

GARD M&E INSURANCE (EUROPE) AS

Statement of comprehensive income

	Quarterly		YTD	
	Current year	Previous year	Current year	Previous year
	21.05.16- 20.08.16	21.05.15- 20.08.15	21.02.16- 20.08.16	21.02.15- 20.08.15
Amounts in USD 000's				
Technical account				
Gross written premium	28,467	37,128	48,142	48,246
Ceded reinsurance	(26,163)	(34,305)	(44,596)	(44,659)
Change in gross premium reserve	(8,265)	(20,496)	(6,032)	(21,367)
Change in reinsurers' share of premium reserve	7,671	19,005	6,039	19,462
Earned premium for own account	1,710	1,333	3,553	1,683
Other insurance related income	9	7	18	13
Gross settled claims	11,691	4,849	22,683	9,374
Reinsurers' share of gross settled claims	(11,071)	(4,483)	(21,075)	(7,342)
Change in gross claims reserve	4,436	12,467	2,556	19,619
Reinsurers' share of change in claims reserve	(3,745)	(11,244)	(1,821)	(17,422)
Claims incurred for own account	1,311	1,588	2,343	4,229
Acquisition costs	1,317	0	2,806	1,550
Agents' commission	2,187	1,053	4,945	2,896
Commission received	(3,815)	(2,188)	(7,826)	(5,390)
Insurance related expenses for own account	(311)	(1,136)	(75)	(944)
Other insurance related expenses	99	2,607	210	2,733
Technical result	621	(1,720)	1,093	(4,323)
Non-technical account				
Interest and similar income	786	(320)	982	(168)
Change in unrealised gain/(loss) on investments	3	(38)	975	(46)
Gain/(loss) on realisation of investments	(16)	(5)	(39)	(5)
Investment management expenses	(11)	(7)	(20)	(13)
Non-technical result	763	(370)	1,897	(233)
Profit before tax	1,384	(2,090)	2,990	(4,556)
Taxation	0	0	0	0
Net result	1,384	(2,090)	2,990	(4,556)

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.08.16	As at 20.02.16
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	1,715	1,512
Bonds	21,955	16,956
Other financial investments	234	191
Total investments	23,904	18,659
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	46,111	40,071
Reinsurers' share of gross claims reserve	45,717	43,896
Total reinsurers' share of technical provisions	91,828	83,968
Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	847	76
Intermediaries	46,946	40,056
<i>Receivables from reinsurance operations</i>		
Receivables from group companies	1,613	3,772
Other receivables	33	9
Total receivables	49,440	43,913
Other assets		
Cash and cash equivalents	21,253	22,825
Total other assets	21,253	22,825
Prepayments and accrued income		
Accrued income and other prepayments	5,895	5,302
Total prepayments and accrued income	5,895	5,302
Total assets	192,319	174,666

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.08.16	As at 20.02.16
Equity and liabilities		
Paid in equity		
Share capital	32,392	32,392
Premium fund	877	877
Total paid in equity	33,268	33,268
Retained earnings		
Other equity	1,860	(1,130)
Total retained earnings	1,860	(1,130)
Total equity	35,128	32,138
Technical provisions		
Gross premium reserve	50,287	44,255
Gross claims reserve	52,138	49,582
Total technical provisions	102,426	93,838
Provision for other liabilities		
Income tax payable	645	645
Total provisions for other liabilities	645	645
Payables		
Payables arising out of direct insurance operations	5,086	706
Payables arising out of reinsurance operations	38,878	38,391
Other payables	199	108
Total payables	44,163	39,205
Accruals and deferred income		
Accruals and deferred income	9,958	8,839
Total accruals and deferred income	9,958	8,839
Total liabilities	157,191	142,528
Total equity and liabilities	192,319	174,666

GARD M&E INSURANCE (EUROPE) AS

Cash flow analysis

Amounts in USD 000's	21.02.16 to 20.08.16	21.02.15 to 20.08.15
Cash flow from operating activities		
Profit from ordinary operations before tax	2,990	(4,556)
Change in unrealised gain/(loss) on investments	(975)	46
Change in receivables and payables	(569)	(592)
Change in technical provisions and other accruals	1,253	4,549
Financial investments	(4,250)	(125)
Net cash flow from operating activities	(1,552)	(678)
Cash flow from investment activities		
Investment management expenses	(20)	(13)
Net cash flow from investment activities	(20)	(13)
Net change in cash and cash equivalents	(1,572)	(690)
Cash and cash equivalents at beginning of year	22,825	14,422
Cash and cash equivalents at end of year	21,253	13,732

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

Corporate information

Gard Marine & Energy Insurance (Europe) AS ("the Company") is a wholly owned subsidiary of Gard Marine & Energy Ltd ("Gard M&E"). The Company is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of Marine and Energy risks. The Company is the result of a merger between Gard Marine & Energy Försäkring AB in Sweden and a new Gard company Varmekrogen AS in Norway, both wholly-owned subsidiaries of Gard M&E. The merger took place with effect as from 31 December 2014.

Cross border merger between Gard Marine & Energy Försäkring AB, a public limited liability company having its business address in Västre Hamngatan 5, SE-411 77 Göteborg, Sweden, registration number 516406-0633 and Varmekrogen AS a limited liability company having its principle business address in Kittelsbuktheien 31, 4836 Arendal, Norway, registration number 913 861 825. Varmekrogen AS was renamed Gard Marine & Energy Insurance (Europe) AS from effective date of the merger, 31 December 2014.

All assets, rights and obligations were transferred to Gard Marine & Energy Insurance (Europe) AS with legal effect from 31 December 2014.

Gard Marine & Energy Insurance (Europe) AS has issued 300 shares, each with a par value at NOK 100. All of the shares are owned by Gard Marine & Energy Limited. The par value of shares in Gard Marine & Energy Insurance (Europe) AS was through the merger increased with NOK 319,936 per share. An increase in share capital was made 29 September 2015 with NOK 546,667 per share, which gives a total share capital of NOK 260,010,900.

The accounting principle for the merger is based on continuity. The value of the assets, rights and obligations transferred to Gard Marine & Energy Insurance (Europe) AS that exceeds the increase in par value has been considered as share premium and free equity.

The merger shall for tax purposes not be based on the principle on continuity for Gard Marine and Energy Insurance (Europe) AS in Norway. The company will have new tax basis on the assets, rights and obligations transferred from Gard Marine & Energy Försäkring AB based on the market values.

Basis of preparation of the Accounts

The quarterly accounts include activity from 21 February 2016 to 20 August 2016.

The financial statements have been prepared in accordance with Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance, except for the departures from these regulations listed below. The Company fulfils the exemption criteria in paragraphs 3-12 of Regulations for annual accounts for insurance companies which require limited use of International Financial Reporting Standards (IFRS).

Departures from Regulations for annual accounts for insurance companies:

1. A part of the financial income is not allocated to the technical result.

The financial statements of insurance companies with operation in Norway are subject to regulations established by the Norwegian Ministry of Finance. According to a resolution from the Financial Supervisory Authority of Norway the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.08.2016 has not been audited.

Use of accounting estimates when preparing the accounts

The preparation of the accounts requires management to make estimates and assumptions that affect assets, liabilities, revenues, expenses and contingent liabilities. Due to circumstances in the future these estimates can change. Estimates and their assumptions are considered continuously and accounts adjusted accordingly.

Insurance contract liabilities

Insurance contract liabilities are the main items in the balance sheet based upon judgements and estimates. Estimates have to be made both for the expected total cost of claims reported and for the expected total cost of claims incurred but not reported at the balance sheet date. Standard actuarial methods are used in estimating the total cost of outstanding claims. The actuarial method uses historical data as one of the elements in the model to estimate the future claims costs. It can take a significant period of time before the ultimate claims cost can be established with certainty.

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 2 – Related party transactions

Reinsurance agreements

The Company cedes to Gard M&E by way of reinsurance 90 per cent of the Company's Marine & Energy risk underwritten by the Company that is not reinsured elsewhere.

Insurance agency agreement

The operations and insurance activities of the Company are carried out by the insurance intermediaries Gard AS and Gard (Sweden) AB. The company, Gard (Sweden) AB, is fully owned by Gard AS. Gard AS is a fully owned daughter company of Gard P. & I. (Bermuda) Ltd.

Note 3 - Changes in total equity

Amounts in USD 000's	Share capital	Premium fund	Retained earnings	Total equity
Total equity as at 21.02.15	12,957	877	3,843	17,676
Change in total equity for the year	19,435	0	(4,973)	14,462
Total equity as at 20.02.16	32,392	877	(1,130)	32,138

Amounts in USD 000's	Share capital	Premium fund	Retained earnings	Total equity
Total equity as at 21.02.16	32,392	877	(1,130)	32,138
Change in total equity for the first quarter	0	0	2,990	2,990
Total equity as at 20.08.16	32,392	877	1,860	35,128

Note 4 – Capital Requirements

Amounts in USD 000's	As at 20.08.16
Own funds	
Ordinary share capital	32,392
Share premium account	877
Reconciliation reserve	327
Excess of assets over liabilities	33,595
Tier 1 - Unrestricted	33,595
Total basic own funds / (equal to Excess of assets over liabilities)	33,595
Total ancillary own funds	0
Total available own funds to meet the SCR	33,595
Total available own funds to meet the MCR	33,595
Total eligible own funds to meet the SCR	33,595
Total eligible own funds to meet the MCR	33,595
SCR	20,589
MCR	5,147
Ratio of eligible own funds to SCR	163.17 %
Ratio of eligible own funds to MCR	652.67 %

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 4 – Capital Requirements continued

	As at
Amounts in USD 000's	20.08.16
Minimum Capital Requirement (MCR)	
Linear MCR	2,568
SCR	20,589
MCR cap (45% of SCR)	9,265
MCR floor (25% of SCR)	5,147
Combined MCR	5,147
Absolute floor of the MCR	4,076
MCR	5,147
Solvency Capital Requirement (SCR)	
Market risk	3,108
Counterparty default risk	9,061
Non-life underwriting risk	9,346
Diversification	(4,416)
Basic SCR	17,100
Calculation of SCR	
Operational risk	3,489
SCR	20,589

The Board of Directors
Gard M&E Insurance (Europe) AS
23 September 2016

Trond Eilertsen
Chairman

Morten Hoegh

Jane Sy

Yngvil Åsheim

Ian Beveridge