485)	(1 591 525)	(1 269 108)	(1 343 331)	(1 105 963)	(885 105)	(722 110)	(543 892)	(156 954)	(360 069)	(4 424 620)	(4 723 921)
Earned premiums, net of reinsurance	1 292 632	1 367 102	1 401 905	1 264 815	861 121	786 018	863 837	504 947	194 018	224 631	4 613 513	4 147 513
Other insurance-related income	4 986	4 153	457	664	443	1 733	8 588	2 275	5 035	1 685	19 510	10 510
Claims incurred, net of reinsurance	(1 036 188)	(1 356 585)	(1 119 342)	(1 058 088)	(991 252)	(776 548)	(610 976)	(436 362)	(143 612)	(321 515)	(3 901 370)	(3 949 099)
Sales costs	(66 448)	(37 645)	(141 004)	(127 649)	(22 321)	(16 721)	(97 390)	(47 504)	(4 169)	(3 990)	(331 332)	(233 508)
Administration costs	(58 003)	(45 801)	(63 440)	(42 861)	(43 851)	(42 466)	(48 895)	(39 239)	(7 097)	(9 548)	(221 286)	(179 916)
Commission from reinsurers	45 189	546	24 598	31 348	(16 527)	12 893	23 880	22 690	4 467	(10 288)	81 607	57 188
Other insurance-related expenses	(1 123)	(7 126)	(1 792)	(2 962)	(5 904)	(2 081)	(2 897)	(2 011)	(2 334)	(1 537)	(14 049)	(15 717)
Technical result	**181 046**	**(75 357)**	**101 382**	**65 266**	**(218 290)**	**(37 173)**	**136 146**	**4 797**	**46 307**	**(120 562)**	**246 591**	**(163 029)**
Other income/expenses	(63 837)	(50 067)	(479)	(98)	(1 166)	2	(1 787)	11	295	(194)	(66 973)	(50 346)
Net financial income	770 023	84 851	84 108	39 960	3 724	2 222	14 812	3 689	(7 468)	10 718	865 199	141 439
Profit before tax	**887 232**	**(40 573)**	**185 011**	**105 128**	**(215 732)**	**(34 949)**	**149 172**	**8 497**	**39 135**	**(110 038)**	**1 044 818**	**(71 935)**
Claims ratio, net of reinsurance[1]	80,2 %	99,2 %	79,8 %	83,7 %	115,1 %	98,8 %	70,7 %	86,4 %	74,0 %	143,1 %	84,6 %	95,2 %
Expense ratio, net of reinsuranc[1]	6,1 %	6,1 %	12,8 %	11,0 %	9,6 %	5,9 %	14,2 %	12,7 %	3,5 %	10,6 %	10,2 %	8,6 %
Combined ratio, net of reinsurance[1]	86,3 %	105,3 %	92,7 %	94,7 %	124,7 %	104,7 %	84,9 %	99,1 %	77,5 %	153,7 %	94,8 %	103,8 %
Claims ratio gross[1]	81,1 %	100,5 %	79,1 %	90,0 %	112,5 %	96,0 %	63,8 %	73,1 %	72,3 %	141,8 %	82,2 %	94,6 %
Cost ratio gross[1]	8,6 %	5,3 %	12,7 %	11,4 %	6,7 %	6,4 %	12,9 %	11,7 %	5,2 %	5,3 %	10,3 %	8,3 %
Combined ratio gross[1]	89,7 %	105,7 %	91,8 %	101,5 %	119,2 %	102,5 %	76,8 %	84,7 %	77,5 %	147,1 %	92,5 %	102,8 %

[1] Defined as alternative performance measure (APM). APMs are described on www.protectorforsikring.no in document named APMs Protector Forsikring 2020

[2] Does not include discontinued operations (change of ownership)

NOTE 6 PREMIUMS AND CLAIMS

[1.000 NOK]	General insurance										Life insurance	
	Medical expense insurance	Income protection insurance	Workers' compen-sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscel-laneous financial loss	**Direct business and accepted proportional reinsurance**	Group life	**Total**
PREMIUM INCOME[1,2]												
Gross premiums written	191 415	142 662	546 864	691 892	1 170 216	15 592	2 007 399	450 221	1 688	**5 217 949**	298 374	**5 516 322**
Reinsurers' share of gross premiums written	(20 503)	(9 494)	(57 246)	(135 685)	(116 961)	(1 543)	(304 045)	(101 210)	(181)	**(746 869)**	(30 858)	**(777 726)**
Premiums written for own account	170 912	133 168	489 618	556 206	1 053 256	14 048	1 703 353	349 011	1 508	**4 471 080**	267 516	**4 738 596**
PREMIUM EARNED												
Gross premiums earned	197 038	182 410	561 979	701 600	1 169 607	15 433	1 831 364	415 621	1 806	**5 076 857**	302 705	**5 379 562**
Reinsurers' share of gross premiums earned	(20 386)	(10 970)	(57 246)	(135 685)	(116 961)	(1 543)	(302 669)	(89 550)	(181)	**(735 191)**	(30 858)	**(766 049)**
Premiums earned for own account	176 652	171 440	504 733	565 915	1 052 646	13 890	1 528 694	326 070	1 625	**4 341 665**	271 847	**4 613 513**
CLAIMS												
Gross claims incurred	178 601	218 955	581 147	668 981	695 378	5 551	1 416 943	351 164	458	**4 117 178**	307 441	**4 424 620**
Reinsurers' share of gross claims incurred	(18 239)	(28 643)	(57 828)	(108 661)	(71 127)	(555)	(138 900)	(67 364)	(46)	**(491 362)**	(31 887)	**(523 249)**
Claims incurred, net of reinsurance	160 362	190 312	523 320	560 320	624 250	4 996	1 278 044	283 800	413	**3 625 817**	275 554	**3 901 370**
GROSS CLAIMS INCURRED												
Occurred this year	175 870	177 014	515 933	616 540	721 245	8 049	1 441 507	337 138	859	**3 994 156**	310 273	**4 304 429**
Occurred previous years	2 731	41 940	65 214	52 441	(25 868)	(2 498)	(24 563)	14 026	(401)	**123 023**	(2 832)	**120 191**
Total for the accounting year	178 601	218 955	581 147	668 981	695 378	5 551	1 416 943	351 164	458	**4 117 178**	307 441	**4 424 620**
CLAIMS INCURRED NET OF REINSURANCE												
Occurred this year	157 717	159 313	463 909	515 082	649 121	7 244	1 290 731	278 348	773	**3 522 238**	279 180	**3 801 418**
Occurred previous years	2 646	30 999	59 411	45 238	(24 871)	(2 248)	(12 687)	5 452	(361)	**103 579**	(3 626)	**99 953**
Total for the accounting year	160 362	190 312	523 320	560 320	624 250	4 996	1 278 044	283 800	413	**3 625 817**	275 554	**3 901 370**
TECHNICAL PROVISIONS GROSS												
Provisions for unearned premiums	24 151	37 209	(38 753)	188 087	293 056	3 607	691 887	147 146	0	**1 346 391**	50 323	**1 396 714**
Provisions for claims	305 732	618 368	2 981 152	864 517	199 881	10 129	1 395 156	1 277 992	662	**7 653 592**	134 811	**7 788 403**
Technical provisions gross	329 883	655 577	2 942 400	1 052 604	492 938	13 737	2 087 043	1 425 139	662	**8 999 982**	185 134	**9 185 116**
TECHNICAL PROVISIONS NET OF REINSURANCE												
Provisions for unearned premiums	21 261	33 380	(34 877)	169 279	263 751	3 247	614 768	121 625	0	**1 192 433**	45 291	**1 237 724**
Provisions for claims	272 035	516 373	2 681 258	730 985	179 893	9 117	1 182 281	715 495	596	**6 288 033**	119 527	**6 407 560**
Technical provisions net of reinsurance	293 296	549 753	2646381	900 264	443 644	12 363	1 797 048	837 120	596	**7 480 466**	164 818	**7 645 284**

1 Premiums comprise of insurance premiums in Norway, Sweden, Denmark, Finland and UK. Gross written premiums in Norway constitute NOK 1,382.6 million (25.1%), Sweden NOK 1,607.4 million kroner (29.1%), De nmark NOK 972.5 million kroner (17.6%), UK NOK 1,327.8 million kroner (24.1%) and Finland NOK 226 million kroner (4.1%)

2 Defined as alternative performance measure (APM). APMs are described on www.protectorforsikring.no in document named APMs Protector Forsikring 2020.

NOTE 7 INTANGIBLE ASSETS

Intangible assets [1.000 NOK]	2020	2019
Costs as at 01.01.	123 589	97 260
Convention difference	1 262	(150)
Additions	32 441	26 479
Write-downs	(37)	
Costs as at 31.12	**157 255**	**123 589**
Accumulated depreciation at 31.12	**(99 361)**	**(84 535)**
Write-downs	37	
Intangible assets connected to discontinued operations	**4 241**	**4 504**
Net book value as at 31.12	**53 690**	**34 550**

Annual depreciationr	14 826	15 415

Intangible assets consist of in-house developed insurance systems and are depreciated on a straight-line basis over the expected useful life.

Expected useful life (years)	3-8	3-5

NOTE 8 PROPERTY AND TANGIBLE FIXED ASSETS

Fixed assets [1.000 NOK]	Office machinery	Furniture and fixtures	Art	2020	2019
Cost as at 01.01	61 517	19 179	216	80 912	59 768
Currency difference	685	366		1 051	(153)
Additions	4 598	4 632		9 231	22 082
Disposals	(10 368)	-		(10 368)	(786)
Cost as at 31.12	**56 433**	**24 177**	**216**	**80 826**	**80 912**
Accumulated depreciation at 31.12	**(39 939)**	**(10 443)**	-	**(50 382)**	**(46 798)**
Net book value as at 31.12	**16 494**	**13 734**	**216**	**30 444**	**34 114**

Annual depreciation				13 951	13 325

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

Expected useful life (years)	3-5	7			

Owner-occupied property [1.000 NOK]	2020	2019
Cost as at 01.01.	15 478	15 478
Sale	(15 478)	
Cost as at 31.12.	-	**15 478**
Accumulated depreciation as at 31.12.	-	**(2 664)**
Net Book value as at 31.12.	-	**12 814**
Annual depreciation	-	**619**

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

Expected useful life (years)		25

NOTE 9 INVESTMENTS

Investment [1.000 NOK]	Book value 31.12.20	Fair value 31.12.20	Book value 31.12.19	Fair value 31.12.19
Shares	1 794 922	1 794 922	1 094 524	1 094 524
Bonds and other fixed-income securities	9 608 949	9 608 949	8 085 484	8 085 484
Financial derivatives	53 654	53 654	38 933	38 933
Bank deposits related to investments	2 030 646	2 030 646	1 825 648	1 825 648
Total financial assets at fair value	**13 488 170**	**13 488 170**	**11 044 589**	**11 044 589**
Financial assets discontinued operations	1 451 730	1 451 730	1 792 132	1 792 132
Financial assets continued operations	12 036 440	12 036 440	9 252 457	9 252 457
Financial derivatives	(61 402)	(61 402)	(45 512)	(45 512)
Other financial liabilities	(4 672)	(4 672)	(99 500)	(99 500)
Total financial liabilities at fair value	**(66 075)**	**(66 075)**	**(145 012)**	**(145 012)**

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

SHARES

Investment [1.000 NOK]	Currency	Fair value	Identification no. Norwegian companies
B3 Consulting Group AB	SEK	88 645	
BankNordik P/F	DKK	199 212	
Christian Berner Tech Trade AB	SEK	17 984	
Columbus A/S	DKK	48 812	
Elanders AB Class B	SEK	287 213	
eWORK Group AB	SEK	144 800	
Forsikringsakademiet	DKK	52	
Hanza Holding AB	SEK	15 983	
Jyske Bank A/S	DKK	248 414	
Lassila And Tikanoja	EUR	2 194	
Lehto Group PLC	EUR	11 699	
Multiconsult ASA	NOK	521 591	910253158
New Wave Group AB	SEK	916	
NilörnGruppen AB Class B	SEK	25 373	
Norwegian Finance Holding AS	NOK	76 808	991281924
Origin Enterprises PLC ORD	EUR	51 916	
Projektengagemang Sweden AB ser. B	SEK	53 309	
		1 794 922	

The share portfolio consist of shares listed on the stock exchange in Norway, Sweden, Denmark, Finland and Ireland. Forsikringsakademiet 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.	320 187	0.45
Corporate bonds etc.	8 279 339	0.40
Bond fund	1 009 423	0.73
Total bonds and other fixed-income securities year 2020	**9 608 949**	**0.44**
- of this, subordinated loan capital in other companies 2020	639 009	0.29
Total bonds and other fixed-income securities year 2019	8 085 484	0.41
- of this, subordinated loan capital in other companies 2019	482 958	0.24

Average yield adjusted for currency hedging effect is 2.6 %. Average interest rate is future cash flows (coupon disbursements and payments on principal amount) discounted with expected market rate for the security concerned at the particular cash flow points in time

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Financial assets at fair value through profit or loss [1.000 NOK]		**Level 1**	**Level 2**	**Level 3**	**Total**
Shares		248 414	1 546 456	**52**	**1 794 922**
Bonds and other fixed-income securities			9 608 949		9 608 949
Bank deposits		2 030 646			2 030 646
Derivatives:					
Foreign exchange contracts			38 838		38 838
Options			14 816		14 816
Total assets year 2020		**2 279 059**	**11 209 059**	**52**	**13 488 170**
Total assets year 2019		2 071 739	8 956 013	16 837	11 044 589

Financial liabilities at fair value through profit or loss [1.000 NOK]		**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign exchange contracts			(61 402)		(61 402)
Other financial liabilities		(4 672)			(4 672)
Total financial liabilities year 2020		**(4 672)**	**(61 402)**	-	**(66 075)**
Total financial liabilities year 2019		(99 500)	(45 512)	-	(145 012)

Financial liabilities at amortized cost [1.000 NOK]	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total book value**
Subordinated loan capital		(1 473 035)		**(1 473 035)**	**(1 473 035)**
Total financial liabilities year 2020		**(1 473 035)**		**(1 473 035)**	**(1 473 035)**
Total financial liabilities year 2019		(1 243 285)		(1 243 285)	(1 243 285)

SECURITIES LENDING

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

NOTE 10 RECEIVABLES

[1.000 NOK]	**2020**	**2019**
Receivable tax	26 851	11 009
External claims handlers	10 545	12 266
Other receivables	74 875	47 815
Total	112 271	71 090

NOTE 11 RESTRICTED BANK DEPOSITS

[1.000 NOK]	2020	2019
Restricted bank deposits in connection with claims settlement	14 884	12 965
Employee withholding tax	8 452	8 613
Total	23 337	21 578

NOTE 12 PREPAID EXPENSES AND DEFERRED INCOME

[1.000 NOK]	2020	2019
Prepaid expenses	273 627	135 486
Accrued unbilled premium	231 666	214 180
Total	**505 293**	**349 666**

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 2,069 shareholders at 31.12.2020.

List of the 20 major shareholders at 31.12.2020	No.of shares	Ownership share in percent
Awilhelmsen Capital Holdings As	8 035 777	9,3 %
Stenshagen Invest As	7 126 353	8,3 %
Verdipapirfondet Odin Norden	6 747 599	7,8 %
Citibank Europe Plc	4 886 744	5,7 %
Verdipapirfondet Alfred Berg Gamba	3 950 053	4,6 %
Hvaler Invest As	3 186 809	3,7 %
Clearstream Banking S.A.	2 290 868	2,7 %
Verdipapirfondet Alfred Berg Norge	1 816 182	2,1 %
Artel As	1 800 000	2,1 %
Utmost Paneurope Dac - Gp11940006	1 573 905	1,8 %
Pershing Llc	1 565 582	1,8 %
Frognes As	1 399 916	1,6 %
Johan Vinje As	1 187 841	1,4 %
Verdipapirfondet Alfred Berg Aktiv	1 161 943	1,3 %
As Tanja	1 036 342	1,2 %
Nore-Invest As	1 030 636	1,2 %
Dyvi Invest As	1 000 933	1,2 %
Verdipapirfondet Nordea Norge Verdi	948 143	1,1 %
Verdipapirfondet Pareto Investment	847 000	1,0 %
Avanza Bank AB	830 423	1,0 %
Total	**52 423 049**	**60,8%**
Protector Forsikring ASA	4 269 376	5,1 %
Other shareholders	29 463 180	34,1%
Total number of shares	**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 31.12.2020	Identification	No.of shares	Ownership share in percent
Hvaler Invest AS	CEO Sverre Bjerkeli	3 186 809	3,7 %
Alsøy Invest AS	Chairman of the Board, Jostein Sørvoll	502 751	0,6 %
Reeco AS	Deputy Chairman, Arve Ree	458 378	0,5 %
Kjetil Andreas Garstad	Board member	121 836	0,1 %
Ditlev de Vibe Vanay	Chief Financial Officer	271 503	0,3 %
Dag Marius Nereng	Chief Investment Officer	107 003	0,1 %
Hans Didring	Country Manager Sverige	58 025	0,1 %
Henrik Golfetto Høye	Director UK and public sector	21 603	0,0 %
Leonard Bijl	IT Director	7 000	0,0 %
Mathews Ambalathil	Employees' representative	1 740	0,0 %
Line Engelmann-Kokkim	Deputy employees' representative	300	0,0 %
Total		4 736 948	5,5 %

NOTE 14 PENSIONS

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

The cost of the defined contribution pension scheme in Norway 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 8.4 G. Allocation to the top pension totalled in year 2020 NOK 1.3 million in net pension costs incl. employer's contribution. In total this scheme accounts for a liability of NOK 18 million at 31.12.2020.

NOTE 15 TAXES

[1.000 NOK]	2020	2019
THIS YEAR'S TAXES ARE DIVIDED BETWEEN		
Payable tax	158 882	30 729
Correction previous years	(2 402)	(579)
Change in deferred tax	21 322	(2 272)
Tax discontinued operations	17 055	23 848
Total tax continued operations	**160 748**	**4 030**

Computation of this years tax		
Profit before tax	1 156 217	23 458
Other comprehensive income	3 159	(452)
Permanent differences	(438 745)	147 382
Changes in temporary differences	(86 007)	(169)
Use of tax loss carried forward		(47 558)
Basis for the tax expense of the year	635 134	122 661
Payable tax 25%	158 784	30 665
Payable tax foreign operations	226	64
Payable tax from previous years	(2 402)	(579)
Payable tax	156 480	30 150

Temporary differences	2020	2019	Changes
Fixed assets	(3 225)	(741)	2 483
Receivables	(904)	(894)	10
Gain and loss account	2 065		(2 065)
Financial assets	108 729	(37 285)	(146 015)
Technical provisions	409 114	467 559	58 445
Pension liabilities	(17 892)	(16 040)	1 853
Net temporary differences	**497 887**	**412 598**	**(85 289)**
Deferred tax 25 %	124 472	103 149	21 322
Deferred tax/ deferred tax assets in the balance sheet	(124 472)	(103 149)	(21 322)

RECONCILIATION OF TAX

[1.000 NOK]		2020	2019
Profit before taxes 25%		289 054	5 864
Permanent differences 25%		(109 686)	22 234
Corrected tax previous years		(2 581)	(171)
Net paid tax for companies abroad		226	64
Calculated tax		**177 013**	**27 992**
Tax on other comprehensive income		790	(113)
Total tax according to income statement		**177 803**	**27 878**
Tax discontinued operations		17 055	23 848
Total tax continued operations		**160 748**	**4 030**

NOTE 16 OTHER LIABILITIES

[1.000 NOK]	2020	2019
Payables, operations	29 721	23 195
Payables, claims	13 363	47 257
Liabilities in connection to direct insurance	43 084	**70 451**
Reinsurance yet to be settled	934 027	727 728
Liabilities in connection to reinsurance	934 027	**727 728**
Allocation of employers contribution	11 800	8 846
Advance tax deduction	14 530	10 810
Unsettled within securities trades	4 672	99 500
Other liabilities	219 475	206 565
Other liabilities	**250 477**	**325 720**
Financial derivatives	61 402	45 512
Total liabilities	**1 288 990**	**1 169 412**

The company has no secured liabilities.

NOTE 17 ACCRUED EXPENSES AND DEFERRED INCOME

[1.000 NOK]	2020	2010
Bonus	126 342	31 045
Accrued vacation pay	28 666	24 207
Deferred income	211 302	146 597
RTV tax	39 649	85 480
Other accrued expenses	9 421	12 224
Total	**415 381**	**299 553**

NOTE 18 SALES EXPENSES

[1.000 NOK]	2020	2019
Internal payroll expenses	129 681	88 030
Commissions	201 651	145 478
Total	**331 332**	**233 508**
in % of overdue premium	6.0 %	4.6 %

NOTE 19 INSURANCE-RELATED ADMINISTRATIVE EXPENSES

Insurance-related administrative expenses [1.000 NOK]	2020	2019
Depreciations	28 124	29 359
Salary- and pensions costs (note 20)	555 149	395 163
Office costs	39 589	35 713
Remunerations	30 587	33 297
Claims handling costs (transferred to gross claims paid)	(299 177)	(200 040)
Internal sales expenses	(129 681)	(88 030)
Internal administrative costs	(64 373)	(24 318)
Other insurance-related administrative expenses in discontinued operations	61 070	(1 229)
Total	**221 286**	**179 916**

Auditing remuneration [1.000 NOK]	2020	2019
Auditing (inclusive VAT)	1 959	1 969
Other certification services (including VAT)		12
Services regarding tax (inclusive VAT)	323	221
Other services outside auditing (inclusive VAT)	151	28
Total	**2 432**	**2 230**

NOTE 20 LABOUR EXPENSES, PENSIONS, NUMBER OF EMPLOYEES

Labour- and pension costs [1.000 NOK]	2020	2019
Salaries	329 259	283 432
Bonus	102 296	3 470
Fees to the Board of Directors, Compensation Committee, Nomination Committee, Audit Committee	2 826	3 238
Defined benefit pension costs[1]	1 342	1 260
Defined contribution pension costs[1]	24 522	19 930
Social security tax	68 617	61 394
Other payments	26 287	22 440
Total	**555 149**	**395 163**

[1] Refer to note 14 for further information.

Number of employees	2020	2019
Number of employees at 31.12.	428,0	384,0
Number of man-labour years at 31.12.	432,1	402,7
Average number of employees at 31.12.	408,9	366,1
Average number of man-labour years at 31.12.	420,9	389,4

NOTE 21 REMUNERATIONS TO SENIOR EXECUTIVES

The Board of Directors' guidelines for determination of salary and other remuneration to senior executives
Pursuant to the Public Limited Liability Companies Act § 6-16, the Board shall prepare guidelines for determining salaries and other remuneration to senior executives. It further follows from the Public Limited Liability Companies Act § 5-6 (3) that the General Meeting shall approve the guidelines.

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 guidelines for determination of salary and other remuneration to senior executives
- Material personnel related issues concerning senior executives

i. Salary and other remuneration to senior executives for the prior fiscal year are presented in the table below. The Board confirms that the guidelines for salary and other remuneration for senior executives for 2020 given in the previous year's statement have been followed.

ii. With regard to guidelines for determining salaries and other remuneration for senior executives, the Board will present the following guidelines for approval at the General Meeting:

The purpose of Protector's salary policy is to attract employees with the competence the company needs, further develop and retain key competence and motivate for long-term and continuous 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 retain the best senior executives.
The CEO's salary and other financial benefits are determined by the Board on the basis of a recommendation from the compensation committee. Terms and remuneration for other senior executives are determined by the CEO in accordance with limits 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 shall be competitive and shall reflect the work effort, responsibility and professional challenges associated with a managerial responsibility in a company of Protector's size and industry.

Variable salary (bonus) to senior executives can be given based on specific performance measurement of target areas derived from the company's strategies and goals. The assessment takes into account a combination of the company's overall performance targets, the business unit in question, as well as an assessment of personal contributions, including an overall assessment related to compliance with the company's vision, values and management principles. Variable salaries for senior executives are determined by the Board on the basis of a recommendation from 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 100 per cent of the annual loan. The variable salary is not included in the pension base.

Of variable salary earned in 2020 for the CEO and other employees covered by regulations for remuneration in financial institutions § 15-9, 80% of the variable salary related to 2020 and 60% of the variable salary related to 2019 shall be given in the form of contingent capital that reflects the company's value development. The contingent capital cannot be disposed freely by the individual earlier than evenly distributed over a period of four years for the part related to 2020 and three years for the part related to 2019.The period shall consider 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 pre-determined financial and non-financial criteria related to the individual employee, the employee's business unit and the company as a whole.

In 2019, the company established a long-term bonus scheme for key people in the investment department, where the bonus awarded is converted into synthetic shares based on Protector's share price as of 31.12. in the earning year. The bonus assumes an excess return against defined benchmark indices measured against five-year rolling return targets. A conversion to synthetic shares does not give the individual employee the right to acquire shares in the company. The synthetic shareholding is paid out every year based on the last five years' earnings. The first payment will be in the year 2023 for the years 2018-2022. Individual variable salary can amount to up to 200% of the annual salary. Variable salary is not included in the pension base. The framework for allocation may be changed at discretion after an overall assessment of the company's results.

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

The CEO has a retirement age of 62 years, other senior employees in Norway have a retirement age of 67 years. The retirement age is 65 in Sweden, the UK and Finland, and 70 in Denmark. At retirement age, the CEO has a severance pay for 12 months.

In Norway, the senior employees are participants in the company's defined contribution pension scheme. The CEO also has an agreement on a top pension that amounts to a maximum of 8.4G. Senior executives in Sweden and Denmark have a defined contribution pension scheme which that is a standard for the insurance industry.

The CEO has a notice period of 6 months and an agreement on severance pay for up to 12 months. Other senior executives have a notice period of 6-12 months and some have agreements on severance pay for up to 12 months. In the case of an agreement on severance pay, the senior employee has severance pay for 6 months both in the event of termination by the company and if the senior employee himself resigns. If it is the company that has given notice and the senior employee works during the notice period, the senior employee shall receive additional severance pay corresponding to the period the senior employee worked during the notice period.

In 2020, the company established a share purchase program for all permanent employees of Protector Forsikring ASA including the CEO and senior executives. All permanent employees are given the opportunity to buy shares for up to NOK 50,000 per year. The shares are purchased once a year after the annual general meeting. The company provides an interest-free loan on the invested amount, which is repaid over 12 months through payroll. Employees receive a discount in the form of grants of 20%, limited up to a maximum tax-free discount, i.e. NOK 3,000. For every fifth share owned after two years, the employee will receive one bonus share, provided that he or she at the grant date are still employed by the company.

On 1 January 2021, the Board has allocated 200,000 shares to Country Manager Sweden Hans Didring and 200,000 shares to Director UK and public sector Henrik Golfetto Høye (new CEO from September 2021) provided that they remain in the company for three years and subject to the approval of the general meeting. In the Board's assessment, it is of great importance for the company's further development that both continue in the company for a minimum of a three-year period.

Payments and remunerations [1.000 NOK]	Salaries	Variable pay[3]	Other remu-nerations[2]	Paid-up pension premium	Total remune-rations
Senior executives					
Sverre Bjerkeli, CEO[1]	7 066	577	454	1 197	9 294
Ditlev De Vibe Vanay, CFO	3 151	0	4	70	3 225
Henrik Golfetto Høye, Director	4 136	326	4	70	4 537
Leonard Bijl, IT Director	2 323	41	4	70	2 438
Hans Didring, Country Manager Sweden	5 684	457	8	430	6 579
Thomas Boutrup, Country Manager Denmark	4 816	108	4	399	5 327
Dag Marius Nereng, CIO	3 275	256	6	70	3 607
Stuart Winter, Country Manager UK	2 366	145	14	319	2 844
Total	**32 817**	**1 910**	**499**	**2 625**	37 851

[1] The CEO has an agreement about top-pension with a recognized cost of NOK 1.3 million inclusive employer's contribution in 2020. In total this scheme accounts for a liability of NOK 18 million at 31.12.2020.
[2] Other remunerations comprises of company car, telephone, insurance and other contractual benefits.
[3] Paid out bonus long term bonus plan.

Payments and remunerations [1.000 NOK] [1]	Remunerations
The board	
Jostein Sørvoll, Chairman of the board	750
Anders Lenborg, Deputy Chairman [- 31.03.2020]	340
Else Bugge Fougner, Board member	345
Jørgen Stenshagen, Board member [-31.3.2020]	490
Randi Helene Røed, Board member	470
Adele N Pran, Board Member [-31.3.2020]	415
Mathews Ambalathil, Employees' representative	150
Line Engelmann-Kokkim, Employees' representative	150
Total	**3 110**
Nomination Committee	
Per Ottar Skaaret, Chairman	40
Arve Ree, member	30
Nils Petter Hollekim, member	30
Total	**100**

[1] Remunerations paid out in accounting year 2020.

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]	2020	2019
Net financial income from financial assets		
Interest income	264 910	260 077
Dividend shares	12 325	31 840
Unrealised gains/losses on financial assets	616 828	100 422
Gains/losses from realisation of financial assets	141 262	(209 785)
Administrations expenses on financial assets	(65 773)	(25 378)
Net financial income	**969 552**	**157 176**
Financial income discontinued operations	104 353	15 737
Financial income continued operations	865 199	141 439

NET FINANCIAL INCOME DIVIDED BY ASSET CLASS		
Interest income from financial assets at fair value through profit or loss	264 910	260 077
Dividend	12 325	31 840
Net gains / (loss) from shares	432 975	(64 334)
Net gains / (loss) from bonds and other fixed-income securities	347 197	(1 315)
Net gains / (loss) from foreign exchange contracts	(22 081)	(43 715)
Administration expenses	(65 773)	(25 378)
Total net income and gains/ (loss) from financial assets at fair value through profit or loss	**969 552**	**157 176**
Financial income discontinued operations	104 353	15 737
Financial income continued operations	865 199	141 439

NOTE 23 EARNINGS PER SHARE

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]	2020	2019
Profit for the year assigned to the company's shareholders	981 573	(4 873)
Weighted average number of shares	81 850 429	81 760 085
Earnings per share	**11,99**	**(0,06)**

Earnings per share continued operations [1.000 NOK]	2020	2019
Profit for the year assigned to the company's shareholders	887 230	(67 792)
Weighted average number of shares	81 850 429	81 760 085
Earnings per share	**10,84**	**(0,83)**

NOTE 24 SOLVENCY POSITION

The company calculates solvency margin using standard formula. Solvency margin is ratio of the company's eligible solvency capital to its solvency capital requirement.

Solvency capital can be classified into three tiers. Solvency II regulations define if capital instruments belong to tier 1, 2 or 3 and any limits which apply for use of the capital in different tiers for coverage of solvency capital requirement. The company had no capital in tier 3 at 31.12.2020.

Available and eligible own fund

[1.000 NOK]	2020	2019
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	2 462 858	1 752 996
Tier 1 - restricted	349 734	351 551
Tier 2	1 212 838	988 851
Total basic own funds	**4 025 430**	**3 093 398**

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 61 % (57 %) of the total capital.
Tier 1 restricted capital constituted 9% (11 %). Tier 2 capital constituted 30 % (32%). The company has no Tier 3 capital.

	2020	2019
AVAILABLE OWN FUNDS TO MEET THE SOLVENCY CAPITAL REQUIREMENT (SCR)		
Tier 1 - unrestricted	2 462 858	1 752 996
Tier 1 - restricted	349 734	351 551
Tier 2	1 212 838	988 851
Total available own funds to meet SCR	**4 025 430**	**3 093 398**
AVAILABLE OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT (MCR)		
Tier 1 - unrestricted	2 462 858	1 752 996
Tier 1 - restricted	349 734	351 551
Tier 2	1 212 838	988 851
Total available own funds to meet the MCR	**4 025 430**	**3 093 398**
ELIGIBLE OWN FUNDS TO MEET THE SOLVENCY CAPITAL REQUIREMENT (SCR)		
Tier 1 - unrestricted	2 462 858	1 752 996
Tier 1 - restricted	349 734	351 551
Tier 2	1 001 427	862 886
Total eligible own funds to meet the SCR	**3 814 019**	**2 967 433**
ELIGIBLE OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT (MCR)		
Tier 1 - unrestricted	2 462 858	1 752 996
Tier 1 - restricted	349 734	351 551
Tier 2	180 257	155 319
Total eligible own funds to meet the MCR	**2 992 849**	**2 259 867**

Protector Forsikring has exposure to insurance, market, credit, counterparty and operational risks.

SOLVENCY CAPITAL REQUIREMENT (SCR)	2020	2019
Market risk	843 072	538 012
Counterparty default risk	102 368	61 662
Lifeinsurance risk	1 198	-
Health underwriting risk	989 659	1 099 976
Non-life underwriting risk	1 468 235	1 248 236
Diversification	(1 137 872)	(993 288)
Basic Solvency Capital Requirement	2 266 660	1 954 598
Operational risk	255 760	258 708
Loss-absorbing capacity of deferred taxes	(519 565)	(487 534)
Total solvency capital requirement	**2 002 854**	**1 725 772**

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]	2020	2019
MINIMUM CAPITAL REQUIREMENT		
Linearly calculated MCR	1 128 543	1 084 628
Upper limit for MCR	901 284	776 597
MCR floor	500 714	431 443
Combined MCR	901 284	776 597
Absolute floor of the MCR	41 048	37 932
Minimum capital requirement	**901 284**	**776 597**

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	190 %	172 %
RATIO OF ELIGIBLE OWN FUNDS TO MCR	332 %	291 %

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 liabilities. 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 margins 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	SOLVENCY II
Total assets	**16 750 250**	**16 713 342**
Intangible assets	57 931	-
Reinsurers’ share of gross technical provisions	1 931 140	1 704 076
Own shares	-	254 455

Total liabilities and total assets minus liabilities, of which:	**13 719 778**	**13 679 018**
Total assets minus total liabilities	3 030 472	3 034 324
Technical provisions included risk margin	9 958 290	9 885 130
Liabilities related to reinsurance	1 272 422	1 214 922
Subordinated loan capital included in the basic capital	1 473 035	1 492 419
Other liabilities	769 180	846 090

NOTE 25 SUBORDINATED LOAN CAPITAL

The company has four subordinated loans at MNOK 500, MNOK 400, MNOK 350 and 500 MNOK. Subordinated loan capital is classified as a liability in the balance sheet and is measured at amortised cost. See note 21 for more information. In on of the loans with a nominal value of NOK 500 million, we have repurchased NOK 269 million of nominal value, and it appears in the balance sheet as a netting of NOK 231 million.

SUBORDINATED LOAN MNOK 500

Name	Protector Forsikring ASA 16/46 FRN C SUB
Ticker	PROTCT02
Nominal value	MNOK 500
Interest rate	3 måneder NIBOR + 370 bp p.a.
Issue date	19.04.2016
Due date	19.04.2046
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 måneder 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 måneder NIBOR + 500 bp p.a.
Issue date	31.03.2017
Due date	Perpetual
Callable	Yes

SUBORDINATED LOAN MNOK 500	
Name	Protector Forsi ASA 20/50 FRN STEP C SUB
Ticker	
ISIN	NO0010914443
Nominal value	MNOK 500
Interest rate	3-month NIBOR + 350 bp p.a.
Issue date	16.12.2020
Due date	16.12.2050
Callable	Yes

NOTE 26 CONTINGENT LIABILITIES

Protector has no contingent liabilities at 31.12.2020.

NOTE 27 DISCONTINUED OPERATIONS

Protector decided in 2018 to exit the COI market due to the product's recent years' weak technical performance, and due to the significant uncertainty related to the product's future premium development and profitability. After the decision to exit the COI market, COI is defined as "discontinued operations" in the accounts. Net profit and assets and liabilities associated with COI are presented on separate lines as discontinued operations.

Protector has entered into a 50% quota share agreement (reinsurance) covering all historical business written until 1 July 2020.

Premium income in 2020 is due to some continued agreements with real estate brokers.

Income statement		
[1.000 NOK]	**2020**	**2019**
PREMIUM INCOME		
Gross premiums earned	240 370	356 120
Reinsurers' share of earned premiums	(71 494)	(132 048)
Earned premiums, net of reinsurance	168 876	224 072
CLAIMS		
Gross claims incurred	(226 229)	(269 802)
Reinsurers' share of claims incurred	76 109	139 783
Claims incurred, net of reinsurance	(150 121)	(130 019)
OPERATING EXPENSES	**3 209**	**3 487**
Other insurance related expenses	**(7 800)**	**(6 610)**
Technical result	**14 164**	**90 930**
Total net financial income	104 353	15 737
Other income/expenses	**(7 118)**	(11 274)
Non-technical result	**97 235**	**4 463**
Profit before tax	111 399	95 393
Tax	(17 055)	(23 848)
Profit from discontinued operations	**94 344**	**71 545**

Earnings per share discontinued operations		
[1.000 NOK]	2020	2019
Profit for the year assigned to the company's shareholders	94 344	71 545
Weighted average number of shares	81 850 429	81 760 085
Earnings per share	1,15	0,88

Assets discontinued operations		
[1.000 NOK]	2020	2019
Intangible assets	4 241	4 504
Financial assets	1 451 730	1 792 132
Reinsurers' share of gross technical provisions	391 309	556 694
Receivables	30 128	67 878
Bank	18 337	7 251
Assets discontinued operations	1 895 744	2 428 459

Liabilities discontinued operations		
[1.000 NOK]	2020	2019
Provisions for claims	773 174	1 005 544
Liabilities related to reinsurance	338 395	538 508
Other liabilities	-	8 196
Liabilities discontinued operations	1 111 569	1 552 247

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 2020 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 takes 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, 3 March2021
The Board of Directors of Protector Forsikring ASA
Translation - not to be signed

Jostein Sørvoll (Chairman)	Arve Ree (Deputy Chairman)	Else Bugge Fougner	Randi Helene Røed
Kjetil Garstad	Kristine Røkeberg Nilsen-Moe	Mathews Ambalathil	Sverre Bjerkeli (CEO)

AUDITOR'S REPORT

Statsautoriserte revisorer
Ernst & Young AS

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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 2020, 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 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. 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 2020, gross provision for claims outstanding of MNOK 7 788 were recognised in the accounts for continuing operations, and MNOK 773 for discontinued operations. Claims provisions are an estimate for future claims for events incurred, but not finally settled at the reporting date (IBNS). The balance comprises provisions for claims incurred and reported to the Company (RBNS), claims incurred, but not reported (IBNR) and an estimate for indirect unallocated loss adjustment expenses (ULAE).

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

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

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

Reinsurance share of claims provisions

The Company has a comprehensive reinsurance programme, and the reinsurance share of gross claims provisions as at 31 December 2020 constitutes MNOK 1 381 for continuing operations, and MNOK 391 for discontinued operations. Due to the extent and complexity of the reinsurance contracts, and the degree of judgment related to the determination of the reinsurance share of gross claims provisions, this was a key audit matter.

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

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

Valuation of financial assets measured at fair value

As at 31 December 2020, financial assets measured at fair value constitute MNOK 13 488, of which MNOK 11 209 are unlisted or less liquid financial instruments. Assets are measured at fair value on the basis of assumptions that are either directly or indirectly observable in the market. As unlisted or less liquid financial instruments are significant for the financial statements, and because of the degree of judgment involved, this was a key audit matter.

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

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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, the statement on corporate governance and the statement on corporate social responsibilities 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, 3 March 2021

ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

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

CORPORATE GOVERNANCE

The company's principles for corporate governance shall contribute to the highest possible value creation for the shareholders over time, increased confidence in the company through an open corporate culture and a good reputation. The principles are set in accordance with the Norwegian Code of Practice for Corporate Governance

STATEMENT OF CORPORATE GOVERNANCE

The statement is in accordance with section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. Protector complies with the Code of Practice without significant deviations. The statement below describes how the company complies with the 15 sections of the Code of Practice.

BUSINESS

The articles of association describe the company's business and objectives. Protector's objective is to provide general insurance and has a license to operate within all classes except credit insurance and guarantee insurance.

The company's P&C business includes the Nordic countries and the United Kingdom. Priority market segments are the corporate market, the public sector, as well as the market for grouped insurance schemes. The insurances are sold through selected insurance brokers and agents.

The Board sets goals, strategies and risk profile in connection with the company's annual budget process. Evaluation of goals, strategies and risk profile is carried out in connection with the management's and the board's strategy work in May / June or when needed, for example in the event of significant events or structural changes.

The company's annual report gives a more detailed description of the company's objectives, business strategy and business.

The Board of Directors has prepared ethical guidelines and guidelines for social responsibility in accordance with the company's values. The core of the company's guidelines for social responsibility is the company's responsibility for people, society and the environment that are affected by the business. The guidelines cover, among other things, human rights, anti-corruption, employee relations, discrimination, as well as environmental issues. This is described in more detail in the statement of social responsibility.

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 will at all times seek 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 solvency margin above 150 % (calculated according to Solvency II regulations).

The Board of Directors proposes a dividend of NOK 3.00 per share for the fiscal year 2020, corresponding to NOK 246.9 million. The Board considers the size of the dividend to be in line with the company's financial position and the position in the market. Proposed dividend is included in other earned equity.

The Board will further propose that the dividend policy in the coming years be an intention to pay 20 - 80% of the profit for the year after tax as an ordinary dividend. Final determination will be based on the company's result, capital requirements including satisfactory buffers and the necessary flexibility for growth and development in the company. Ordinary dividends will, as a general rule, only be paid at a solvency margin above 150%. With a solvency margin above 180%, the board's intention is to over time return surplus capital to the shareholders in the form of extraordinary dividends or repurchases of shares.

The Board prepares quarterly dividend assessments on the basis of the most recently approved annual accounts.

The Board of Directors proposes to the Annual General Meeting that the Board of Directors be authorized to decide on the distribution of dividends. The Annual General Meeting may authorize the Board to distribute dividends. Such authorization is conditional on the company having a dividend capacity in accordance with the most recently approved annual accounts. An authorization for the Board to distribute dividends will give the company flexibility and mean that the company, based on dividend capacity in accordance with the most recently approved annual accounts, can distribute several dividends without having to convene an Extraordinary General Meeting. Within the framework that follows from the authorization and the Public Limited Liability Companies Act, the Board decides whether the authorization is to be used, whether it is to be used one or more times, the size of the individual dividend, etc. Any authorization will apply until the Annual General Meeting in 2022, but no longer than until 30 June 2022.

The Board of Directors is authorized to repurchase up to 10% of the total number of shares in Protector Forsikring ASA. The authorization is valid until the next Annual General Meeting in 2021, however, so that it expires no later than 30 June 2021. The Board will propose to the Annual General Meeting that the authorization be renewed. At the end of 2020, the company had 4,269,376 own shares.

The Board of Directors is authorized to increase the share capital through new subscriptions for shares with a total of up to 10% of the share capital divided into up to 10% of the total outstanding 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 2021, however, no later than 30 June 2021. The Board will propose to the Annual General Meeting that the authorization is renewed.

The Board is authorized to raise subordinated loans and other debt limited to NOK 2,500 million and under the conditions stipulated by the Board. The authorization is valid until the Annual General Meeting 2021, however, no later than 30 June 2021. The Board will propose to the Annual General Meeting that the authorization is renewed.

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

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

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

The company is listed on the Oslo Stock Exchange under the ticker PROT. 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 or auditor and close associates of these). There are also insider rules for other employees in the company.

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

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

FREELY NEGOTIABLE SHARES

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

GENERAL MEETINGS

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

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

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

NOMINATION COMMITTEE

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

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

THE BOARD OF DIRECTORS

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

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

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

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

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

An assessment of independence shall take into consideration whether the board member; has been employed in the company, has share options in the company, has cross relations with other board members or general management, has close family links or otherwise has represented or represents material business relations with the company. Information about the individual board member's qualifications, capacity and independence are given in the report. Moreover, note 13 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

The duties of the Board

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

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

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

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

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

Board Committees

In accordance with the law, the Board has established a compensation committee, an audit committee and a risk committee. The committees consist of 3-4 board members and are preparatory committees for the board and do not have decision-making authority.

The Compensation Committee assists the Board in all matters relating to the remuneration of the CEO. The committee shall propose guidelines for the determination of remuneration to the executive management and prepare proposals for the board's statement on the remuneration of the executive management, which are presented annually to the general meeting.

The members of the Compensation Committee are independent of the company's management.

The Audit Committee assists the Board by reviewing, assessing and possibly proposing measures in relation to the control environment, financial and operational reporting, risk management / control and external and internal audit.

The main task of the risk committee is to prepare matters within the risk area to be dealt with by the board, with special attention to risk appetite and risk strategy, including investment strategy. The committee shall contribute with decision support related to the board's discussion of the company's risk taking, financial forecasts and processing of risk reporting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has overall responsibility for ensuring that the company has established appropriate and effective processes for risk management and internal control. The Board shall ensure that the aforementioned processes are satisfactorily established, implemented and followed up. Through the establishment of the company's goals, strategies and risk appetite, the Board sets limits for the types and extent of risks the company can be exposed to. The Board of Directors shall at least annually ensure that significant risks are continuously identified, assessed and handled in a systematic manner, and that the risks are acceptable and within specified limits. The above is ensured through internal control and ORSA processes.

The Company's Audit and Risk Committee supports the Board in the exercise of its responsibility for the Company's overall risk management and control.

The CEO ensures that the company's risk management and internal control are carried out, documented, monitored and followed up in a proper manner. For this purpose, the CEO establishes instructions and guidelines for how the company's risk management and internal control should be implemented in practice, and establishes appropriate control functions and processes.

The CEO monitors changes in the company's risk exposure on an ongoing basis and informs the board of material changes. The CEO ensures that the company's risks are hedged or complied with in accordance with the Board's guidelines, and ensures that managers for all significant areas of business continuously monitor the implementation of the internal control.

All managers are responsible for ensuring that risk management and internal control within their own area of responsibility are satisfactory. This implies:

- at all times have an overview of significant risk factors within their own area of responsibility;
- to follow up on implementation and compliance with associated control measures,
- adapt overall risk management and internal control requirements to the nature, scope and complexity of the area, including addressing the need for detailed instructions or guidelines.

Managers should be able to substantiate that appropriate risk control is established and functioning. Managers for significant business areas conduct and document an annual risk assessment in accordance with the company's requirements, and follow up previous control measures.

The company has established central control functions, including risk management function, compliance function, actuarial function and internal audit function, which are independent of daily operations. The functions' responsibilities and duties, as well as requirements for independence and authority, are laid down in the board-approved policy documents and position instructions in line with the requirements of the Solvency II regulations.

Protector publishes four quarterly accounts in addition to ordinary annual accounts. The accounts must satisfy the requirements of laws and regulations and follow the adopted accounting principles. The accounts must be presented in accordance with deadlines set by the board. The company's accounts are prepared by the finance department which reports to the CFO.

The Board's audit committee carries out a preparatory review of the quarterly accounts and of the annual accounts, with special emphasis on discretionary assessments and estimates made, prior to board review.

Protector's internal control over financial reporting includes guidelines and procedures that ensure that the accounts are presented in accordance with the Accounting Act, regulations for annual accounts, etc. for insurance companies and good accounting practice 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 according to limits set by the Board of Directors. Further information on compensation and loans and shareholdings for the executive management can be found in the notes to the financial statement. 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 are 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.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Protector's social mission is to secure life and valuables and relieve our customers of economic risk, which is also our most important social responsibility. The company's social responsibility is also among other things about safeguarding human rights, working standards, environment, and anti-corruption.

The company has established guidelines for social responsibility which shall ensure that social responsibility is exercised in accordance with the company's core values, ethical guidelines, corporate governance guidelines, and the company's long-term value creation for customers, employees, owners and the society.

The guidelines apply to all employees in the company and to the members of the Board of Directors when they act on behalf of the company. The Board of Directors is responsible for ensuring compliance with the guidelines. Ensuring social responsibility shall be an integral part of the company's internal control framework.

EMPLOYEE RIGHTS AND SOCIAL CONDITIONS

The company's employees are the most important resource for achieving our goals. Protector shall be an attractive employer where employees thrive and have good opportunities for development. Twice a year the company conducts an employee survey to measure and map the level of and development in employee satisfaction. Protector has a Working Environment Committee, which strives for a good working environment. In addition to this the personnel handbook is continuously being revised to provide better information about and document the employees' rights and obligations.

Protector shall actively facilitate the development of each individual employee, and the company works internally with competence development on an ongoing basis. Protector believes in developing key skills through continuous learning. We have established Protector University, a virtual e-learning platform with the ambition to support training/onboarding of new employees and continuous development of all employees. In addition, University will be used to provide feedback as well as evaluate and map employees' competence. Further, quarterly employee appraisals are conducted to ensure individual development and follow-up.

Where equal opportunities and inclusion are concerned, work is being done for providing all employees with the same opportunities for personal and professional development. Existing and new employees shall be treated equally irrespective of gender, age, ethical origins or functional abilities. No form of discrimination is accepted.

As a part of Protector's social responsibility the company supports one Norwegian voluntarily organization working to reduce illiteracy and give Gambian children a better start in life. Protector also views it as a good social task to be able to provide work opportunities during summer months for many young people seeking job, where many of them have the opportunity to secure part-time employment alongside studying. In addition to this, Protector supports the local community by sponsoring a local handball club's young players.

HUMAN RIGHTS

Protector's fundamental guideline is respect for an individual. Everyone shall be treated with dignity and respect, without discrimination on the grounds of ethnicity, nationality, religion, age, gender, disability or sexual orientation. Children shall not be used as working force, and forced labor shall not occur. The company seeks to know its suppliers and shall avoid using suppliers whom do not satisfy the company's core values or ethical guidelines.

THE EXTERNAL ENVIRONMENT

Protector works to reduce the environmental impact of business activities, both through setting requirements for suppliers and through own operations.

Within the company's claims handling, Protector is actively committed to contributing to a sustainable business. For many years, Protector has had an RR-project (recourse- and damage reduction) where a key element of this initiative has been to secure the remaining value in the event of damage. This means that by using remaining values the company reduces the need for new production and makes sure that reusable values are not thrown away and wasted. At the same time, such processing provides economical gain for both the insured party and Protector.
In claims handling we have as a premise that only totally damaged goods shall be destroyed. Damaged goods are sold or donated to charity.

Within property, approximately 80 % of our claims payments are larger than NOK 1 million. The way we handle our claims is of great economic significance. Therefore we are dedicated to using independent and skillful claims appraisers not only for claims appraisal but also for following up that reparations and construction of new buildings are carried out in accordance with all mandatory regulations, including EHS and climate-directed restrictions.

Within motor Protector has established a wide network of recommended car repair workshops. These are selected workshops, who can document satisfactory operations in accordance with all public requirements as well as quality standards that Protector demands. We have a limited number of workshops in each geographical area to ensure that we can offer a meaningful supply of repair business. Sustainable operations is one of our requirements for workshops, and we are especially focused on re-using used parts when they have not been damaged and satisfy requirements for functionality. Reusing parts from damaged cars or end-of-life cars is beneficial for the climate, while also reducing repair costs. This benefits both the external environment, the insured party and the insurance company.

Protector also works targeted with damage prevention measures and then especially within the property area. Reduction of damage risk contributes to protecting life, health and values.

As a white collar business type the company strives for green solutions where possible. The company has invested in double screens in all work places to among other things reduce the amount of paper print-outs. In order to reduce the need for travel , video conference rooms have been installed and phone meetings and digital meetings are encouraged where it can be an alternative for physical meetings. Our offices have energy efficient lighting, and we work continuously with sorting, recycling and minimizing waste so that the total waste amount is reduced. The company's offices are and will be located so that access to public transportation is good.

PREVENTION OF CORRUPTION AND MONEY LAUNDERING

Protector is a P&C insurance company and operates within a business area where the risk of corruption and money laundering is low. Protector's ethical guidelines state that the company has zero tolerance for corruption. No employees shall directly or indirectly offer, promise, give or receive bribes, illegal or unfortunate gifts or other inappropriate benefits or allowances to obtain benefits for the company or privately. Protector's employees shall not work on the behalf of the company on matters where they have personal interests, or where it may be perceived by others to have such interests. The company has also established separate guidelines for gifts and representation. Protector is required to have a risk-based approach to money laundering and terror financing to customers based on customer relationship, the type of products and the type of transactions. The company carries out a risk assessment in connection with the sale of insurance to new and existing customers, and in the payment of claims. The risk assessment is comprehensive and based on the characteristics of the client, client relationship, product, transaction and other relevant factors. In insurance, money laundering will often occur in connection with claims payments. Fighting against money laundering occurs through good risk selection, i.e. good knowledge about the customers who acquire insurance in the company.

The company's guidelines for anti-money laundering and terror financing are approved by the Board of Directors.

All employees in the company must complete a mandatory e-learning course on anti-money laundering and anti-terror financing.

PERSONAL DATA SECURITY (GDPR)

Protector processes personal data in accordance with the laws and regulations governing collection, storage and use of such information. The company policy and guidelines for processing of personal data provide supplementary requirements for implementation throughout the organization. Privacy and information security are essential factors in securing the rights of individuals. Protector's Data Protection Officer works closely with the business units and IT to meet the requirements of the regulation for everyone's safety. The company has a well-functioning events registration database for recording and handling any breaches of personal data security for both customers and employees.

All employees of the company must complete an e-learning where they must confirm that they have read and understood the company's guidelines for processing of personal data.

RESPONSIBLE INVESTMENTS

Responsible investments is an integral part of the company's investment strategy. Guidelines for investments define exclusions from the investment universe based on business type and/or business activities. Protector's policy is not to invest in any companies that are responsible for or contribute to contributing to serious or systematic violation of human rights, environmental damage or corruption.

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