ANNUAL REPORT 2016

PROTECTOR
forsikring

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CONTENTS

HIGHLIGHTS
2016

Total premiums amounted to NOK 3.439 million compared to NOK 2.843 million in 2015, an increase of 21%. The growth occurred within the Norwegian commercial and public sector lines of business (4% of growth), within Sweden (57% of growth) and Denmark (52% of growth).

In 2016, the cost ratio decreased compared to 2015. Gross cost ratio in 2016 was 6,8%, down from 7,5% in 2015. Reduction was driven by great focus on costs in all three countries and is in line with the company's expectations.

The combined ratio was 97,0% at the end of 2016, compared to 88,7% in 2015. The increase is mainly driven by reserve strengthening in Change of Ownership and Workers Compensation in Denmark, partly offset by run-off gains in Workers Compensation in Norway.

The return of investment was 7,0% up from 5,2% in 2015.

The operating profit amounted to NOK 541,1 million compared to NOK 536,1 million in 2015.

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

The Board proposes a dividend of NOK 2,25 per share.

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

THIS IS PROTECTOR

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

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

VISION AND BUSINESS CONCEPT

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

BUSINESS GOALS AND STRATEGIES

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

The company's main goals are:

› Cost and quality leadership
› Profitable growth
› Top 3

The company's long-term financial objectives are:

› Growth rate of gross written premium: 15 %
› Combined ratio for own account: 92 %
› Return on equity: >20 %

DISTRIBUTION STRATEGY

Protector has a distinct distribution strategy. All business is conducted through our selected brokers. The commercial and public sector business is sold through insurance brokers. The same strategy applies to our affinity programs. Change of ownership insurance is sold through selected real estate agents and lawyers.

MARKET STRATEGY

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

Commercial Lines of Business

Protector's chosen segment consists of companies with annual insurance premiums above NOK 100,000. Most of the customers have an annual insurance premium below NOK 3 million, however, Protector also targets larger companies. The largest companies have annual insurance premiums in the tens of millions. By year end 2016 the customer list included approximately 5,000 companies.

Public Lines of Business

Protector has established itself as the largest insurer in the public sector in Scandinavia with more than 600 municipalities on its client list. The coverage varies from single products to total product packages. In addition, we insure more than 30 counties.

Sweden, Denmark, UK and Finland

Protector has established an operational presence in Stockholm, Copenhagen, Manchester and Helsinki with 49, 36, 16 and 4 employees respectively by the end of 2016. The company expects that significant parts of future growth will stem from outside of Norway. The company's entrance in the these markets follows the same business model as in Norway and is well accepted by the insurance brokers.

Change of Ownership Insurance

Change of ownership insurance covers the seller's responsibility for the estate's material defects as specified by the sale of property law ("Avhendingsloven"). Protector is the market leader within change of ownership insurance with more than

50 % market share. Protector has an effective value chain and the necessary critical mass to continue as a leading market player in the years to come.

STRATEGY FOR CLAIMS HANDLING

Our claims handling team counts 105 employees in total, distributed between the commercial line of business and change of ownership insurance. By using skills and competences across claims handling, underwriting and sales the company achieves high cost efficiency while maintaining high quality.

IT-STRATEGY

Protector's strategy is in-house developed IT solutions. The systems have been developed with standardized tools and are accessible through web-based solutions. This facilitates the distribution of data and functions to partners and customers. Protector continuously seeks to utilise IT to increase daily work efficiency.

PERFORMANCE-BASED CULTURE

Protector's organization is based upon highly qualified employees counting close to 300 people at the end of 2016. The majority have long experience from the insurance industry. In addition to the development of claims handling, large resources have been invested to increase the capacity in the areas of underwriting, analysis, sales and service.

Clearly defined goals have been established for all employees, and these goals are linked to performance contracts. On all levels of the organization, a structure has been created for regular employee appraisals. Protector has defined four core values, which are part of the criteria on which employees are assessed in this process: Credible, Open, Bold, Committed.

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

LEADERSHIP DEVELOPMENT

Protector started an 18-month leadership development program called "the Dream Team Leader" for the company's management and key personnel with management responsibility in 2013. The program contained specific development goals for each participant, and a strengthening of the company's management teams. The program concluded in August 2014. The next leadership development program, Lede®stjerne, started in March 2015, and concluded autumn 2016. "Next Level", our new leadership development program, was started in February 2017.

The objective is to develop a congruent leadership in Protector. This involves reaching a common understanding of the company's value-based philosophy for leadership and performance culture.

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

KEY FIGURES

[1.000 NOK]		2016	2015	2014
Gross premiums written		**3 439 047**	**2 843 364**	**2 374 456**
Gross premiums earned		3 250 368	2 791 062	2 306 764
Gross claims incurred		(3 005 015)	(2 283 632)	(1 854 467)
Premiums earned for own account		2 669 030	2 175 953	1 775 274
Claims incurred for own account		(2 540 363)	(1 861 018)	(1 439 515)
Net commission income		118 487	112 860	98 369
Operating expences		(167 039)	(181 963)	(158 696)
Other insurance income/costs		(10 406)	(2 626)	(719)
Net financial income		499 265	303 791	236 843
Other income/costs		(27 879)	(10 857)	(9 519)
Profit before tax		**541 095**	**536 140**	**475 727**
Profit before other comprehensive income		452 681	464 237	382 766
Profit for the year		449 322	481 729	358 780
Claims ratio, net of ceded business	(1)	95,2 %	85,5 %	81,1 %
Expense ratio, net of ceded business	(2)	1,8 %	3,2 %	3,4 %
Combined ratio, net of ceded business	**(3)**	**97,0 %**	**88,7 %**	**84,5 %**
Gross claims ratio	(4)	92,5 %	81,8 %	80,4 %
Gross expense ratio	(5)	6,8 %	7,5 %	7,6 %
Gross combined ratio	**(6)**	**99,2 %**	**89,4 %**	**88,0 %**
Retention rate	(7)	82,1 %	78,0 %	77,0 %
Earnings per share	(8)	5,25	5,48	4,63

(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 cost in % of gross premiums earned.
(6) Gross claims ratio + gross expense ratio.
(7) Earned premiums, net of reinsurance in % of gross earned premiums.
(8) Profit before other comprehensive income divided by weighted number of shares.

VIBEKE KRANE (46)
Chief Financial Officer

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

SHAREHOLDER INFORMATION

THE PROTECTOR SHARE

In 2016, Protector's share price decreased by 3,7 % including dividends and 6,8 % excluding dividends. The Oslo Benchmark (OSEBX) increased by 12,1 % during the same period. In 2015, Protector's share price increased 96,2 % including dividends and 91,1 % excluding dividends. The Oslo Benchmark index increased by 5,9 % during the same period.

DEVELOPMENT IN PROTECTOR'S SHARE PRICE

The average trading volume of Protector's shares on the Oslo Stock Exchange was 154,572 shares in 2016, relative to 208,837 in 2015.

At the end of 2016, the Protector share was traded at NOK 68,75. The market value of total outstanding shares was NOK 5,923 million.

DIVIDEND POLICY

Protector's shareholders shall over time achieve competitive returns on their investment through a combination of cash dividends and an increase in the share price.

The company's goal is to maintain a solvency coverage ratio (calculated according to the Solvency II regulations) of 125 % - 160 %. Unless the need of capital suggests otherwise, it is the board's target to distribute 30-50 % of the annual after-tax profit in a form of dividend. A final dividend decision will take into account the company's results and capital requirement including adequate financial buffers and the necessary flexibility for growth and development.

Protector's board normally proposes a dividend per share in connection with the publication of Protector's preliminary annual results in February. The General Meeting then considers the proposition in April or May, and the approved dividend payout to shareholders takes place in May. For shareholders not domiciled in Norway, tax may be withheld from dividend payments in accordance with applicable regulations.

The board proposes a dividend of NOK 2,25 per share for the fiscal year 2016, totalling NOK 193,9 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. Dividends of NOK 2,25 per share, totaling NOK 193,9 million were distributed in 2016 for the fiscal year of 2015.

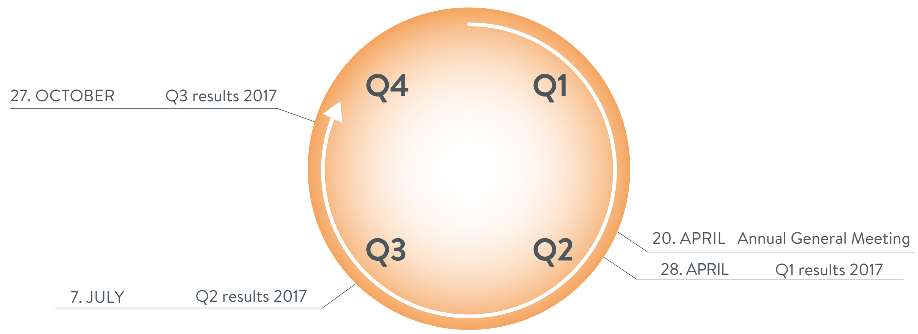
SHAREHOLDERS AND VOTING RIGHTS

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 10 in this report.

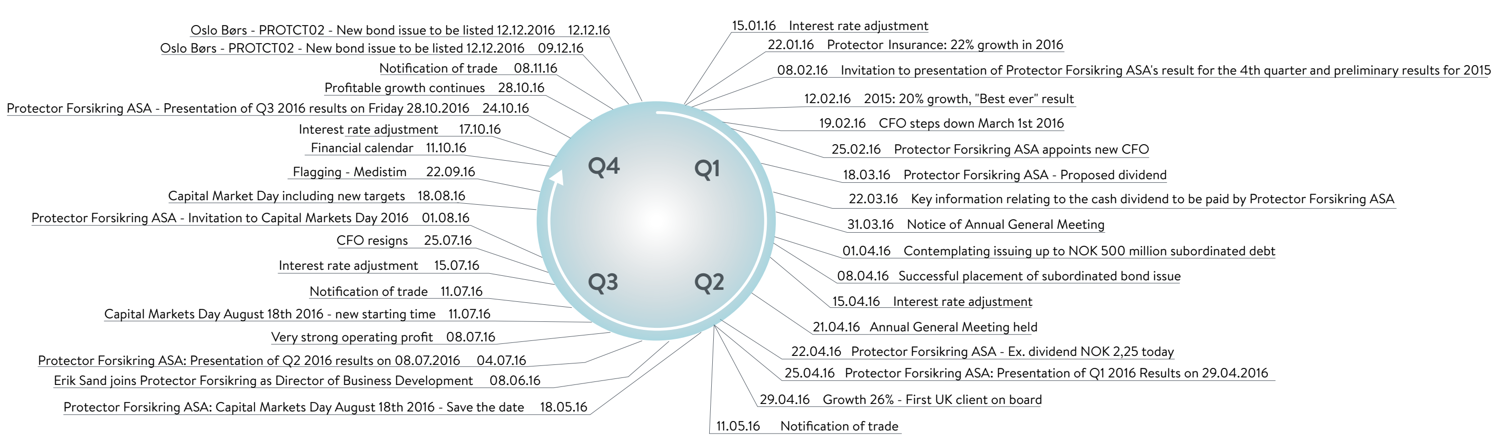
ANNUAL GENERAL MEETING

The Annual General Meeting in Protector Forsikring ASA will be held at the company's premises at Støperigata 2, Oslo, on Thursday April 20th 2017 at 4.00 pm. The notice will be sent to all shareholders and to the Oslo Stock Exchange. The notice to the Annual General Meeting will also be published on the company's website www.protectorforsikring.no.

FINANCIAL CALENDAR 2017



ANNOUNCEMENTS PUBLISHED IN 2016



Notification of trade 2016

11.05.2016	11.07.2016	08.11.2016

2016

CONTINUED STRONG GROWTH - FIRST STEPS OUTSIDE SCANDINAVIA

2016 – DOUBLE DIGIT PROFITABLE GROWTH CONTINUES

At the beginning of 2016, our targets were:

› 22 % growth rate
› CR 90 %
› Expense ratio <7.5%

We achieved a growth rate of 21%, with a combined ratio of 97.0%, of which the expense ratio constituted 6.8%. In addition, the company's financial result was highly satisfactory – with a rate of return of 7.0% and with both equity and fixed income portfolios generating excellent results.

In the commercial segment, the competitive situation has developed as expected, and our total growth rate was 26%. The Norwegian property market is still seeing heavy price increases, although there has been some slowdown in the level of sales. We believe that the overall property market will be sound in 2017, with the possibility of a favourable price development.

We are continuously gaining new customers and increasing market share in the commercial segment, and we are the market leader in municipal insurance in Scandinavia. We now write insurance for more than 600 municipalities and county municipalities in Scandinavia, and our objective is to achieve further growth. We now have Scandinavia as our domestic market, and our growth will primarily be driven from Stockholm and the UK in 2017.

The scalability in Sweden and Denmark is visible now through a decreasing expense ratio - which we indicated last year. The expense ratio will decrease further in 2017, especially in Sweden. We expect continued profitable growth and increased market share in Norway, Sweden and Denmark. The overall risk in the company is decreasing – due to increased volume of short-tail insurance business and increased geographical diversification.

THE RESULT IS CHARACTERISED BY 5 MAIN FEATURES:

› Volume growth of 21 % driven by very strong sales in Sweden and Denmark
› Financial result of 7.0 %
› Net Combined Ratio of 97.0 %
› Large variations in results in different markets
› Gross expense ratio of 6.8%

We maintain our position as a cost leader in our segments, and we are still a quality leader in Norway and Sweden. We have taken a step back in Denmark, but we remain among the top three companies in terms of quality. This means favourable prices for insurance brokers and final customers as well as profit for us. Win – win – win, in other words.

IN THE NORWEGIAN CORPORATE MARKET

growth is driven by the commercial segment, while the public sector segment has seen some decline. Total growth in the commercial and public lines of business was 2% with a premium volume of NOK 1,393 and with very good profitability. We have had a very good access to inquiries about quotations and invitations to tender from the insurance brokers, but we are experiencing strong competition, especially in personal insurance products. The organisation for the commercial and public lines of business in Norway is highly efficient, with an industry-leading expense ratio.

The market and the challenges with continued decreases in rates will have negative impact on growth for both Protector and our competitors. We are setting low growth targets, but with continued good profitability.

SWEDEN IS GROWING VERY RAPIDLY – WITH GOOD PROFITABILITY

The premium volume ended at NOK 815 million, up 57% from the previous year. We are seeing growth in all our general insurance products with motor insurance as the principal driving force, and we are the market leader within the Swedish bus insurance market. We are winning customers in the municipal sector and in the large and medium-sized enterprises market, and we have a very good renewal rate.

Our sales and UW capacity is now at a good level, which provides a foundation for continued growth. At the same time, the claims handeling department is showing initiative and commitment in the search for quality improvement and efficiency enhancement gains.

We have performed our annual quality survey among Swedish insurance brokers, and Protector is in the lead, for the fifth year running. My experience is that our 59 Swedish employees have really made the Protector culture their own. Profitability is at a very high level on the Swedish market with a net combined ratio of 88%. The rate of growth in the beginning of the year is good , and we expect that Sweden will deliver good results also in 2017.

WEAK YEAR IN DENMARK

In 2016, growth continued to NOK 655 million, up 52% on the previous year. All segments saw growth in 2016, and Protector is now number one on the Danish municipal market. In addition we also have several county municipalities as customers.

The profitability was poor in 2016 with considerable reserve losses in worker's compensation insurance as well as a few larger claims in property insurance. I expect that Denmark will end 2017 with a positive contribution to Protector's operating profit.

We have taken a step back as a quality leader in Denmark, but we are still in the top 3. I believe that our team of 36 employees will come back to the first place in terms of quality leadership in 2017. With a somewhat reduced risk appetite in a few areas, we expect a significantly lower growth rate in 2017.

IN FINLAND
we have acquired our first customers, and after our first year on the market we were nominated as the best business partner in 2016 by the Finnish Insurance Broker Association (FIBA). We will grow in 2017, supported by our good relations with insurance brokers.

IN THE UK
we gained a foothold in the public sector and ended the year with a double-digit number of municipalities on board as customers, and we write insurance for large parts of the London boroughs. We will grow further in the public sector where the housing segment offers attractive opportunities. We have also been well received in the commercial market, and we expect increased activities in 2017.

With 16 experienced employees already on board and driven by a performance culture and value-based management, we expect a volume of around MNOK 150-200 in 2017, up from MNOK 25 in 2016.

WITHIN CHANGE OF OWNERSHIP INSURANCE
we have held on to our market share of more than 50%. The volume amounted to NOK 524 million, which is unchanged from 2015. We expect some volume increase in 2017 due to a continued strong housing market.

The combined ratio for the year ended at 117.8%. Following a weak first half of the year with considerable reserve losses, profitability gradually improved in the second half of the year. 2016 was a turnaround year in the claims handling area, and we are starting 2017 with the best-ever claims handling result. The loss frequency has decreased by 44% since 2004, down to below 10%, and the conflict level remains below 2%. The change of ownership insurance is “back in black” in 2017.

Our perception is that both our competitors and our business partners see us as a constructive and professional company and that our market reputation remains at the same very high level. Also this year, Protector has been highly involved in the development and use of technical survey reports in connection with residential property sales. We will continue to be a constructive partner for associations of appraisers, insurance brokers, estate agents and politicians in this field also in the future.

Like previous year’s, our brokers have been exceptionally pleased with our quality. On a scale from 0-100, we score 87 with our claims handling quality being rated at an all-time high. The feedback is incredibly inspiring, and we are ready to perform at least just as well this year.

INVESTMENTS
Delivered a very good result of 7,0%, with both equity and fixed-income portfolios outperforming respective benchmarks. Since the start-up, our internally managed portfolios generate a 91 percentage points higher return than the Oslo Stock Exchange on equity investments and a 3 percentage points higher return than comparable fixed-income funds.

During 2016, our investment team has further developed the investment decision model which was presented earlier in the year as FUW and which we will use actively to manage our capital optimally in terms of both long-term return potential and risk. With six committed employees on board, a growing investment portfolio and the right investment processes in place, we expect continued good investment results in 2017.

In 2016, we have issued MNOK 500 in subordinated loans, which further strengthen the company’s capital adequacy. At the end of 2016, our capital coverage ratio was 163%, up from 146% the previous year.

I would also like to take this opportunity to thank all those who have contributed to our success. Firstly, I wish to thank the insurance brokers and estate agents with whom we work with – in return we will work hard to ensure that your customers see us as commercially attractive and easy to do business with. Secondly, I would like to thank my 268 highly committed employees in Oslo, Stockholm, Copenhagen, Helsinki and Manchester. Our ability to deliver profitable growth, our very high financial returns as well as a good start-up in the UK and Finland show that we have an organisation with a strong winning culture.

In 2017, we expect continued profitable growth as guided to the market in the first quarter, and we look forward to seeing you at CMD in the third quarter.

SVERRE BJERKELI (57)
Chief Executive Officer. He has worked in Protector since 2004 and he has been CEO since 2006. Bjerkeli has more than 20 years’ experience in insurance and finance, including as a Director for the private and corporate markets in Storebrand/If. He was involved in the establishment and management of Storebrand Bank and has worked nationally and internationally as a CEO in Torinno and as a CEO in Ementor Norge.

NORWAY:
COMMERCIAL & PUBLIC LINES OF BUSINESS

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

CONTINUED GROWTH IN 2016

Gross premium written amounted to MNOK 1,387 in 2016 against MNOK 1,360 in 2015, an increase of 2 %. Public Sector experienced a small negative growth, hence the growth coming from commercial sector. The company has experienced negative growth on the employee benefit products, driven by high pressure on rates, a mature portfolio exposed to competition, and client's reduction of staff. The growth has been very good for the Property, Casualty and Motor products. This has been achieved through targeted efforts and use of the company's competitive advantages. An increasing share of P&C products gives a more diversified portfolio, but the EB products remain the largest share. The renewal rate was 86 % in 2016, down from 91 % in 2015.

The company has maintained its cost leadership and achieved good profitability through 2016. This gives room for competitive pricing and a continued high success rate in both policy renewals and sales of new policies in the future.

Despite this, the expectations for 2017 is of "low single-digit" growth, as low rates and high premium awareness at both clients and brokers will make negative contributions.

MARKET

Protector has wide and good cooperation with insurance brokers and has access to all relevant invitations to tender. A significant share of the tendering volume is channelled via the "top 5" broker houses. In 2016, the brokers ranked Protector as

HENRIK HØYE (34)
Director of commercial and public lines of business

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

their preferred insurance company for the tenth consecutive year. This is, amongst others, supported by the insurance brokers' own survey, where Protector was ranked on top in 6 out of 7 areas in 2016.

In the 2016 edition of the company's regular survey among our brokers, the insurance brokers again gave Protector's claims settlement the highest rate in terms of quality. We are proud of the result, but will utilize the feedback to improve further. Also in our other core areas – market, underwriting and service – our high quality level is well documented through both internal and external surveys.

Protector's strategy on price differentiation and focused customer selection ensures profitable volumes for both sales of new policies and the existing customer portfolio. Competition in the commercial market and in the public sector is perceived to be variable and is sharpest where the margins and value chains are historically already under pressure.

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

ORGANIZATION

The business area implemented a number of development and improvement projects in 2016. Both the implementation and the results are evaluated as good and will or have proved to contribute in improving the company's key figures. The results are well proven in underwriting and market, where professional development and targeted market approach raise the operational level.

In 2016, the business in Norway has continued to support growth in other markets with core competence and resources. There is now increasing cross-border competence utilisation.

Protector started cross-border business to Finland during 2016. The strategy is to target public and commercial sector through insurance brokers. Volume is small but relationship development has started out well. Protector was appointed "Best trading partner", ie best insurer, by the Finnish Insurance Broker Association, FIBA.

SWEDEN: COMMERCIAL & PUBLIC LINES OF BUSINESS

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

57% GROWTH

Gross premiums were NOK 825 million in 2016, an increase from NOK 521 million in 2015 – equivalent to 57 % growth. The growth was observed within all product lines and segments, backed up by strong levels of new sales and 99% renewal rate. Protector is number one in the Swedish municipality market, and insure more than 200 municipalities and close to 10 regions. Protector is also number one in the bus market insuring 45% of buses in Sweden.

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

DISTRIBUTION AND MARKET

Protector has been well accepted by the brokerages in Sweden. We measure annually how satisfied the insurance brokers are with the insurance companies' service and offers. In Sweden, Protector receives 75 out of 100 possible points in 2016. The distance to market average increased in 2016, and the distance to the closest competitor is 12 points.
As quality leader for the fifth year running we claim that we are setting a new standard of quality in Sweden.

ORGANISATION AND COMPETENCE

Protector's Swedish branch consists of 59 employees, where the majority works in underwriting and claims handling. This is up from 36 employees in 2015.

We now consider the investment in the organization to be complete, i.e. the staffing will increase slower than the premium volume in the future – with falling cost ratio as a result.

HANS DIDRING (38)
Country Manager Sweden

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

DENMARK:
COMMERCIAL & PUBLIC LINES OF BUSINESS

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

52% GROWTH, LOW PROFITABILITY
Gross premiums written amounted to NOK 655 million in 2016, an increase from NOK 431 million in 2015, equal to a growth rate of 52%. All segments grew in 2016, and Protector is now number one in the Danish municipality market. In addition, we have a few counties on our customer list.

DISTRIBUTION AND MARKET
Protector works continuously to develop our relations with Danish insurance brokers, and after the company has lost its position as a quality leader in Denmark, the focus is directed to regaining this position in Denmark to match our quality leadership position in Norway and Sweden.

ORGANISATION AND COMPETENCE
Our expense ratio was 11.5% in 2016, down from 15.0% in 2015. The reduction means that we have strengthened our position in the battle for future customers. Protector's Danish branch consists of 36 employees, with most of them working in underwriting and claims handling. Since the start-up, Protector's Country Manager in Denmark has switched to a sales-oriented role, and our Director of Business Development has stepped in as Interim Country Manager at the beginning of 2017. The basic investment in the organisation is now regarded as being in place, and the manning will thus increase at a slower rate than the volume of premiums in the future, with a decreasing expense ratio as the result.

Protector has an experienced and competent team in Denmark, and the branch is run in line with the company's performance culture and value-based management.

FLEMMING CONRAD (60)
Country Manager Denmark

Employee since 2012. IEP Insead, Handelshøjskolen, Merkonom (O), Forsikrings- akademiet. He has 38 years of experience in insurance sector from Hafnia, Codan, Provinzial, Trekroner and Nykredit. His latest position was director in Gjensidige's branch in Denmark.

UK:
COMMERCIAL & PUBLIC LINES OF BUSINESS

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

2016 was the first year with operations in the UK. Protector had 14 customers per 31.12.16, most of them in the public sector. Protector writes insurance for more than a third of the London boroughs with Royal Borough of Kensington and Chelsea, City of Westminster, Hammersmith and Fulham as well as Tower Hamlets among the customers from 01.04.2017.

DISTRIBUTION AND MARKET

Protector has been well accepted by the insurance brokers in the UK. The activities with the largest brokerage houses started in the public sector, which opens doors to the commercial segment. Existing relations from Scandinavia and with individual persons in the UK contribute to the development of the relations.

The market situation in Protector's segments are characterised by a limited number of competitors with high expense ratios. The large UK insurance market offers several opportunities for segments with significant premium potential. The premium rates are attractive because of Protector's low expense ratio.

The objective is to achieve quality leadership in the UK, just as we have done in Scandinavia.

ORGANISATION AND COMPETENCE

The first employees in the UK came on board in Q4 2015. At the end of 2016, Protector's office in Manchester had 16 employees. The team is managed by a Regional Manager with more than 30 years of insurance experience and with the Director of Commercial and Public Lines of Business as project manager. Other key persons from the Scandinavian organisation have been heavily involved in the operations and projects throughout 2016. The transfer of work culture, risk assessment methods and processes has been the principal focus for the Scandinavian human resources.

In the course of 2015 and 2016, Protector has built up databases with claims statistics and exposure information for the public sector in the UK. The extent of the information already exceeds the total Scandinavian database. The team is in the process of building up a corresponding information basis for the commercial handling. All core competencies, including claims settlement, risk engineer, underwriting of the principal products and market, are in place in Manchester.
The overall experience in the UK team is solid, and further capacity will be recruited when the opportunities increase. The branch is run in line with the company's performance culture and value-based management.

HENRIK HØYE (34)
Director of commercial and public lines of business

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

INVESTMENTS

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

7,0 % RETURN
The financial result for 2016 was MNOK 499.3 (MNOK 303,8), which yielded a return of 7.0% (5.2%). At the end of 2016, the investment portfolio amounted to NOK 7.5 billion compared with NOK 6.3 billion in the previous year. 86% of the portfolio was managed internally. The allocation of assets in the portfolio is based on the company's capitalisation and risk capacity, investment philosophy as well as risk appetite. At the end of 2016, 22% of portfolio was invested in equities and 78% in fixed-income securities and bank deposits.

Protector's equity portfolio consisted primarily of investments in companies listed on the Norwegian, Swedish and Danish stock exchanges. The return on equity investments was 14.3% in 2016, while the return on Oslo, Stockholm and Copenhagen Stock Exchanges was 12.1%, 5,8% and -7,9% respectively during the same period.

The return on the total fixed-income portfolio was 5.1% in 2016. Protector's internally managed fixed income portfolio yielded a return of 4.8% against a comparable basket of fixed-income funds (Storebrand Rente +, Arctic Return Class I, Carnegie Corp. Bond, Handelsbanken Høyrente, Holberg Kreditt, Pareto Høyrente, Alfred Berg Income, Eika Kreditt, Landkreditt Høyrente, Skagen Høyrente) of 3.9%. The return on the fixed-income portfolio was positively affected by the credit spread tightening in the Nordic bond markets, while the underlying short NIBOR interest rates were flat during the year. The total credit risk for the portfolio is evaluated at BBB at the end of 2016.

ORGANISATION
The investment department consisted of six employees at the end of 2016: Two investment managers and four analysts. Throughout the year, the focus has been on further build-up of Protector's internally managed portfolio and further development of the investment decision model.

DAG MARIUS NERENG (45)
Chief Investment Officer (CIO) - Equities

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

CATHRINE FOYN (51)
Chief Investment Officer (CIO) - Fixed Income

Employee since 2015.
Economist with major in Finance from Handeslhøyskolen BI. 20 years+ experience in fund management, and most recently as partner and senior fixed income manager in the Arctic Fund Management.

NORWAY:
CHANGE OF OWNERSHIP INSURANCE

Protector maintained a market share of more than 50% in 2016. The company's three most important sales channels are: EiendomsMegler 1, PRIVATmegleren and Krogsveen.

STRONG REAL ESTATE MARKET

Overall property sales were high in Norway in 2016, but with regional variations. Residential property prices increased strongly throughout the year, with an 8% growth rate year on year. The number of sold properties on the market was 3% lower in 2016 than in 2015. Our premium revenues ended at MNOK 524 for the year, which was in line with 2015 (MNOK 525). The Hit Ratio was stable at approximately 80%.

PARTNER FOR THE BROKERS

In 2016, Protector held specialist courses and provided training for a majority of the more than 2,500 estate agents who constitute the company's sales channel. A specialist course in the Norwegian Alienation Act (Avhendingsloven), estate agent liability and other relevant themes provide approved supplementary training points from the Financial Supervisory Authority of Norway. The training courses offered have been very well received by the chains of estate agents. In total, Protector awarded nearly 8,000 course points to the estate agency industry in 2016, equal to approximately NOK 8 million in saved course fees.

Protector's satisfaction index remains at a very high level with 87 points out of a possible 100, and the assessment of the company's claims settlement quality is at an all time high level.

PROFITABILITY AND "CLEAN DESK"

Change of ownership insurance had a CR of 117.8% in 2016. There has been a turnaround in the claims settlement, which gives us a sound basis going into 2017. The loss frequency has decreased by 44% since 2004, and is down to below 10%, and the dispute level remains below 2%.

Approximately 4,450 claims were filed in 2016. We received more than 390 writs of summons and a somewhat higher number of notices of intent to file a writ of summons. This is a slight increase in relation to 2015. Claims disbursements were very high and were primarily related to a portfolio reduction.

The claims settlement capacity was increased heavily, the claims adjustment apparatus was increased from two to four claims adjusters, and management capacity and follow-up were increased to the right level. This formed a good foundation for the "Clean Desk" project, which was initiated in late 2015 and which is to increase the speed of the claims settlement without compromising on quality.

MERETE C BERNAU (50)
Director of change of ownership insurance

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

The speed of the claims settlement has never been higher than in 2016. The Department makes decisions in 88% of the cases within 14 days from when the claimant has submitted documentation of the claim. The outstanding claims portfolio has been reduced to the lowest level ever, from approximately 2,100 claims at the beginning of the year to 1,250 claims as at the year-end.

Regarding claims for which complaint were brought before Protector's own complaints board, the Norwegian Complaints Board for Change of Ownership Insurance (KKFE), and the Norwegian Financial Services Complaints Board (FinKN), the complaints boards found for the company in 75% of the complaints in 2016. This is a good result and shows that Protector's claims settlement is of a high quality.

Of the approximately 370 concluded court cases to which the company was a party in 2016, 70% were settled. Of the remaining cases, 65% were wholly or partly won by Protector before the District Court.

Protector is developing an IT system for use for technical survey reports in connection with residential property sales. To assist the surveying profession, in 2016 Protector launched an iPad-based tool, which makes the procedure for filling in technical survey reports both more efficient and more consistent. In addition, Protector will launch the company's own survey report, based on our own claims statistics as well as the existing Norwegian Standard (NS 3600). Both the tool and the new report will be available to all surveyors and valuers who wish to use them.

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. Protector was founded 2003 and obtained a license to engage in general insurance the same year. The company commenced its operations in 2004 and was listed on Oslo Stock Exchange in May 2007. Protector entered the Swedish insurance market in 2011, Denmark in 2012, and Finland and UK in 2016. Protector is operating from its head office in Oslo.

HIGHLIGHTS FOR 2016:

> Strong growth in the corporate segment and in the public sector
> Reduced cost ratio
> A weaker technical result due to spare strengthening, underlying profitability
> A high rate of return on the investment portfolio

PREMIUM INCOME

The company's gross premium written increased by 21 % in 2016 to a total of MNOK 3.439. Gross premium earned increased by MNOK 459.3 to a total of MNOK 3.250.4. Net premium earned amounted to MNOK 2.669.0, up 23% from 2015.

The company has had its highest growth rate in the corporate and public sectors, which increased by 24 % and which were especially driven by Sweden and Denmark. Gross premium written in Sweden amounted to MNOK 815.0, a growth rate of 57 % from MNOK 520.7 in 2015. Gross premium written in Denmark amounted to MNOK 655.1, a growth rate of 52 % from MNOK 430.9 in 2015. Gross premium written in Norway amounted to MNOK 1,393.0, a growth rate of 4,1 % from 2015. The growth is driven by high sales of new insurance policies and a good renewal rate especially in the corporate market. Of the total growth in the corporate and public sectors, growth amounted to 1 percentage points in Norway, 13 percentage points in Sweden, 10 percentage points in Denmark, and 1 percentage point in both UK and Finland.

The company is the market leader on the Scandinavian municipal market. In 2016, the growth rate for the municipal sector was 13 %. The growth rate was -12 % in Norway, 32 % in Sweden and 50 % in Denmark. The growth rate in general insurance is somewhat higher than in personal insurance. In Sweden, the public sector constituted 37 % of the total premium volume, whereas the corresponding figures for Norway and Denmark were 26 % and 21 % respectively.

Premium income from change of ownership insurance, the company's largest affinity programme, amounted to MNOK 523, down 1 % from 2015. Protector's market share is well over 50 %, which is around the same level as in 2015. The number of home sellers who take out change of ownership insurance is at a stable level. The hit ratio was just over 80 % in 2016.

JOSTEIN SØRVOLL
Chairman of the Board

Age: 67
Education:
Actuary from the University of Oslo (1973)
Work experience:
Private investor
CEO of Gabler Wassum AS (2009-2010)
CEO of Protector Forsikring ASA (2003-2006)
CEO of Norske Liv AS (1992-1998)
Executive positions in the Storebrand group (1976-1990)
Director of Protector since: 2006
Other essential tasks in companies and organizations:
Vice Chairman Vátrygginga-félag Íslands hf. (VÍS)
Regarded as an independent director: Yes

RESULT

Profit before tax (operating profit) amounted to MNOK 541.1 against MNOK 536.1 in 2015. The improvement in profit is due to a strong financial return. The rate of return on average equity amounted to 21 % in 2016.

Claims ratio, net of reinsurance increased from 85.5 % in 2015 to 95.2 % in 2016. Net expense ratio amounted to 1.8 %, down from 3.2 % in 2015. The development in claims and expense ratios results in a combined ratio of 97 % in 2016 against 88.7 % in 2015.

The claims ratio result combines good profitability in short-tail business, poor profitability in change of ownership insurance and worker's compensation in Denmark. Profitability is good in Sweden, whereas there were a few medium-sized and large claims on the Norwegian and Danish market in 2016.

The expense ratio margin has been reduced in 2016 com-pared with 2015. On a gross basis, the expense ratio amounted to 6.8 % against 7.5 % in 2015. The decrease comes on top of an already good level and is in line with the company's expectations.

The expense ratio is expected to be reduced somewhat further in 2017 through solid top-line growth and continued strong focusing on efficiency and cost management.

Net result from investments amounted to MNOK 499.3 in 2016, corresponding to 7.0 %, and up from MNOK 303.8, corresponding to 5.2 %, in 2015. The return is characterised by a good rate of return on the company's internally managed share and interest-rate portfolios.

The interest-rate portfolio return was MNOK 292.0 in 2016, corresponding to 5.1 %. In 2015, the return on the interest-rate portfolio was MNOK -13.5, corresponding to -0.3 %. The return on shares amounted to MNOK 207.3, corresponding to 14.3 %, against MNOK 317.3, corresponding to 43.8 % in 2015.

The company's growth in Sweden and Denmark results in greater diversification geographically and product-wise.

The total profit of the year 2016 in Protector Forsikring ASA was MNOK 449.3 down from MNOK 481.7 in 2015.

The annual accounts have been presented based on a going concern assumption.

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.

ERIK G. BRAATHEN

Board member, deputy chairman of the board

Age: 61

Education:
Master of International Management

Work experience:
Private investor (from 1999)
CEO Braathens Safe ASA (1989-1999)
Chairman of the Board, Norwegian Air Shuttle (2004-2009)

Director of Protector since:
2009

Other essential tasks in companies and organizations:
Chairman of the Board, Holmen Fondsforvaltning ASA. Board member in Fly Leasing Ltd., Cenzia AS, Peer Gynt Tours AS, North Sea PSV, Opra Technologies ASA. Deputy board member in Pareto Bank ASA.

Regarded as an independent director: Yes

CAPITAL AND SHAREHOLDER ISSUES

Protector's solvency margin (calculated in accordance with the Solvency II rules) was 163 %[1] as at the end of 2016. The calculations of the SCR-ratio is described in further detail in Note 20.

At the end of 2016, the company's eligible solvency capital amounted to NOK 2.546 million. The solvency capital constituted of NOK 1.854 million in Tier 1 capital (after proposed dividend) and NOK 693 million in Tier 2 capital.

The cash flow statement showed a positive cash flow from operating activities, before investments in financial assets, of MNOK 788.7. There was a positive net cash flow of MNOK 564.9. The company's cash in bank and at hand amounted to MNOK 856.1 as at the end of 2016.

The Board of Directors regards the company's capital situation and solvency as satisfactory.

The company had 2.109 shareholders at 31.12.2016.

1) The requirement to calculate the solvency margin and the capital adequacy in accordance with regulation of May 19, 1995 no. 482 (on the calculation of solvency capital and solvency margin capital for Norwegian insurance companies and reinsurance companies) and regulation of December 22, 2006 no. 1616 (on minimum capital requirements for insurance companies, pension funds, pension companies and holding companies in insurance group) was abolished with effect from January 1, 2016.

DIVIDEND

The Board of Directors recommends a dividend of NOK 2.25 per share, corresponding to MNOK 193.9, to be distributed for 2016. The Board of Directors regards the company's capital situation and market position as being compatible with the size of the recommended dividend. The recommended dividend is included in other retained earnings.

The company's objective is to maintain a solvency margin (calculated in accordance with the Solvency II rules) that is 125 -160 %. Unless otherwise warranted by the capital adequacy requirement, the Board of Directors' objective is that 30 - 50 % of the profit for the year after tax is to be distributed as dividend. The final decision on the amount of dividend to be distributed will be based on the company's profit, capital requirements, including satisfactory buffers, and the necessary flexibility for growth and development in the company.

RISK EXPOSURES

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

Market risk

Protector is exposed to the risk of loss due to changes in observable market variables such as interest rates and securities prices. As at the

ELSE BUGGE FOUGNER
Board Member

Age: 72
Education: Cand.jur. (Law degree) from the University of Oslo (1971)
Work experience:
Attorney at law/Of Counsel Advokatfirmaet Hjort DA (2016 -), Partner in Advokatfirmaet Hjort DA (1991-2015)
Amanuensis at the University of Oslo (1990-1991)
Minister of Justice, Justice Department (1989-1990)
Partner in Advokatfirmaet Hjort DA (1975-1989)
Lawyer in Advokatfirmaet Hjort DA (1972-1975)
Director of Protector since: 2011
Other essential tasks in companies and organizations: Chairman of the Board, Kommunalbanken and Eksportkreditt. Board member in Aberdeen Eiendomsfond Norge II ASA liquidation board, Aker Kværner Holding AS.
Regarded as an independent director: Yes

end of 2016, the company had an investment portfolio of BNOK 7.5, 69.2 % of which was invested in interest-bearing instruments, 22.1 % in shares and unit trusts and 8.6 % in other investments. The percentage of shareholdings has been increased by 9.1 percentage point during 2016. This is due to a reallocation of the portfolio. The duration (term) in the interest-rate portfolio is 0.54 years as at the end of 2016, a reduction of 0.71 from the end of 2015. The interest-rate exposure is regarded as low.

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

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

For further information about interest-rate exposure and stress tests, see Note 3.

The company's total assets are primarily managed internally. The largest external investment and asset managers are: Carnegie Kapitalforvaltning, Nordea Investment Management and Arctic Fund Management.

Insurance Risk

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

The framework for the reinsurance programme is laid down based on the need to protect the company's equity capital against loss occurrences in excess of an amount that is regarded as sound and on the need to reduce result fluctuations. The company is satisfactorily protected against disasters and large-scale claims through its reinsurance programme. The retained risk ratio amounted to 85.0 % in 2016, an increase of six percentage point from 78.0 % in 2015.

Credit Risk

Credit risk is the risk of loss if the company's counterparty does not meet his 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.

RANDI HELENE RØED

Board Member and leader of the Audit Committee

Age: 53
Education:
MSc in Economics and Business Administration from the Norwegian School of Economics.
Work experience:
EVP HR Norsk Tipping (since 2015),
CFO Norsk Tipping (2008-2015),
Director in Eidsiva Energi (2002-2008),
Senior Associate in PWC (1999-2002),
Controller in IBM (1997-1999),
Controller NIT (1993-1997),
Office Manager Group Accounting in DNB (1989-1993)
Director of Protector since: 2014
Other essential tasks in companies and organizations:
Deputy chairman and chairman of audit committee in Bouvet ASA (2003-2015)
Regarded as an independent director: Yes

JØRGEN STENSHAGEN

Board Member

Age: 40
Education:
MSc in Economics and Business Administration from the Norwegian School of Economics, authorized financial analyst and portfolio manager (NFF)
Work Experience:
CEO in Stenshagen Invest (since 2010),
Analyst Norwegian equity management in Alfred Berg (2004-2010),
Assistant to CEO and Compliance Officer in Alfred Berg (2001-2004)
Director of Protector since: 2014
Regarded as an independent director: Yes

Framework has also been established for different issuers of securities and a minimum credit rating level defined for different issuers of fixed-income securities. In 2016, the credit duration of the fixed-income portfolio is 2,9, a reduction of 1,0 year from 2015. There has been no significant change in the average credit rating of the issuers in the portfolio, which is currently BBB.

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

The liquidity risk is generally low in general insurance, seeing that premium payments fall due before the payments of compensation.

Protector primarily deposits premium payments received in liquid accounts or invests them in liquid securities to ensure that the company can obtain the necessary liquid funds at any given time. The liquidity risk is regarded as having been further reduced with internal management of the financial portfolio.

Operational Risk

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

Operational risk is today documented in connection with the work to meet the Solvency II regulations. The Company conducts and documents as well as operational risk associated with internal control processes of the company. This work primarily entails that the individual manager implements a process in his or her respective area of responsibility aimed at mapping the most important risks before and after measures have been implemented. The work done in 2016 did not show any risk exposures that have not been satisfactorily managed. The operational risk is regarded as low.

Strategic Risk

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

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

Age: 36
Education:
B. Sc. Management (2005),
M. Sc. Insurance and Risk Management (2006)
Work experience:
Chief Underwriter P&C and Reinsurance in Protector Forsikring ASA (from 2009),
Account Executive in Willis Ltd, London (2006 – 2008)
Director of Protector since:
2012
Other essential tasks in companies and organizations:
None

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

Age: 33
Education:
Master of Laws, 2012
Bachelor`s degree in Organization and Leadership, 2008
Work experience:
Protector Insurance, Lawyer, Claims handler Liability 2014-
Agriculture directorate, Executive Officer, Natural Disaster compensation, 2013
Director of Protector since:
2016
Other essential tasks in companies and organizations:
None

Organisation, Working Environment, Social Responsibility
The company had 268 employees as at the end of 2016. This is an increase of 53 employees during the year. Out of the company's 268 employees, 59 are employed in Sweden, 36 in Denmark, 16 in UK and 5 in Finland. Significant importance is attached to managerial and competence development as well as to recruitment of highly competent personnel. In 2016, the company's capacity and competence have been further strengthened for continued growth.

The company's employees are distributed on 45 % women and 55 % men. The company's management team consists of two woman and four men. The Board of Directors has three female Board members and four male Board members. No special equality-promoting measures have been initiated.

The rate of absence due to sickness in Protector was 3,9 % in 2016 against 3,5 % in 2015.

There were no accidents at work or occupational injuries during 2016.

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

Corporate Governance
Protector established its own principles of corporate governance in 2007. The Board has an annual review of these principles. The principles will contribute to value maximizing for shareholders over time and increased confidence in the company through an open corporate culture and good reputation. The principles of corporate governance mainly follow the laws and regulations the company is subject to. Furthermore, the principles are based on the Norwegian Code of Corporate Governance of 30 October 2014. For a more detailed description of the Protector's corporate governance, see a separate article in this report.

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

The company expects continued strong growth in 2017, greatly driven by growth in Sweden and UK. The growth assumption is based on an excellent start to 2017 on all our established markets and continued good inflow of business.

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

Oslo, 16 March 2017
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

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

PROFIT AND LOSS ACCOUNT

[1.000 NOK]	Note	2016	2015
PREMIUMS INCOME			
Gross premiums earned		3 250 368	2 791 062
Reinsurers' share of earned premiums		(581 338)	(615 109)
Earned premiums for own account	**4**	**2 669 030**	**2 175 953**
Other insurance related income		**15 433**	**3 884**
CLAIMS			
Gross claims incurred		(3 005 015)	(2 283 632)
Reinsurers' share of claims incurred		464 652	422 615
Claims incurred for own account	**4**	**(2 540 363)**	**(1 861 018)**
INSURANCE RELATED OPERATING EXPENSES			
Sales expenses	14	(53 781)	(28 224)
Insurance related administrative expenses	11, 15-17	(167 039)	(181 963)
Commissions from the reinsurers		172 267	141 084
Total operating expenses		**(48 552)**	**(69 103)**
Other insurance related expenses		**(25 839)**	**(6 511)**
Technical result		**69 708**	**243 206**
NET FINANCIAL INCOME			
Interest income and dividend from financial assets		191 485	65 939
Unrealised gains and reversed unrealised losses on financial assets		310 999	95 389
Gains and losses from realisation of financial assets		17 757	148 997
Administration expenses		(20 976)	(6 534)
Total net financial income	**18**	**499 265**	**303 791**
Other income		**366**	**505**
Other costs		(28 244)	(11 362)
Non-technical result		**471 386**	**292 934**
Profit before tax		**541 095**	**536 140**
Tax	12	(88 414)	(71 903)
Profit before other comprehensive income		452 681	464 237
OTHER COMPREHENSIVE INCOME			
Actuarial gain and loss from defined benefit pension plans- benefits to employees		(1 181)	9 573
Currency changes from foreign enterprise		(3 297)	14 388
Tax on other comprehensive income		1 120	(6 470)
Profit for the year		449 322	481 729

BALANCE SHEET

[1.000 NOK]	Note	2016	2015
ASSETS			
INTANGIBLE ASSETS			
Other intangible assets	5	15 817	15 818
Total intangible assets		**15 817**	**15 818**
BUILDINGS AND OTHER REAL ESTATES			
Owner-occupied property	6	13 725	13 571
Total buildings and other real estates		**13 725**	**13 571**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Shares		1 670 208	860 904
Securities, bonds etc		5 224 987	5 362 463
Financial derivatives		990 667	252 594
Other financial assets		651 762	147 062
Total financial assets	**3, 7**	**8 537 624**	**6 623 022**
REINSURERS' SHARE OF GROSS TECHNICAL PROVISIONS			
Reinsurers' share of provisions for unearned premiums		65 980	102 502
Reinsurers' share of provisions for claims		638 166	563 479
Total reinsurers share of gross technical provisions	**4**	**704 146**	**665 981**
RECEIVABLES			
Policyholders		83 798	32 511
Intermediaries		76 366	59 821
Other receivables		16 251	3 531
Total receivables	**8**	**176 414**	**95 863**
OTHER ASSETS			
Tangible fixed assets	6	12 421	14 182
Cash and bank deposits	3, 9	204 307	144 076
Total other assets		**216 728**	**158 258**
PREPAID EXPENSES AND ACCRUED INCOME			
Other prepayments and accrued income		182 930	132 508
Total prepaid expenses and accrued income		**182 930**	**132 508**
TOTAL ASSETS		**9 847 383**	**7 705 021**

BALANCE SHEET

[1.000 NOK]	Note	2016	2015
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital [86.155.605 shares at NOK 1]	10	86 156	86 156
Other paid-in equity		267 677	267 677
Total paid-in equity		**353 833**	**353 833**
EARNED EQUITY			
Natural perils fund		8 326	212
Guarantee scheme		83 301	77 743
Other equity		1 822 740	1 580 940
Total earned equity		**1 914 368**	**1 658 896**
Total Equity		**2.268.200**	**2.012.728**
SUBORDINATED DEBT			
Other subordinated debt	3, 21	645 875	148 125
Total subordinated debt		**645 875**	**148 125**
GROSS TECHNICAL PROVISIONS			
Provision for unearned premiums		590 750	448 080
Provision for claims outstanding	2	4 557 233	3 858 422
Total gross technical provisions	**4**	**5 147 982**	**4 306 502**
PROVISIONS FOR OTHER LIABILITIES			
Pension liabilities	11	10 924	10 853
Current tax liabilities	12	30 464	91 912
Provision for deferred tax	12	156 927	115 268
Total provisions for other liabilities		**198 315**	**218 032**
LIABILITIES			
Liabilities related to direct insurance operations	13	7 311	28 987
Liabilities related to reinsurance operations	13	196 841	318 752
Financial derivatives	3, 7	992 252	260 066
Other liabilities	13	56 899	125 150
Total liabilities	**3, 13**	**1 253 304**	**732 955**
ACCRUED EXPENSES AND DEFERRED INCOME			
Other accrued expenses and deferred income		333 707	286 678
Total accrued expenses and deferred income		**333 707**	**286 678**
TOTAL LIABILITIES AND EQUITY		**9 847 383**	**7 705 021**

Oslo, 16 March 2017
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

Jostein Sørvoll
(Chairman)

Jørgen Stenshagen

Else Bugge Fougner

Erik G. Braathen
(Deputy Chairman)

Randi Helene Røed

Fredrik Øyan

Birte T. Øygard

Sverre Bjerkeli
(CEO)

CASH FLOW STATEMENT

[1.000 NOK]	2016	2015
CASH FLOW FROM OPERATIONS		
Paid in premiums	3 331 377	2 849 516
Paid claims	(2 218 039)	(1 694 241)
Paid reinsurance	(120 312)	(60 880)
Paid operating expenses including commissions	(275 953)	(161 171)
Interest / dividend income	179 462	68 916
Payments in from financial instruments	28 159 279	8 053 900
Payments out from financial instruments	(28 650 205)	(9 354 733)
Payable tax	(107 827)	(124 477)
Net cash flow from operations	**297 782**	**(423 170)**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Invested in shares (net)	-	262 830
Invested in owner-occupied property	(725)	(13 836)
Invested in inventory	(4 739)	(5 370)
Disposal in inventory	486	-
Invested in intangible assets	(8 976)	(10 039)
Net cash flow from investment activities	**(13 955)**	**233 585**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Dividend paid	(193 850)	(165 170)
Proceeds of subordinated loan	497 750	-
Interest payments on subordinated loan	**(22 795)**	**(11 299)**
NET CASH FLOW FROM FINANCIAL ACTIVITIES	**281 104**	**(176 469)**
Net cash flow for the period	564 932	(366 055)
Net change in cash and cash equivalents	564 932	(366 055)
Cash and cash equivalents opening balance	291 138	657 192
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**856 069**	**291 138**

STATEMENT OF CHANGES IN EQUITY

[1.000 NOK]	Share Capital	Own shares	Other paid in equity	Natural perils fund	Guarantee scheme	Other equity	Total equity
Total equity at 31.12.2014	**86 156**	**(3 571)**	**4 847**	**16 656**	**70 491**	**816 854**	**991 433**
01.01-31.12.2015							
Paid dividend						(165 170)	(165 170)
Total equity before the result of the year	86 156	(3 571)	4 847	16 656	70 491	651 684	826 263
Profit before other comprehensive income						464 237	464 237
Sale of own shares		3 571	262 830			-	266 401
Actuarial gain and loss from defined benefit penion plans- benefits to employees						9 573	9 573
Currency changes from foreign enterprise						14 388	14 388
Tax on other comprehensive income						(6 470)	(6 470)
Total equity before fund provisions	86 156	-	267 677	16 656	70 491	1 133 413	1 574 392
Provisions to obliged fund gross				(16 444)	7 252	9 191	-
Total equity at 31.12.2015	**86 156**	**-**	**267 677**	**212**	**77 743**	**1 142 604**	**1 574 392**
Change in accounting prinsiple							
- Security provision						438 336	438 336
Corrected equity at 31.12 2015	**86 156**	**-**	**267 677**	**212**	**77 743**	**1 580 940**	**2 012 728**
01.01-31.12.2016							
Paid dividend						(193 850)	(193 850)
Total equity before the result of the year	86 156	-	267 677	212	77 743	1 387 090	1 818 878
Profit before other comprehensive income						452 681	452 681
Actuarial gain and loss from defined benefit penion plans- benefits to employees						(1 181)	(1 181)
Currency changes from foreign enterprise						(3 297)	(3 297)
Tax on other comprehensive income						1 120	1 120
Total equity before fund provisions	**86 156**	**-**	**267 677**	**212**	**77 743**	**1 836 412**	**2 268 200**
Provisions to obliged fund gross				8 114	5 558	(13 672)	-
Total equity at 31.12.2016	**86 156**	**-**	**267 677**	**8 326**	**83 302**	**1 822 740**	**2 268 200**

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 (18.12.2015 nr. 1775) and generally accepted accounting principles.

Insurance premiums
Premiums 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
Insurance products are generally divided into two main categories: long-tail and short-tail insurance products. The settlement period is defined as the duration between a loss and/or notification date reported and settlement date. Short-tail insurance products are e.g. property insurance, while long-tail products primarily involve personal and liability lines of business. The uncertainty in short-tailed lines of business is linked primarily to the size of the loss.

For long-tail lines of business 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 of consequence to 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 handlers 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 Benktanders methodologies. 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. 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 estimate of the cost related to future claims handling, which are not allocated the case reserves. ULAE are estimated based on methodology and parameters developed and distributed by the Norwegian FSA.

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

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

TECHNICAL PROVISIONS
The technical provisions are calculated in accordance with the principles established in the financial statement regulations for insurance companies (of 18.12.2015 no. 1775) §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.

Provision for outstanding claims
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 fund
Operating surplus from the mandatory Norwegian Natural Perils Pool must be allocated to a separate Natural Perils fund. 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
The purpose of the guarantee scheme 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.

Subordinated loan
Subordinated loan is accounted at amortized cost using effective interest rate method. Transaction costs related to the issue of the loan are included in the amortized cost.

Receivables
In the balance-sheet 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.

Investments
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.

Ordinary purchases and sales of investments are booked at the time of settlement.

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. Investments are removed from the balance sheet once the right to receive gains from the investment terminates or once these rights are transferred and the company on the whole has transferred all risk and the entire profit potential inherent to the ownership. Financial assets with fair value through profit or loss are considered to represent fair value once they appear on the balance sheet for the first time.

Profit or loss from variations in fair value of assets is classified as "financial assets at fair value through profit or loss", including interest income and dividend, is included in the income statement under "unrealised gains and reversed unrealised losses on financial assets" and "gains and losses from realisation of financial assets" in the period they arise. Dividends from financial assets at fair value through income are included once the company's right to dividends are decided.

Fair value of listed investments is based on the prevailing bid price. Fair value of non-listed assets is determined by our management. The Norwegian Mutual Fund Association (VFF) weekly collects (credit-) spreads from 5 brokerages. The average is sent out to fund managers and used as a basis for valuation of the securities in their portfolios.

Financial derivatives only comprise foreign exchange contracts which traded OTC ("over-the-counter"). The contracts are tailored with respect to object, volume, price and duration. Financial derivatives are classified according to IAS 39 and valued at fair value in the profit and loss account. Change in the fair value of the derivatives' fair value (profit/loss) is recognized under "unrealized gains and reversed unrealized losses on financial assets". Contracts with unrealized gains are presented as assets and contracts with unrealized losses are presented as liabilities in the balance sheet.

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 insurance IT-systems are in-house developed, but other IT-systems are standard systems.

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

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

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

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

Linear contribution and expected terminal pay form the basis of contribution when pensions are accounted. Plan changes are amortized over estimated remaining service period.
Employers' national insurance contributions are ascribed to net pension commitment.

The cost of the defined contribution pension scheme is equal to the period's payment for the pension's savings which amounts annually to 5% of the payment basis between 1 and 6 G (G=National Insurance Scheme basic amount which totaled NOK 92.576 per 31.12.2016), as well as 8% of the payment basis between 6 and 12 G. The payments to the employees' pension savings accounts are made monthly. The future pension is dependent on the size of the contribution and return on the pension savings.

Tax
The tax expense in the income statement consists both of taxes payable 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 balance sheet when it is more likely than not that the tax assets will be utilized.

Foreign currency
Transactions in foreign currencies are translated to the respective functional currencies at the prevailing exchange rate at transaction date. For transactions related to activities in Sweden, Denmark, Finland and UK, amounts are converted to NOK by translating the profit and loss at average exchange rates for the period of activity, and by translating the assets and liabilities within the balance sheet at the exchange rate at the reporting date. Exchange differences arising on currency translations are recognised in the other comprehensive income.

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

Change in accounting policy
The ministry of finance decided in December 2015 new annual accounting regulations for insurance companies with effect from 01.01.2016. Security provision were dissolved for accounting purpose.

The change in accounting rules are considered as a change in accounting principles and the secure provision by 31.12.2015 are in the first quarter of 2016 moved to other retained earnings, reduced for deferred tax. Comparative figures have been restated.

Allocated return of investment lapsed with the effect from 1.1.2016 in accordance with the change in annual accounting regulations for insurance companies. Comparative figures have been restated.

NOTE 2 INSURANCE RISK

The risk under any one 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 Norwegian market, but entered the Swedish insurance market January 2011 and the Danish insurance market in 2012, and Finland and UK in 2016. Protector writes all classes of business within general insurance. Protector seeks to diversify the insurance portfolio to reduce the variability of the expected results.

Underwriting risk

Underwriting 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 analyses of historical experience for the various lines of business. The insurance premium must be sufficient to cover expected claims, but must 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 things 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.

Provisioning risk

Once the policy period expires, the insurance risk relates to the provisions 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, triggering further payments.
The size of the claims provisions is determined both through individual assessments and actuarial calculations. At 31 December 2016, the claims provisions amounted to NOK 3.919 million for own account. The duration of the provisions, that is, the average duration of provisions being settled to clients, was 3,53 years at 31 December 2016. 1%-point increase in inflation will result in a growth in claims provisions of NOK 153 million. See below how future cash flow is related to provisions for outstanding claims for own account at 31 December 2016.

Cash flow connected to claims provisions for own account

		Future cash flow related to claims incurred				
[1.000 NOK] At 31 December 2016		0 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 - 25 years
Claims provisions for own account	3 919 066	3 011 914	653 530	167 881	65 165	20 576

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 that may also be expected to 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]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
GROSS – Estimated claims cost														
2004	62 952													62 952
2005	61 407	299 414												360 821
2006	68 503	253 356	299 485											621 344
2007	76 939	254 808	290 770	496 529										1 119 047
2008	74 235	260 642	312 225	496 175	522 126									1 665 402
2009	78 788	258 107	314 936	478 992	516 928	658 842								2 306 592
2010	78 669	271 963	327 909	497 981	509 203	625 905	711 482							3 023 111
2011	78 853	273 037	318 334	497 501	525 928	624 251	662 924	825 611						3 806 438
2012	79 845	275 401	321 391	512 527	563 829	620 136	669 016	784 480	1 077 231					4 903 858
2013	79 663	278 334	324 389	509 904	549 598	622 392	675 139	786 139	1 024 604	1 407 317				6 257 478
2014	80 659	278 101	328 494	510 713	541 374	603 159	671 979	794 104	1 024 641	1 391 281	1 747 204			7 971 710
2015	82 013	278 894	338 154	494 007	543 766	610 578	681 336	776 215	1 064 251	1 414 302	1 697 683	2 100 091		10 081 292
2016	87 264	279 900	339 844	500 219	555 079	600 550	668 523	768 754	1 031 227	1 419 911	1 793 343	2 111 880	2 604 506	12 760 999
Estimated amount as at 31.12.2016	87 264	279 900	339 844	500 219	555 079	600 550	668 523	768 754	1 031 227	1 419 911	1 793 343	2 111 880	2 604 506	**12 760 999**
Total disbursed	86 885	278 689	333 312	480 144	525 491	561 164	599 482	661 572	809 665	994 632	1 086 562	1 085 410	921 839	8 424 849
Claims provision	379	1 210	6 531	20 076	29 588	39 387	69 040	107 182	221 562	425 279	706 781	1 026 470	1 682 666	4 336 150
Provision for previous year's claims	379	1 210	6 531	20 076	29 588	39 387	69 040	107 182	221 562	425 279	706 781	1 026 470	-	2 653 484
Provision for indirect claims handling costs														221 082
Total	**87 264**	**279 900**	**339 844**	**500 219**	**555 079**	**600 550**	**668 523**	**768 754**	**1 031 227**	**1 419 911**	**1 793 343**	**2 111 880**	**2 604 506**	**12 760 999**

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

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

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

Sensitivity analysis

Effect on profit before tax (for own account)	2016	2015
1 % change in operating expenses	486	691
1 % change in claims incurred	25 404	18 610
1 % - point change in combined ratio	26 690	21 760
1 % - point change in inflation	152 844	105 768

NOTE 3 FINANCIAL RISK

Specification of financial assets grouped by maturity	Less than one year	More than a year	No maturity	Total
Bank deposits related to investments	651 762	-	-	651 762
Interest-bearing papers	488 889	3 665 877	-	4 154 766
Equities	-	-	1 670 208	1 670 208
Bond fund	-	-	1 070 221	1 070 221
Foreign exchange contracts	990 667	-	-	990 667
Total investments	**2 131 318**	**3 665 877**	**2 740 429**	**8 537 624**
Bank deposits	204 307	-	-	204 307
Total financial assets	**2 335 624**	**3 665 877**	**2 740 429**	**8 741 931**

Specification of financial obligations grouped by maturity	Less than one year	More than a year	No maturity	Total
Subordinated loan	148 125	497 750	-	645 875
Foreign exchange contracts	992 252	-	-	992 252
Total finacial obligations	**1 140 377**	**497 750**	**-**	**1 638 127**

Liquidity Risk – The company's financial assets are placed as bank deposits, liquid interest-bearing papers, shares and funds. The liquidity risk is limited. Upon the sale of financial assets, the settlement day will be within 2-3 days. On March 29th, 2012 the company issued subordinated loan with a face value of NOK 150 million and 8 April 2016 the company issued subordinated loan with a face value of NOK 500 million.
Subordinated loan is classified as an obligation on the balance sheet and is valued at an amortized cost. See note 21 for more information.

Interest rate risk – An increase of 1% in interest rates will lead to a reduction in the portfolio of bonds and other investments with fixed returns by an estimate of NOK 28,4 million.This corresponds to interest rate sensitivity of ca. 0,54 %.

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

CREDIT RISK

Rating	Investments categorised by credit rating	
[1.000 NOK]	**2016**	**2015**
Bonds and other investments with fixed income		
AAA	798 647	574 657
AA	87 585	94 711
A	286 120	122 827
BBB	414 613	260 725
BB	19 641	21 191
B	27 636	-
No rating	3 590 745	4 288 351
Total	**5 224 987**	**5 362 463**
Cash and cash equivalens related to investement portfolio	651 762	147 087
Foreign exchange forward		
AA	386 638	-
A	604 029	252 594
Total foreign exchange forward	**990 667**	**252 594**

In the table desplaying the investments 27% (64% in year 2015) of the bonds are classified in the category "no rating". Calculated avarage rating of the fixed income fonds based on rating on the underlying bonds are BBB. 11 % (8%) av the category "no rating" is Norwegian financial institutions. 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 connected to the different business areas. Qualitative and quantitative limits for the company's AUM is specified in the investment management mandate is reviewed, updated and approved by the Board of Directors at least once a year, or with a higher frequence if needed. The compliance of the requirements of investment management mandage is monitored internally, and is reported internal in the company and to the Board of Directors on regular basis. The company have established ORSA-process and risk reporting that among other things monitors and repors the company's risk exposure to the Board of Directors.

NOTE 4 PREMIUMS AND CLAIMS

	General insurance										Life insurance	
[1.000 NOK]	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 propor-tional reinsurance:	Health insurance	Total
PREMIUMS INCOME[1]												
Premiums written	121 730	163 516	594 329	226 175	527 741	8 245	1 287 760	139 683	28	3 069 207	369 841	3 439 047
Premiums written ceded	(14 354)	(443)	-	0	0	-	(511 085)	-	-	(525 882)	88	(525 794)
Premiums written for own account	107 377	163 073	594 329	226 175	527 741	8 245	776 675	139 683	28	2 543 324	369 928	2 913 253
PREMIUMS EARNED												
Gross premiums earned	118 879	170 850	595 493	203 013	473 696	7 950	1 241 613	138 042	21	2 949 556	300 812	3 250 368
Reinsurers' share of gross premiums earned	(14 935)	(20 211)	(1 780)	(1 626)	(3 793)	-	(501 425)	(3 051)	-	(546 821)	(34 517)	(581 338)
Premiums earned for own account	103 944	150 639	593 712	201 387	469 903	7 950	740 188	134 991	21	2 402 735	266 295	2 669 030
CLAIMS												
Gross claims	107 851	166 879	526 628	170 537	395 701	3 092	1 130 154	116 250	99	2 617 190	387 825	3 005 015
Reinsurers' share of gross claims	(2 517)	(34 230)	21	18	42	-0	(336 654)	(2 249)	-	(375 570)	(89 082)	(464 652)
Total claims for own account	105 333	132 649	526 649	170 555	395 743	3 092	793 500	114 001	99	2 241 620	298 743	2 540 363
GROSS CLAIMS INCURRED												
Occurred this year	126 581	153 593	571 803	194 730	409 716	3 989	968 806	102 740	99	2 532 056	397 758	2 929 814
Occurred previous years	(18 730)	13 286	(45 175)	(24 193)	(14 015)	(897)	161 348	13 510	-	85 133	(9 932)	75 201
Total for the accounting year	107 851	166 879	526 628	170 537	395 701	3 092	1 130 154	116 250	99	2 617 190	387 825	3 005 015
CLAIMS INCURRED FOR OWN ACCOUNT												
Occurred this year	11 373	(31 456)	45 175	24 151	14 057	897	(522 846)	(13 510)	-	(472 159)	(82 461)	(554 620)
Occurred previous years	(13 891)	(2 774)	(45 154)	(24 133)	(14 015)	(897)	186 192	11 262	-	96 589	(6 621)	89 968
Total for the accounting year	(2 517)	(34 230)	21	18	42	-0	(336 654)	(2 249)	-	(375 570)	(89 082)	(464 652)
TECHNICAL PROVISIONS GROSS												
Provisions for unearned premiums	25 240	39 381	79 982	56 711	132 326	2 104	157 811	28 161	6	521 721	69 029	590 750
Provisions for outstanding claims	148 572	544 452	1 858 531	221 474	94 549	2 165	1 396 926	164 654	18	4 431 342	125 890	4 557 233
Technical provisions gross	173 813	583 833	1 938 513	278 185	226 875	4 269	1 554 737	192 815	24	4 953 063	194 919	5 147 982
TECHNICAL PROVISIONS FOR OWN ACCOUNT												
Provisions for unearned premiums	20 002	39 381	79 982	56 711	132 326	2 104	97 068	28 161	6	455 741	69 029	524 769
Provisions for outstanding claims	122 193	298 509	1 858 493	221 182	94 424	2 165	1 046 859	164 495	18	3 808 339	110 728	3 919 066
Technical provisions for own account	142 195	337 889	1 938 475	277 893	226 750	4 269	1 143 927	192 656	24	4 264 079	179 756	4 443 836

[1] Premiums comprise of insurance premiums in Norway, Sweden, Denmark, Finland and UK. Gross written premiums in Norway constitute NOK 1.917,1 million (55,7%), Sweden NOK 815,4 million (23,7%) and Denmark NOK 655,1 million (19,0%).

NOTE 5 INTANGIBLE ASSETS

Intangible assets [1.000 NOK]	Software	IT- system	Total
Cost as at 01.01.2016	7 718	46 757	54 475
Convension difference	(71)	(12)	(83)
Additions	-	8 791	8 791
Disposals	-	-	-
Cost as at 31.12.2016	7 646	55 537	63 183
Accumulated depreciation at 31.12.2016	**(4 469)**	**(42 897)**	**(47 366)**
Net book value at 31.12.2016	**3 178**	**12 639**	**15 817**
Annual depreciation	**1 575**	**7 135**	**8 710**

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

Expected useful life (years)	4	3	

NOTE 6 PROPERTY AND TANGIBLE FIXED ASSETS

Fixed assets [1.000 NOK]	Cars	Office equipment	Furniture and fixtures	Art	Total
Cost as at 01.01.2016	966	18 172	7 280	216	26 634
Convension difference	-	(133)	(111)	-	(244)
Additions	786	2 574	1 509	-	4 868
Disposals	(486)	(79)	-	-	(565)
Cost as at 31.12.2016	1 266	20 534	8 678	216	30 693
Accumulated depreciation at 31.12.2016	(381)	(15 358)	(2 533)	-	(18 272)
Net Book value at 31.12.2016	**884**	**5 176**	**6 145**	**216**	**12 421**
Annual depreciation	247	4 728	1 119	-	6 095

Fixed assets are depreciated on a straight-line basis over the assets expected useful life. Artworks are not depreciated. Amortization period for office equipment has been reduces from 4 to 3 years

Expected useful life (years)	5	3	7		

Owner-occupied property [1.000 NOK]	Cabin
Cost as at 01.01.2016	13 836
Additions	725
Disposals	-
Cost as at 31.12.2016	14 561
Accumulated depreciation at 31.12.2016	(836)
Net Book value at 31.12.2016	**13 725**
Annual depreciation	571

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

Expected useful life (years)	25

NOTE 7 INVESTMENTS

Investment [1.000 NOK]		Book value 31.12.16	Fair value 31.12.16	Book value 31.12.15	Fair value 31.12.15
Shares		1 670 208	1 670 208	860 904	860 904
Securities, bonds		5 224 987	5 224 987	5 362 463	5 362 463
Financial derivates		990 667	990 667	252 594	252 594
Other financial assets		651 762	651 762	147 062	147 062
Total investments		**8 537 624**	**8 537 624**	**6 623 022**	**6 623 022**
Financial derivatives		992 252	992 252	260 066	260 066
Unsettled securities transactions		-	-	70 000	70 000
Total financial liabilities		**992 252**	**992 252**	**330 067**	**330 067**

All financial liabilities were related to foreign currency contracts and unsettled securities transactions pr. 31.12.2016. The company had no financial instruments that were accounted for net pr. 31.12.2016.

SUBORDINATED LOAN CAPITAL IN OTHER COMPANIES

Investment [1.000 NOK]	Currency	Acquisition cost	Book value	Fair value	Duration
Financial assets at fair value through profit or loss	NOK	623 124	634 080	634 080	0,75
Total subordinated loan capital in other companies year 2016		**623 124**	**634 080**	**634 080**	**0,75**
Total subordinated loan capital in other companies year 2015		**202 261**	**198 337**	**198 337**	**0,19**

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

STOCKS AND SHARES

Investment [1.000 NOK]	Currency	Acquisition cost	Book value	Fair value	
Equities	NOK	1 294 340	1 670 208	1 670 208	
Total equities and equity funds year 2016		**1 294 340**	1 670 208	1 670 208	
Total equities and equity funds year 2015		**617 817**	**860 904**	**860 904**	

No equity funds were held as of 31.12.15 and 31.12.16.

Investment [1.000 NOK]	Currency	Acquisition cost	Book value	Fair value	Identification no. Norwegian Companies
ÅF AB SER. B	SEK	40 874	53 376	53 376	
AF GRUPPEN	NOK	75 543	106 884	106 884	938333572
B2HOLDING AS	NOK	87 618	107 215	107 215	992249986
PANDORA	DKK	168 704	169 424	169 424	
BOUVET	NOK	66 826	99 360	99 360	974442167
COMPUSOFT AS	NOK	79 465	99 400	99 400	952977482
MEDI-STIM	NOK	38 601	57 635	57 635	936656013
MULTICONSULT ASA	NOK	78 865	88 202	88 202	910253158
NORWEGIAN AIR SHUTTLE	NOK	94 755	93 275	93 275	965920358
NORWEGIAN FINANCE HOLDING AS	NOK	131 181	354 518	354 518	991281924
OLAV THON EIENDOMSSELSKAP	NOK	55 746	62 295	62 295	914594685
XXL ASA	NOK	92 554	98 000	98 000	995306158
DUSTIN GROUP AB	SEK	105 074	93 444	93 444	
B3IT MANAGEMENT AB	SEK	38 751	53 346	53 346	
HENNES & MAURITZ AB	SEK	25 231	24 033	24 033	
SCHIBSTED ASA	NOK	114 550	109 800	109 800	933739384
		1 294 340	1 670 208	1 670 208	

Compusoft are traded OTC. The remaining shares are listed on Nordic Stock Exchanges.

BONDS AND OTHER FIXED INCOME SECURITIES					
Investment [1.000 NOK]	Currency	Acquisition cost	Book value	Fair value	Duration
Subordinated loan capital in other companies	NOK	623 124	634 080	634 080	0,75
Financial institutions	NOK	1 341 408	1 349 305	1 349 305	0,25
Industry	NOK	2 090 535	2 111 440	2 111 440	0,38
Municipalities	NOK	35 432	34 954	34 954	0,15
Government bonds	NOK	25 000	24 986	24 986	0,05
Bond funds	NOK	1 028 108	1 070 221	1 070 221	1,14
Total bonds and other fixed income securities year 2016		**5 143 607**	**5 224 987**	**5 224 987**	**0,54**
- of this not quoted on the stock exchange year 2016		1 028 108	1 070 221	1 070 221	1,14
Total bonds and other fixed income securities year 2015		**5 464 179**	**5 632 463**	**5 632 463**	**1,25**
- of this not quoted on the stock exchange year 2015		3 193 526	3 093 591	3 093 591	1,94

Average effective interest rate based on market value is 3.7%. 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. The effective interest rate on bond funds is estimated based on the bonds quotations.

OTHER FINANCIAL ASSETS					
Investment [1.000 NOK]	Currency	Acquisition cost	Book value	Fair value	Duration
Bank deposits related to investments	NOK	651 762	651 762	651 762	0,00
Foreign exchange contracts	NOK	978 719	990 667	990 667	0,00
Total other financial assets year 2016		**1 630 482**	**1 642 429**	**1 642 429**	**0,00**
Total other financial assets year 2015		**399 655**	**399 655**	**399 655**	**0,00**

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS					
Financial assets at fair value through profit or loss [1.000 NOK]	Currency	Level 1	Level 2	Level 3	Total
Shares	NOK	1 570 808	99 400	-	1 670 208
Bonds and other fixed income securities	NOK	4 154 766	1 070 221	-	5 224 987
Bank deposits	NOK	651 762	-	-	651 762
Foreign exchange contracts	NOK	-	990 667	-	990 667
Total assets year 2016		**6 377 336**	**2 160 288**	**-**	**8 537 624**
Total assets year 2015		**2 954 822**	**3 668 200**	**-**	**6 623 022**
Financial liabilities at fair value through profit or loss [1.000 NOK]	Currency	Level 1	Level 2	Level 3	Total
Foreign exchange contracts	NOK	-	992 252	-	992 252
Total financial liabilities year 2016		-	992 252	-	992 252
Total financial liabilities year 2015		70 000	260 066	-	330 066

Fair value of financial assets traded in active markets are based on market value on the accounting day. A market is considered active if the market rates are easily and regularly available from a stock exchange, distributor, broker, industrial classification, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at arm's length. The market price applied to financial assets and liabilities is to the existing bid- and sale price. These instruments are included in level 1.

Fair value of financial instruments not traded in an active market is determined by using valuation methods. These valuation methods maximise the use of observable data where available, and are based as little as possible on own estimates. The instrument is included in level 2 if all essential data are based on observable market data.

The instrument is included in level 3 if one or more essential data are not based on observable market data.

NOTE 8 RECEIVABLES

The company has as in 2016 no receivables due later than one year.

NOTE 9 RESTRICTED BANK DEPOSITS

[1.000 NOK]	2016	2015
Employee withholding tax	7 438	6 306
Total	7 438	6 306

NOTE 10 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 2.109 shareholders at 31.12.2016			

List of the 20 major shareholders at 31.12.2016	No of shares	Face value	Ownership
Stenshagen Invest AS	5 800 000	5 800 000	6,7 %
Odin Norden	4 485 857	4 485 857	5,2 %
Swedbank Robur Smabolagsfond	3 839 053	3 839 053	4,5 %
Ojada AS	3 563 116	3 563 116	4,1 %
Swedbank Robur Smabolagsfond	3 259 883	3 259 883	3,8 %
Tjongsfjord Invest AS	2 811 809	2 811 809	3,3 %
Verdipapirfondet Handelsbanken	2 800 000	2 800 000	3,2 %
Artel Holding a/s	1 873 451	1 873 451	2,2 %
MP Pensjon PK	1 845 379	1 845 379	2,1 %
Frognes AS	1 649 916	1 649 916	1,9 %
Vevlen Gård AS	1 550 000	1 550 000	1,8 %
Generali Paneurope LTD -GP11940006	1 492 250	1 492 250	1,7 %
Johan Vinje AS	1 437 841	1 437 841	1,7 %
Odin Norge	1 431 201	1 431 201	1,7 %
Avanza Bank AB	1 333 727	1 333 727	1,5 %
Verdipapirfondet Alfred Berg Gamba	1 324 220	1 324 220	1,5 %
Petroservice AS	1 283 815	1 283 815	1,5 %
Nordnet Bank AB	1 125 872	1 125 872	1,3 %
Dyvi Invest as	1 030 933	1 030 933	1,2 %
Aat Invest as	1 005 000	1 005 000	1,2 %
Total	**44 943 323**	**44 943 323**	**52,2 %**
Protector Forsikring ASA	-	-	0,0 %
Other shareholders	41 212 282	41 212 282	47,8 %
Total number of shares	**86 155 605**	**86 155 605**	**100,0 %**

Shares owned by the board of directors and their close relations, together with shares owned by other senior executives and their close relations at 31.12.2016	Identification	No. of shares	Face value	Ownership
Stenshagen Invest AS	Board member, Jørgen Stenshagen	5 800 000	5 800 000	6,7 %
Ojada AS	Board member, Erik G. Braathen	3 563 116	3 563 116	4,1 %
Tjongsfjord Invest AS	CEO Sverre Bjerkeli	2 811 809	2 811 809	3,3 %
Alsøy Invest AS	Chairman of the Board, Jostein Sørvoll	1 002 751	1 002 751	1,2 %
Merete C. Bernau	Director for ownership change insurance	50 200	50 200	0,1 %
Flemming Conrad	Country Manager Denmark	23 456	23 456	0,0 %
Hans Didring	Country Manager Sweden	20 122	20 122	0,0 %
Henrik Wold Høye	Director for commercial insurance	16 100	16 100	0,0 %
Birte Thorsnes Øygard	Employees' representative	4 100	4 100	0,0 %
Alexander Amsrud	Deputy Employees' representative	250	250	0,0 %
Total		**13 291 904**	**13 291 904**	**15,4 %**

Stenshagen Invest AS has a total stock holding at 6 550 000, which 750 000 are available for lending.

NOTE 11 PENSIONS

Protector Forsikring is required to have an occupational pension plan pursuant to the Mandatory Occupational Pension Act. The company's pension plans meet the requirements of the Act. The defined benefit plan is closed (discontinued from 1 July 2012). New employees are enrolled in defined contribution pension plan.

Based on insurance technical principles, actuarial calculations have been carried out on future pension payments. The calculated liabilities are held together with the value of the paid in and accumulated pension funds. The difference is kept as long-term liabalities or pension funds under the assets.

The cost of the defined contribution pension scheme is equal to the period's payment for the pension's savings which amounts to 5% of the payment basis between 1 and 6 G (G=National Insurance Scheme basic amount), as well as 8% of the payment basis between 6 and 12 G.

The company has defined contribution pension scheme in Sweden, Denmark, Finland and UK which is the standard for the branch. The CEO has an agreement of top-pension. Maximum annual top pension is 70% of the salary up to 12 G which exceeds 12 G (i.e. maximum 8,4 G). Allocation to the top pension totaled NOK 1,1 million in net pension costs incl. employer's contribution in 2016.

[1.000 NOK]	2016	2015
Present value of this years acquired pension	5 851	8 149
Interest costs on the acquired pension	293	436
Net pension costs incl. employer's contribution	**6 144**	**8 585**
Present value of future pension liabilities as at 31.12.	56 955	51 613
Pension funds at 31.12.	46 031	40 760
Surplus/deficit at 31.12.	(10 924)	(10 853)
Net pension liabilities incl. employer's contribution	**(10 924)**	**(10 853)**

COMPOSITION OF PENSION FUNDS	2016	2015
Stocks	10,3 %	5,7 %
Property	14,3 %	12,1 %
Term bonds	39,7 %	45,3 %
Bonds	21,5 %	7,5 %
Money Market	2,6 %	2,3 %
Credit	0,0 %	22,1 %
Loan	9,1 %	0,0 %
Other	2,5 %	5,0 %
Total pension funds	**100,0 %**	**100,0 %**
The actuarial return on plan assets	1 181	(9 573)
ECONOMICAL ASSUMPTIONS		
Discount rate[1]	2,6 %	2,7 %
Expected return	2,6 %	2,7 %
Future increase in salaries	2,5 %	2,5 %
Change in social security base amount	2,3 %	2,3 %
Pension adjustment	0,0 %	0,0 %
Employer's contribution	19,1 %	14,1 %
DEMOGRAPHIC ASSUPTIONS		
Mortality	K2013BE	K2013BE
Disability	KU	KU

[1] The market interest rate for covered bonds is utilised when calculating discount rate.
Recognised amount for defined contribution pension plans is NOK 8.121 thousand.

NOTE 12 TAX

[1.000 NOK]	2016	2015
THIS YEAR'S TAXES ARE DIVIDED BETWEEN		
Tax payable	44 509	90 089
Adjusted for tax in previous years	2 247	(4 347)
Change in deferred tax	41 659	(13 839)
Total taxes	**88 414**	**71 903**

COMPUTATION OF THIS YEARS TAX		
Profit before taxes	541 095	536 140
Permanent differences	(182 753)	(268 951)
Changes in temporary differences	(180 308)	66 352
Changes in temporary differences previous years	-	124
Basis for the tax expense of the year	178 034	333 664
Tax payable 25%	44 509	90 089
Tax payable foreign operations	(12 925)	(1 677)
Tax payable from previous years	-	76
Other differences	(1 120)	3 424
Payable tax in the balance sheet	**30 464**	**91 912**

TEMPORARY DIFFERENCES [1.000 NOK]	2016	2015	Changes
Fixed assets	(808)	564	1 372
Receivables	(895)	(905)	(10)
Financial assets	55 886	(112 184)	(168 070)
Technical provisions	703 446	689 774	(13 672)
Pension liabilities	(10 924)	(10 853)	71
Net temporary differences	**746 704**	**566 396**	**(180 308)**
Differences which are not included in the calculation of deferred tax / deferred tax assets	118 997	105 325	(13 672)
Basis for deferred tax in the balance sheet	627 707	461 071	166 636
25 % deferred tax	156 927	115 268	41 659
Deferred tax benefit in the balance sheet	**(156 927)**	**(115 268)**	**(41 659)**

RECONCILIATION OF TAX			
[1.000 NOK]		2016	2015
Profit before taxes 25%		135 274	144 758
Permanent differences 25%		(45 688)	(72 617)
Corrected tax earlier years		3 023	(6 058)
Differences which are not included in the calculation of deferred tax / deferred tax assets		(3 418)	-
Deferred tax earlier years		-	33
Net paid tax for company abroad		(776)	1 677
Effect of change in tax rate 2%		-	2 468
Calculated tax		88 414	70 261
Tax on other comprehensive income		(1 120)	6 470
Total tax accordring to P&L		**87 294**	**76 731**

NOTE 13 OTHER LIABILITIES

[1.000 NOK]	2016	2015
Payables, operations	6 695	10 469
Payables, claims	616	18 518
Liabilities in connection to direct insurance	**7 311**	**28 987**
Reinsurance yet to be settled	196 841	318 752
Liabilities in connection to reinsurance	**196 841**	**318 752**
Allocation of vacation pay	20 064	16 809
Allocation of employers contribution	8 074	6 286
Advance tax deduction	8 183	6 729
Other liabilities	20 578	95 327
Other liabilities	**56 899**	**125 150**
Financial derivatives	992 252	260 066
Total liabilities	**1 253 304**	**732 955**

The company has no secured liabilities.

NOTE 14 SALES EXPENSES

[1.000 NOK]	2016	2015
Sales expenses	53 781	28 224
% of premium due	1,6 %	1,0 %

The company's sales expenses consists of commission to the insurance brokers .

NOTE 15 INSURANCE RELATED ADMINISTRATIVE EXPENSES

Insurance related administrative expenses [1.000 NOK]	2016	2015
Depreciations (notes 5 and 6)	15 376	11 910
Salary- and pensions costs (note 16)	286 371	252 169
Administrative costs	24 371	16 541
Remunerations	19 916	21 337
Claims handling costs (transferred to gross claims paid)	(215 221)	(159 050)
Other insurance related administrative expenses	36 227	39 056
Total	**167 039**	**181 963**

Auditing remuneration [1.000 NOK]	2016	2015
Auditing (inclusive VAT)	2 179	1 668
Other attestation services (inclusive VAT)	-	106
Services regarding tax (inclusive VAT)	271	180
Other services outside auditing (inclusive VAT)	1 472	935
Total	**3 922**	**2 889**

NOTE 16 LABOUR EXPENSES, PENSIONS, NUMBER OF EMPLOYEES

Labour- and pension costs [1.000 NOK]	2016	2015
Salaries [1]	208 897	179 874
Director's remuneration, control committee, nomination committee, audit committee, the board of representatives	2 395	2 502
Defined benefit pension costs [2]	8 979	10 548
Defined contribution pension costs [2]	8 121	6 196
Social security tax	33 582	26 331
Other payments	24 397	26 718
Total	**286 371**	**252 169**

[1] The company has an ordinary arrangement for performance-related pay. The arrangement involves all employees with the exeption of the top management. The company has reserved NOK 9,4 million for bonus in 2016. Whether performance-related pay is triggered depends on achievement of goals pursuant to concluded performance contracts.

Top level management has a long term bonus plan. In 2016, the provision for this plan is NOK -1,3 million.

[2] Refer to note 11 for further information.

Number of employees	2016	2015
Number of employees at 31.12.	268,0	215,0
Number of man-labour years at 31.12.	265,4	213,5
Average number of employees at 31.12.	249,4	193,2
Average number of man-labour years at 31.12.	246,7	191,4

NOTE 17 REMUNERATIONS TO SENIOR EXECUTIVES

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

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

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

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

(i) Salary and other compensation to senior executives for the prior fiscal year are presented in the table below. The Board confirms that the guidelines for salary for senior executives for 2016 given in the previous year's statement have been followed.

(ii) Concerning the guidelines for the establishment of salary and other compensation for the senior executives for the upcoming fiscal year, the Board shall propose the following guidelines for advising reconciliation in 2017 general meeting:

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

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

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

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

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

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

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

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

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

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

In Norway, CEO and one of the senior executives are members of the now-closed defined benefit pension scheme. At the full earning of the pension, they have right to the pension equal to the difference of 70% of the salary (salary over 12G are not taken into calculation) and the calculated (not guaranteed) social security pension. Two senior executives are participants in the company's defined contribution pension plan. CEO has in addition an agreement about top pension which totals maximum 70% of the salary up to 12G for the amount which exceeds 12G (i. e. 8.4G).

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

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

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

Of the variable salary earned in 2016 by CEO and other employees that are covered by regulations for remuneration in financial institutions, 80% of the variable salary shall be paid in a form of contingent capital which reflects the company's value development which cannot be freely disposable earlier than equally divided over a period of four years. The period shall take into account the company's underlying business cycle and risk assessment. Such part of the variable salary shall be reduced if either later result development in the company or latter results indicated so. The basis for the variable remuneration shall be related to the company's results during minimum 2 years. Valuation criteria for the variable remuneration shall be based on financial and non-financial criteria related to the individual, one's business unit and the company as a whole and defined in advanced.

NOTE 17 REMUNERATIONS TO SENIOR EXECUTIVES

Payments and remunerations [1.000 NOK]	Salaries	Variable pay[3]	Other remunerations[2]	Paid-up pension premium	Total remunerations
Senior executives					
Sverre Bjerkeli, CEO[1]	5 933	3 214	387	334	9 868
Robert Thornedahl, CFO January - february	502	-	2	-	504
Bjørn Bye, Acting CFO March	138	-	1	21	160
Flemming Holm, CFO April - July	667	-	5	-	672
Vibeke Krane, Acting CFO August - December	600	-	6	45	651
Merete C. Bernau, Director of ownership change insurance	2 736	1 337	31	346	4 451
Henrik Wold Høye, Director of commercial insurance	2 768	1 175	14	86	4 043
Hans Didring, Country Manager Sweden	2 007	738	-	419	3 165
Flemming Conrad, Country Manager Denmark	3 000	786	201	300	4 287
Total	**18 352**	**7 251**	**647**	**1 551**	27 800

[1] The CEO has an agreement about top-pension with a recognized cost of NOK 1,1 million in 2016.
[2] Other remunerations comprises of company car, telephone, insurance and other contractual benefits.
[3] Paid out bonus long term bonus plan. The provision for this long term bonus plan by the end of 2016 is NOK 38,3 million.

Payments and remunerations [1.000 NOK] 1	Remunerations	Compensation commitee	Audit committee	Total remunerations
Board of Directors				
Jostein Sørvoll, Chairman of the board	450	35	55	540
Erik G. Braathen, Deputy Chairman	280	25	-	305
Else Bugge Fougner, Boardmember[2]	250	25	-	275
Jørgen Stenshagen, Boardmember	250	-	60	310
Randi Helene Røed, Boardmember	250	-	75	325
Fredrik Øyan, Employees' representative	125	-	-	125
Cecilie Westby, Employees' representative	63	-	-	63
Alexander Amsrud, Deputy for Employees' representative	63	-	-	63
Total	**1 730**	**85**	**190**	**2 005**
Control Committee				
Anders Jørgen Lenborg, Chairman	80	-	-	80
Tore G. Clausen, member	65	-	-	65
Ola Hverven, member	65	-	-	65
Total	**210**	**-**	**-**	**210**
Nomination Committee				
Per Ottar Skaaret, Chairman	30	-	-	30
Anders Jørgen Lenborg, member	20	-	-	20
Nils Petter Hollekim, member	20	-	-	20
Total	**70**	**-**	**-**	**70**

[1] Remunerations paid out in accounting year 2016.

[2] The law firm Advokatfirmaet Hjort DA where board member Else Bugge Fougner is partner, has invoiced NOK 3,1 thousand to the company for services rendered during 2016. The Board of Representatives has recieved NOK 100 thousand in fees in 2016. The fixed fee to the board director is NOK 10 thousand and an additional NOK 5 thousand per meeting.

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

NOTE 18 NET FINANCIAL INCOME AND EXPENSES FROM FINANCIAL ASSETS

[1.000 NOK]	2016	2015
Income from financial assets		
Interest income	154 299	34 708
Dividend equities	35 938	12 184
Dividend bond funds	1 247	19 048
Unrealised gains on financial assets	328 894	207 077
Gains from realisation of financial assets	179 950	202 094
Total income from financial assets	**700 329**	**475 111**
Expenses from financial assets		
Unrealised losses on financial assets	(17 895)	(111 688)
Losses from realisation of financial assets	(162 193)	(53 097)
Administrations expenses on financial assets	(20 976)	(6 534)
Total expenses from financial assets	**(201 064)**	**(171 319)**
Net financial income	**499 265**	**303 791**
NET FINANCIAL INCOME DIVIDED BY ASSET CLASS		
Interest income and gains/ (loss) from financial assets at fair value through profit or loss		
Interest income from financial assets at fair value through profit or loss	188 802	53 755
Dividend	35 938	12 184
Net gains / (loss) from equity and shares	174 445	305 685
Net gains / (loss) from bonds and other fixed income securities	115 169	(58 582)
Net gains / (loss) from foreign exchange contracts	5 887	(2 717)
Administration expenses	(20 976)	(6 534)
Total net income and gains/ (loss) from financial assets at fair value through profit or loss	**499 265**	**303 791**

NOTE 19 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]	2016	2015
Profit for the year assigned to the company's shareholders	452 681	464 237
Weighted average number of shares	86 155 605	84 766 471
Earnings per share	**5,25**	**5,48**

Diluted earnings per share
There were no share dilution in 2016 and 2015.

NOTE 20 CAPITAL RATIO AND SOLVENCY MARGIN

Available and eligible own funds

[1.000 NOK]	2016	2015
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	1 885 430	1 709 255
Tier 2	676 169	174 035
Total basic own funds	2 561 599	1 883 290

The company's own funds consist of basic own funds only. Basic own funds are calculated as a difference between Solvency II value of assets and liabilities plus subordinated debt. Unrestricted T1 capital consituted 73% (91%) and T2 capital consituted 27% (9%) of the total available capital. The company had no T3 capital.

AVAILABLE OWN FUNDS TO MEET THE SCR		
Tier 1 - unrestricted	1 885 430	1 709 255
Tier 2	676 169	174 035
Total available own funds to meet SCR	2 561 599	1 883 290
AVAILABLE OWN FUNDS TO MEET THE MCR		
Tier 1 - unrestricted	1 885 430	1 709 255
Tier 2	676 169	174 035
Total available own funds to meet the MCR	2 561 599	1 883 290
ELIGIBLE OWN FUNDS TO MEET THE SCR		
Tier 1 - unrestricted	1 885 430	1 709 255
Tier 2	676 169	174 035
Total eligible own funds to meet the SCR	2 561 599	1 883 290
ELIGIBLE OWN FUNDS TO MEET THE MCR		
Tier 1 - unrestricted	1 885 430	1 709 255
Tier 2	135 431	97 280
Total eligible own funds to meet the MCR	2 020 861	1 806 535
SOLVENCY CAPITAL REQUIREMENT (SCR)		
Total market risk	1 027 393	881 383
Total counterparty default risk	60 203	34 728
Total health underwriting risk	802 175	716 926
Total non-life underwriting risk	698 530	572 479
Diversification	(839 409)	(710 317)
Basic Solvency Capital Requirement	1 748 892	1 495 199
Total capital requirement for operational risk	139 023	111 941
Loss-absorbing capacity of deferred taxes	(315 409)	(320 625)
Total solvency capital requirement	1 572 505	1 286 516

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]	2016	2015
MINIMUM CAPITAL REQUIREMENT		
Linearly calculated MCR	677 157	486 398
Upper limit for MCR	707 627	578 932
MCR floor	393 126	321 629
Combined MCR	677 157	486 398
Absolute floor of the MCR	33 428	34 754
Totalt minimum capital requirement	**677 157**	**486 398**

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	**163 %**	**146 %**
RATIO OF ELIGIBLE OWN FUNDS TO MCR	**298 %**	**371 %**

The difference between the balance sheet and the Solvency II-balance mainly due to:
- Both Claims reserves premium reserves is discounted in the Solvency II-balance, while fiscal balance hace undiscounted values
- In the fiscal balance the premium servservs equals unearned premium, and the Solvency II-balance is based on premium reserved on best estimate of future liabilitities.
Unarned premiums is therefore multiplied by the expected future CR (combined ratio) and it made dedctions for EPIFP (estimated profit in future premiums) before discounting.
- Solvency II risk margines ia not included in the fiscal balance.

DIFFERENCES BETWEEN FINANCIAL AND SOLVENS II VALUATION

ELEMENTS	BOOK VALUE	SOLVENS II
Total assets	9 847 383	9 807 326
Intangible assets	15 817	-
Reinsurers' share of gross provisions	704 146	691 853
Total liabilities and total assets minus liabilities,	9 847 383	9 807 326
Total assets minus total liabilities	2 268 200	2 087 606
Technical reserves included risk margin	5 147 982	5 195 196
Capital bonds and subordinated loan capital included in the basic capital	645 875	667 843
Other liabilities	421 071	504 372

NOTE 21 SUBORDINATED LOAN

The company has two subordinated loans at MNOK 150 and MNOK 500. The subordinated loan at MNOK 150 was issued 29 March 2012 and listed on Oslo AMB 22 October 2012. The subordinated loan at MNOK 500 was issued 8 April 2016 and listed on Oslo AMB (OSE) 12 December 2016. The subordinated loans was issued in order to strengthen the company's capital adequacy during the expected significant growth in the company's business. Table below provides a detailed overview of the loans.

SUBORDINATED LOAN MNOK 150

Name	Protector Forsikring ASA 12/22 FRN C SUB
Ticker	PROTCT01 PRO
ISIN	NO0010642127
Nominal value	MNOK 150
Interest rate	3 month NIBOR + 600 bp p.a.
Issue date	29.03.2012
Due date	19.04.2022
Callable	Yes

SUBORDINATED LOAN MNOK 500

Name	Protector Forsikring ASA 16/46 FRN C SUB
Ticker	PROTCT02
ISIN	NO0010762917
Nominal value	MNOK 500
Interest rate	3 month NIBOR + 370 bp p.a.
Issue date	08.04.2016
Due date	19.04.2046
Callable	Yes

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 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity taken as a whole. We also confirm that the Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity, together with a description of the principal risks and uncertainties facing the entity.

Oslo, 16 March 2017
The Board of Directors of Protector Forsikring ASA
Translation – not to be signed

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

To the General Meeting of Protector Forsikring ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Protector Forsikring ASA showing a profit of NOK 449 322 thousand. The financial statements comprise the balance sheet as at 31 December 2016, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its 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, included 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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 of the current period. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Technical provisions	
Technical provisions is a significant item in the financial statements. The estimation of the technical provision is based on actuarial assumptions and expert judgement. The judgment is related to reported but not settled claims (RBNS) and the development in claims,	As part of our audit, we have assessed and tested the design and effectiveness of established controls, which ensured good data quality in the insurance system. We especially examined if management had established effective controls over completeness and accuracy of portfolio data, including controls for collecting and processing of data and the interface between the

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which have incurred but not yet been reported (IBNR). This is in particular applicable for change of ownership insurance, liability and workers compensation as these lines of business develop over a long period, which results in increased uncertainty in relation to final claims payment.

The judgment in relation to claims incurred but not yet reported (IBNR), is in relation to the uncertainty in:

- Projection of historical claims development, and
- Choice of actuarial assumptions.

The calculation of technical provisions is dependent on good quality data in the insurance systems regarding volume, amount and claims development for historical claims as the data is utilized to develop an expectation for future claims.

The technical provisions also depend on the assumptions in the actuarial calculation, which is in accordance with regulation and appropriate insurance sector standards.

Change in assumptions can result in significant changes in the technical provisions.

Refer to note 2 in the financial statements. Gross technical provisions amounts to 52 % of the balance sheet.

systems.

We have assessed and tested the design and effectiveness of established controls over claims handling and claims provisioning.

We tested controls in relation to major claims and internal claims reviews. Further, we selected a number of claims and examined documentation such as loss adjustment reports and doctors examination reports and re-examined the claims provision based on the given assumptions.

We have tested if the actuaries used complete and accurate data such as premium income, claims paid and reported claims from the insurance system in their calculations.

We used our own actuaries to assist us in our audit of technical provisions. The actuaries assisted the audit team by challenging the reasonableness of the assumptions used in the projection of claims and by benchmarking the results to development in external market data per line of business. We have assessed if the assumptions and models were used consistently for the calculation of the technical provisions and development of claims.

We assess that the calculation of technical provisions was subject to controls, that ensured good quality of the input data and that the assumptions are applied consistently and in accordance with regulation and appropriate insurance sector standards.

IT-systems supporting processes over financial reporting

The insurance company's financial reporting and operations is dependent on complex IT-systems. Several controls in the period-end closing process are dependent on IT systems and related controls operate effectively. This includes interfaces where data relevant to financial reporting is transferred, automated controls ensuring completeness and

The insurance company operates their own IT systems. We have evaluated design and operating effectiveness of controls established to ensure integrity of data in IT systems in scope for financial reporting without significant findings.

Our IT specialists have tested controls over segregation of duties, access management, and change management where applicable to the audit. We have further tested the design and operating effectiveness of

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integrity of data, automated calculations, and system generated reports. If these IT systems or controls fail, there is an increased risk of unintended changes in data or in supporting systems which forms basis for financial reporting.	automated controls, automated calculations and system generated reports. We have also tested the design and operating effectiveness of manual controls such as reconciliations between systems and other sources of information. In addition we have performed data analytics over manual journal entries. We found that we could rely on the IT systems, which were relevant to financial reporting.

Other information

Management is responsible for the other information. The other information comprises all information in the annual report except the financial statements and our auditor's report thereon.

Our opinion on 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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are 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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (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. We 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 the Board of Directors 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 the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Board of Directors, 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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2017
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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CORPORATE GOVERNANCE

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

RECOMMENDATIONS AND REGULATIONS CONCERNING CORPORATE GOVERNANCE

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

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

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

The Norwegian Code of Practice for Corporate Governance is publicly available on NUESs website www.nues.no

Continuing obligations of listed companies is publicly available on the Oslo Stock Exchanges website www.oslobors.no

The company's principles for corporate governance were first agreed by the Board 4 May 2007 and revised at a board meeting 17 March 2016. The principles shall contribute towards creating the greatest possible return on investment for shareholders over time, strengthened confidence in the company through a transparent corporate culture, and a good reputation. To a large degree, the principles are derived directly the laws and regulations by which the company is governed. In addition, they are based on the Norwegian Code of Practice for Corporate Governance of 30 October 2014.

The following presentation of corporate governance in Protector Forsikring mainly follows the general structure and form of the Norwegian Code of Practice for Corporate Governance of 30 October 2014.

CORE VALUES, ETHICAL GUIDELINES AND SOCIAL RESPONSIBILITY

Protector sets out to be the challenger.The company will achieve this goal through unique business relations, good decisionmaking and cost-effective solutions. Protector shall establish a reputation as a considerable and competent provider of risk-reducing solutions.

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

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

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

Employee rights and social conditions: The companies employees are the most important resource we have for achieving our goals. As a result, the company focuses on making sure that employees have rights and social conditions that make Protector an attractive place to work. In addition, the company has a Working Environment Committee, which strives for a good working environment.

There are two employee representatives on the Board of Directors. The personnel handbook is consistently being revised to reflect and document the employees rights & obligations in the best possible manner.

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

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

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

BUSINESS

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

SOLVENCY CAPITAL AND DIVIDENDS

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

The company's goal is to maintain a long-term solvency capital of 125% -160% (calculated according to Solvency II regulations). Unless capital requirements suggest otherwise, the Board targets 30-50% of net profit as dividends. Final determination will be based on the company's earnings, capital requirements inclusive acceptable buffers and necessary flexibility for growth and development in the company.

The Board is also authorized to repurchase 8,615,560 own shares. This corresponds to approximately 10% of the company's total share capital. This authority expires with the ordinary general meeting in 2017, however, no later than 30 June 2017. The Board of Directors' will propose for the general meeting that the authorization is renewed. At year-end 2016, the company holds 0 own shares.

The Board is authorised to increase share capital through the subscription of new shares with an aggregate nominal value of up to NOK 8,615,560 divided on 8,615,560 shares, each with a nominal value of NOK 1. The authorisation 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 authorisation also applies to decisions to merge pursuant to section 13-5 of the Public Limited Liability Companies Act. This authorisation is valid until the Annual General Meeting in 2017, however, no later than 30 June 2017. The Board will propose to the General Meeting that the authorisation is renewed.

The Board is authorized to raise subordinated loans and other debt not exceeding NOK 1.250 million and under the conditions the Board. The authorization is valid until the Annual Meeting 2017, however, no later than 30 June 2017. The Board will propose to the general meeting that it will be renewed and increased to NOK 1.500 million.

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

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

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

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

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

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

FREELY NEGOTIABLE SHARES

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

GENERAL MEETINGS

Protector holds its AGM no later than the end of June each year. All shareholders with a known address receive written notice of the AGM by post, sent out no later than 21 days before the AGM. The notice calling the meeting and supporting papers are published on the company's website 21 days before the general meeting. All shareholders are entitled to attend general meetings, and arrangements are also made for proxy voting. The company should to the extent possible, prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

The Chairman of the board, the Chairman of the nomination committee and the auditor shall be present at the meeting. An independent chairman shall be elected to conduct the meeting. By this is meant that a chairman and his/her close associates (Public Limited Liability Companies Act § 1-5) must not have substantial interest in orders of business being treated by the general meeting concerned.

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 10 to the annual accounts states how many shares the individual shareholder owns in the company. Members of the board are encouraged to buy shares in the company.
The nomination committee's proposals for individuals as board members will be based on the above-mentioned guidelines.

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

THE WORK OF THE BOARD OF DIRECTORS

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

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

BOARD COMMITTEES

The Company shall, in accordance with Norwegian law have an audit committee. The Audit Committee consists of 3 members elected by and from the board members. The majority of the Audit Committee must be independent. The Audit Committee shall have the duties imposed by the Financial Corporations Act §8-19.

The Board shall, in accordance with Norwegian law have a Compensation Committee. The Compensation Committee consists of the Chairman of the board and two board members. The Committee shall be independent of the company management.

The Compensation Committee shall prepare and present:

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

RISK COMMITTEE

The Board shall, according to the Financial Corporations Act have a Risk Committee. Risk Committee consists of three directors, of whom at least one member shall have expertise in the assessment of insurance and / or financial risk.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

The chairman of the board has a higher fee than other board members as a result of the larger responsibility and time consumption connected to his position. The board receives a fixed annual fee for its work, and has no share options. Details of the amounts paid to the individual board members are provided in the annual report. As a rule, members of the board, or companies to whom they are linked, shall not take on assignments beyond the work done by the board for the company. If they nevertheless take on such assignments, they must inform the entire board. Substantial payments from the company over and above the fixed board fees shall be presented to the general meeting for approval. Information about the scope and costs linked to such work shall also be provided in that payments beyond the normal fee shall be specified separately in the annual report. The company does not give loans to members of the board of directors.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board's statement of guidelines for the pay and other remuneration of the executive management has since 2007 been presented for the General Meeting for necessary treatment. The declaration is stated in the financial statement notes. The salary and other remuneration for the CEO are determined by the Board after the suggestion of the Compensation Committee. The determination of salary and other remuneration for other executive managers is determined by the CEO with boundaries discussed with the Compensation Committee. Further information concerning compensation, loans and share ownership of senior management is set out in note 17. The executive management is encouraged to buy shares in the company.

INFORMATION AND COMMUNICATIONS

For the communication of financial and other price-sensitive information, the board of directors has based its policy on the requirements of the stock market regulations and provisions of the Acts relating to accounting and securities trading. In addition, Protector has a corporate culture based on openness, which means that all relevant information about the company's business activity will be published on the company's website, including annual and quarterly reports. Annual and quarterly reports are also made available via the Oslo Stock Exchange's reporting system. The company also aims to provide open presentations in connection with the publishing of annual and quarterly reports. The company has a financial calendar on its homepage and will provide the same information via the Oslo Stock Exchange's reporting system. This overview will contain the date for the annual general meeting as well as dates for the publishing of quarterly reports. With the presentation of company information for individual shareholders or other interested parties, only publicly available information is presented.

TAKE-OVERS

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

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

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

The company has no clauses that can exclude it from the restrictions under the Securities Trading Act § 6-17 concerning "Restriction of the offeree company's freedom of action" in a take-over process. Nor has the general meeting given the board of directors or CEO any special authority for use in such situations.

AUDITOR

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

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

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

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

Information about the auditor's fees for a mandatory audit and other payments shall be presented to the board

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