

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

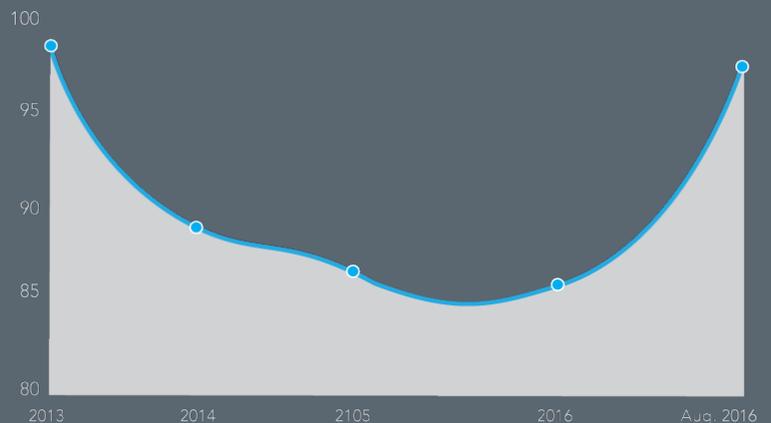
for the six months to 20 August

2016



Highlights

97 **Result after tax**
USD MILLIONS, ETC BASIS



96 **Combined ratio**
PER CENT, ETC BASIS

1114 **Equity**
USD MILLIONS

3.5 **Assets**
USD BILLIONS

739 **Gross written premium YTD**
USD MILLIONS, ETC BASIS

FIVE YEAR COMPARISON

	12 months				6 months
	2013	2014	2015	2016	Aug 2016
Gross written premium USD millions, ETC basis	884	959	991	911	739
Result after tax USD millions, ETC basis	98	89	87	85	97
Combined ratio Per cent, ETC basis	101	97	88	83	96
Equity USD millions	895	944	969	1,017	1,114
Assets USD billions	2.6	2.7	2.7	3.0	3.5

CEO'S OPERATIONAL REVIEW



Operational review

I am pleased to report a strong result for the first half of the 2016 financial year. Despite lower volumes of premium, we have achieved an after tax result of USD 97 million. Our equity now stands at USD 1,114 million. This result is a reflection of a strong overall performance – with a consolidated technical result across all business areas reflected in a combined ratio net of 97 per cent, while our investments delivered a return of USD 82 million.

Lower rates and reduced demand – particularly in the offshore market have led to a decline in gross written premium of around eight per cent for the period. Nevertheless, we have continued to gain tonnage in P&I and maintained our market share in most marine products. For a mutual, keeping overall premiums down is a good thing – as long as it is accompanied by a positive claims environment.

There is no doubt that market conditions continue to be demanding for many of our Members and clients. We are therefore focussing even more closely on how we can support the maritime industries when times are tough.

Knowing where you stand

Any business making plans in unstable market conditions values stability and predictability. It is core to our offering that you should know where you stand in terms of our premium policy, product offering and claims promise.

Our premium policy is based on a strategy of long-term steadiness and sustainability. We want to support our shipowners in challenging times by keeping costs as low as possible. Given the current claims environment and rating level of the portfolio, there will be no general increase in the Advance Call for owners' mutual P&I or

for mutual FD&D for the 2017 policy year. The Boards have decided that premium adjustments should result in a combined ratio net of 102.5 per cent for P&I mutual.

We only ever ask for the general increase that we need over time, and – when our results and capital position allow – we look to reduce costs for our Members. As well as having been modest in our premium increases over recent years, we have a well-established procedure that allows excess capital to be channelled back to the membership by a reduction in the last instalment of premium which is deferred to the year after the policy year in question. Over the last ten years, we have returned USD 223 million to our mutual Members.

On your side

Our mutual mindset means that we are always on your side. We aim to deliver the products you need at the right price, together with a first class casualty response. We were all delighted that on 8 September 2016, Gard won the Insurance Insider Cuthbert Heath Award (Claims and Losses) – a prestigious London Market award for an insurer's response to a major claim event.

We were nominated for our work on the HOEGH OSAKA casualty in January 2015. The award looked for an organisation's ability to rise to the extraordinary challenges of a major claim event, including the best deployment of its in-house resources and its ability to co-ordinate and organise third party suppliers to the benefit of all parties. This was undoubtedly an extraordinary event; I am confident however that acting fast and doing the right thing in a major casualty is second nature to everyone at Gard.

We have been fortunate that the first six months of this year have seen few large

claims. Nevertheless, we want Members and clients to be confident that the cover they buy responds to the issues they face, and that any claim – large or small – is handled as efficiently as possible.

Access to knowledge and experience

Despite the fact that ships have never been so technically advanced, carried so much cargo, or been as environmentally-friendly, accidents still happen. This is why Gard makes a serious investment in our intellectual capital. The depth of knowledge across all of my colleagues, combined with the breadth of our involvement in the industry, makes us uniquely placed to share knowledge and experience both before and after an event.

In the last six months we have announced a number of initiatives to make this concept come alive for our Members and clients. In September we announced the winners of the Claes Isacson Scholarship for 2016. This is the third year that the scholarship has been awarded and is a tangible demonstration of our commitment to education and training. This year we had 53 applicants from 22 different countries, all with first class academic records and even including a PhD student.

We are also the first insurer to become a Green Award Incentive Provider. Green Award certifies ships that are extra clean and extra safe. Ships with a Green Award certificate reap various financial and non-financial benefits. Our contribution will focus on an annual event for shipowners and managers who hold the Green Award certificate. This seminar will address topics such as market challenges and trends, risk management and loss prevention, as well as innovation and new technology. We will also help to create a benchmark for the performance of Green Award vessels.

CEO'S OPERATIONAL REVIEW

continued

Help wherever you need it

Accidents at sea do not recognise national borders. Major casualties require tremendous efforts from everyone involved. A successful response is based on real clarity about who does what and close co-operation between all parties.

When it goes well, the results are very good for the environment, society at large and everyone involved in the casualty. When it goes badly, the consequences can be disastrous and incredibly expensive. There is no one-size-fits-all solution to handle casualties. We do think, however, that there are elements of best practice that can be shared – a spine that helps everyone to work together and make for a more predictable environment.

This is one of the reasons we support the International Group of P&I Clubs in building an outreach programme to connect to government authorities and other casualty stakeholders in key jurisdictions around the world. We believe that we can do a better job for our Members and clients if we have relationships with the important salvage and counter-pollution authorities around the world – before an incident happens. By building relationships based on mutual understanding and communication, we are able to prepare for a more effective and co-ordinated response should serious incidents occur.

A fair response

The 2016 year has been a good one – so far we are only at the halfway mark and experience tells us that circumstances can change rapidly.

Our philosophy to change is to ensure that we always do the right thing. The foundations of our relationships are built on trust – so transparency, respect and a view to the long-term are paramount in meeting future challenges and helping our Members and clients manage their current and future risks.

Rolf Thore Roppestad
Chief Executive Officer

GARD P. & I. (BERMUDA) LTD.

Summary consolidated income and expenditure accounts

Amounts in USD 000s	21.02.16 to 20.08.16	21.02.15 to 20.08.15
Premium earned gross*	429,156	466,724
Earned premium for own account	348,071	389,842
Other insurance related income	1,014	902
Claims incurred for own account**	290,566	277,953
Operating expenses	43,552	52,108
Technical result	14,967	60,684
Result on non-technical account	82,302	(14,592)
Net result	97,269	46,092
Combined Ratio Net (CRN)	96%	84%

* Premium earned gross include one half of estimated total calls for the P&I business and gross earned premium for the marine and energy business.

** Claims handling costs share of Operating expenses are included in Claims incurred for own account.

GARD P. & I. (BERMUDA) LTD.

Summary consolidated balance sheet

Amounts in USD 000's	As at 20 August 2016	As at 20 February 2016
Investments at market value	2,247,349	2,196,813
Reinsurers' share of technical provisions	421,821	332,446
Cash and equivalents	230,815	174,572
Other assets	592,567	309,105
Total assets	3,492,552	3,012,936
Gross unearned premium reserve	443,083	133,512
Gross provision for outstanding and unreported claims	1,625,734	1,572,498
Equity	1,113,966	1,016,697
Other liabilities	309,769	290,229
Total equity and liabilities	3,492,552	3,012,936

The financial statements have been prepared in accordance with the amended Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance. The amendments, taking effect from the start of the current year, have been implemented for the financial statements to be more aligned with presentation of regulatory capital under Solvency II. The opportunity to make provisions to a contingent liability (contingency reserve) has been removed and is presented as retained earnings and equity. This could result in a tax liability for Assuranceforeningen Gard –gjensidig- and Gard M&E Insurance (Europe) AS. Gard, together with the other mutual P&I insurer in Norway, has had a dialogue with and been involved in the consultation process initiated by the Norwegian Ministry of Finance about these issues. No provisions for possible deferred tax has been made.

GARD P. & I. (BERMUDA) LTD.

Income and expenditure accounts on lines of business

Amounts in USD 000's	P&I	M&E	21.02.16 to 20.08.16 Consolidated
Premiums earned gross	307,222	121,933	429,156
Premiums earned net	242,389	105,682	348,071
Claims incurred for own account*	184,673	105,893	290,566
Operating expenses	21,791	20,748	42,539
Result on technical account	35,925	(20,959)	14,966
Result on non-technical account	62,567	19,735	82,302
Result ordinary operations	98,492	(1,224)	97,269
Combined ratio net	85%	120%	96%

* Claims handling costs share of operating expenses are included in Claims incurred for own account

CONTACT DETAILS FOR GARD'S GLOBAL NETWORK

Lingard Limited

Trott & Duncan Building
17A Brunswick Street
Hamilton HM 10
Bermuda

Tel +1 441 292 6766

Email companymail@lingard.bm

Gard AS

Kittelsbukta 31
NO-4836 Arendal
Norway

Tel +47 37 01 91 00

Email companymail@gard.no

Gard AS

Skipsbyggerhallen
Solheimsgaten 11
NO-5058 Bergen
Norway

Tel +47 37 01 91 00

Email companymail@gard.no

Gard AS

Dronning Eufemias gate 6
NO-0191 Oslo
Norway

Tel +47 37 01 91 00

Email companymail@gard.no

Oy Gard (Baltic) Ab

Bulevardi 46
FIN-00120 Helsinki
Finland

Tel +358 30 600 3400

Email gardbaltic@gard.no

Gard (Greece) Ltd

2, A. Papanastasiou Avenue
185 34 Kastella, Piraeus
Greece

Tel + 30 210 413 8752

Email gard.greece@gard.no

Gard (HK) Ltd

Room 3505, 35F
The Centrium, 60 Wyndham Street
Central
Hong Kong

Tel +852 2901 8688

Email gardhk@gard.no

Gard (Japan) K.K.

Shiodome City Center 8F
1-5-2 Higashi Shinbashi
Minato-ku, Tokyo 105-7108
Japan

Tel +81 3 5537 7266

Email gardjapan@gard.no

Gard (Japan) K.K.

Vogue 406,
3-9-36 Higashimura, Imabari-City,
Ehime 799-1506,
Japan

Tel +81 898 35 3901

Email gardjapan@gard.no

Gard (North America) Inc.

40 Fulton Street
New York, NY 10038
USA

Tel +1 212 425 5100

Email gardna@gard.no

Gard (Singapore) Pte. Ltd.

72 Anson Rd
#13-02 Anson House
Singapore 079911
Singapore

Tel +65 6709 8450

Email gardsingapore@gard.no

Gard (UK) Limited

85 Gracechurch Street
London EC3V 0AA
United Kingdom

Tel +44 (0)20 7444 7200

Email garduk@gard.no

Gard Marine & Energy- Escritório de Representação no Brasil Ltda

Rua Lauro Muller 116 – suite 2402
Botafogo, 22290-160,
Rio de Janeiro, RJ,
Brazil

Tel +55 (21) 3037 9764

Email gardbrasil@gard.no

Emergency Telephone Number

+47 90 52 41 00

www.gard.no



