FINANCIAL STATEMENTS 2022

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

for the period 21 February 2022 to 31 December 2022

Gard Marine & Energy Insurance (Europe) AS
Board of Directors' Report

INTRODUCTION

The Board of Directors hereby submits the report and accounts of Gard Marine & Energy Insurance (Europe) AS for the 2022 financial period, covering the period 21 February 2022 to 31 December 2022. This is Gard Marine & Energy Insurance (Europe) AS' (the "Company") eight year of operation.

In 2022, the Company's General Assembly resolved to change the group's financial year, which will now end on 31 December. Therefore, the current financial period is from 21 February 2022 to 31 December 2022. From 1 January 2023, the full financial year will be 1 January to 31 December.

In the opinion of the Board of Directors, the report and accounts for the period to 31 December 2022 gives a true and fair picture of the Company and its activities and result.

The Company is complying with all statutory solvency and capital requirements.

Beyond what has been dealt with in this report, and the risks and uncertainties the marine insurance industry in general is faced with, the Board of Directors does not consider there to be any special risks or uncertainties connected to the business activities of the Company.

The Company is a wholly owned subsidiary of Gard Marine & Energy Limited and a part of the Gard group (the "Group") where Gard P. & I. (Bermuda) Ltd. is the ultimate owner.

THE OPERATION IN GENERAL

Marine & Energy insurance

The Company is a joint stock company established in Arendal on 26 June 2014. As from 1 January 2015, the Company has offered marine and energy insurance to its customers in countries where there is a requirement that the insurer is domiciled within the European Union/European Economic Area. The customers are shipowners, shipyards, contractors and oil companies.

The Company's branch office in Finland

The Company established a branch office in Finland early in 2022. The branch is established in Finland as a branch of an Overseas Firm in accordance with the EU rules for Free Movement of Services.

The Company's branch office in the United Kingdom

Gard Marine & Energy Insurance (Europe) AS has established a branch in the United Kingdom. The branch is established in the United Kingdom as a branch of an Overseas Firm under supervision by PRA (the Prudential Regulation Authority of United Kingdom).

Gard AS

Gard AS is the general agent for the Company. All insurance products are offered through Gard AS on basis of delegation of authority. Gard AS is registered as insurance agent for Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard - gjensidig -, Gard Marine & Energy Limited (the Norwegian branch of the parent company), and the Company in accordance with the Norwegian legislation on insurance intermediary activities based on the EU insurance mediation directive.

Gard AS has offices in Arendal, Bergen and Oslo. Further, Gard AS has wholly owned subsidiaries in London (Gard (UK) Limited), New York (Gard (North America) Inc.), Hong Kong (Gard (HK) Ltd), Helsinki (Oy Gard (Baltic) Ab), Piraeus (Gard (Greece) Ltd), Tokyo (Gard (Japan) K.K.) and Singapore (Gard (Singapore) Pte. Ltd). The subsidiaries main function is to be the local representative of the parent company.

Personnel and organisation

As a result of the appointment of Gard AS as the agent of the Company there are at the end of the period only 16 persons employed in the Company. These persons include, inter alia, the Managing Director, the Legal Director (Company Secretary) and the Accounting Manager.

In the period from 21 February, 2022 to 31 December, 2022 the level of absence due to sickness has been below the corresponding average in the insurance industry. The total number of days of absence due to sickness corresponded to a percentage of 0.89 percent against 4.3 percent for the insurance industry in general. The organisation is focusing on preventing occupational injuries as a result of long time use of PCs and other office equipment. There have been no injuries or accidents in connection with the operations.

The Company's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith.

The working environment in the Company has in the period to 31 December 2022 been good.

Directors' and Officers' liability insurance

There is a Directors and Officers' liability insurance in place covering all directors and officers of the Company. The cover applies worldwide and includes, but are not limited to the following: Management liability; Pre-Claim Inquiry Costs; and Certain legal fees/costs. The limit of the insurance is USD 30 million in the aggregate including all claims or losses.

Environmental impact

The Company is a mutual insurance provider and the environmental footprint is therefore limited. The Company's impact on climate and the environment is primarily connected to business travel made by the limited number of staff.

In respect of Gard's own operations and reduction of emissions, there is an increased focus on reducing air travels for internal meetings by more extensively using Microsoft Teams meetings for this purpose.

Gard has an extensive loss prevention program which forms part of the services provided to principals' Members and clients. Through the loss prevention products, such as Gard Alerts, Circulars, Case Studies and conferences and seminars, Gard can provide information on pollution prevention and highlight actions that can be taken to lessen any impact on the environment.

United Nations Sustainable Development Goals ("SDG") framework integrated to operations

A framework for work with sustainability has been established, which ensure a corporate approach to sustainable business operations in line with internationally recognized principles and guidelines, expectations from our members and clients, as well as society at large.

As a part of this, internal policies, governance structures and public commitments have been approved and implemented in the organisation. Gard is committed to Agenda 2030 and uses the United Nations SDG's as framework, when defining the ambitions and targets for running a sustainable business. Gard is also a signatory to the ten principles of the United Nations Global Compact and the UN Sustainable Ocean Principles

Gard is a responsible investor and continue to increase the focus on sustainable investments in its portfolio. One "global impact" portfolio has been established, focusing on equity investments that are aligned with the ambitions set out in the UN Sustainable Development Goals. Gard fully supports the UN Principles of Responsible Investment and actively encourage the principals' fund managers to sign up to them. These Principles recognise that long term sustainable returns are dependent on stable, well-functioning and well governed social, environmental and economic systems.

Decarbonisation

As signatories to the Poseidon Principles for Marine Insurance (PPMI), Gard issued its first climate alignment score in 2022, disclosing the carbon intensity of the Company's hull and machinery portfolio. In essence, this score shows how the Company is faring compared with the emission targets set by the IMO and the Paris Agreement. As a market leader, Gard have both an opportunity and a responsibility to be at the forefront, pushing for increased transparency about where the Company stands and where there is a need to go to achieve decarbonisation. The PPMI can be a useful tool in this regard, especially if combined with more qualitative assessments of the clients' individual goals and strategies to reduce emissions. There is certainly room for improvement, both in the Company's own score and in the PPMI reporting process itself, but we are confident that going forward, we will learn, improve, and move in the right direction, together with our Members and clients.

Gard entered into partnerships with two global decarbonisation centers in 2022: the Global Centre for Maritime Decarbonisation (GCMD) and Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping. GCMD is a non-profit organisation established in Singapore in 2021, aiming to help the maritime industry eliminate greenhouse gas emissions by shaping standards for future fuels, financing and piloting new projects, and facilitating increased collaboration across sectors. Similarly, the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping, based in Copenhagen, is a non-profit, independent research- and development center working across the energy and shipping sectors with industry, academia, and authorities. It explores viable decarbonisation pathways, facilitates the development and implementation of new energy technologies, and works to accelerate the transition toward a decarbonized economy. Gard's role in both centers will be to provide financial support as well as in-house expertise

<u>Ship recycling</u>

Gard actively encourage and support ship recycling according to the Hong Kong convention or EU Ship Recycling Regulation.

<u>The Transparency Act</u>

In accordance with the Norwegian Transparency Act entered into force on 1 July 2022, Gard worked cross-functionally in adopting policy commitments to embed Gard's responsibility to respect human rights across the organization and in establishing human rights due diligence processes with provisions for remediation and grievance mechanisms. The Company's human rights due diligence work is ongoing, and the aim is to improve based on the lessons and valuable insights having been uncovered during the process.

As part of the disclosure requirements under the Transparency Act, Gard has internal procedures to effectively respond to information requests under Section 6 of the Act. Accordingly, Gard will publish an account of due diligence report pursuant to Section 4 of the Transparency Act. The report will be made available at www.gard.no at the latest of 30 June 2023 in line with Section 5 of the Transparency Act.

<u>Research and development</u>

The Company does not carry out research and development activities.

FUND MANAGEMENT

A major part of the Company's investment portfolio is invested through an Irish umbrella unit trust fund; a contractual fund structure with a segregated liability between sub funds and investors. The following risk carriers in the Group hold units which represent a beneficial interest in the assets of the unit trust; Assuranceforeningen Gard - gjensidig -, Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard Marine & Energy Insurance (Europe) AS, Hydra Gard Cell and Gard Reinsurance Co Ltd. The objective of the investment structure is saving of management costs and optimizing the total returns within the investment guidelines. The portfolio managers in the Unit Trust structure are all specialists within the class of assets the individual manager has been given a mandate to manage.

The general investment guidelines for the management of the funds of the Company are determined by the Board of Directors. The general guidelines determined by the Board of Directors contains the overall risk limits with regards to the investments, such as the types of financial instruments that can be used, as ranges within certain asset classes. Each portfolio manager employed shall not manage more than 30 percent of the total fund. The individual portfolio manager's mandate is composed on the basis of an index enabling the Company to measure the individual manager's performance against a benchmark.

Management reports on the performance and composition of the portfolio at each Board of Directors meeting. For each meeting, a compliance report is produced showing whether there are non-conformities in relation to the investment guidelines.

In the view of the Board of Directors the Company's investments can be described as having a medium risk profile.

INSURANCE BUSINESS

Market share

At the inception of the accounts for the period 2022, the global market share for the parent company Gard Marine & Energy Limited including its subsidiaries was 7.1 percent for the business area Marine and 3 percent for the business area Energy. At the end of the period the market share for Marine was 8 percent, whilst the market share for Energy was 3 percent.

Reinsurance

The insurance activities of the Company is reinsured in the commercial reinsurance market. The retention for any one event any one vessel was in accounts for the period to 31 December 2022, USD 40 million.

The Company has entered into a separate reinsurance treaty with its parent company. The reinsurance treaty covers a proportion of the risks retained under the above market reinsurance arrangements. Pursuant to this separate reinsurance treaty 70 percent of the insurance liabilities of the Company not covered by the market reinsurance arrangements was ceded to the parent company as reinsurance in the accounts for the period to 31 December 2022.

FINANCIAL RISK

The regulatory solvency capital requirement for the Company was USD 43 million, down from USD 48 million as of 20 February 2022. The regulatory solvency ratio was 210 percent, an increase of 47 percentage points compared to last period's end.

Insurance risk

The Company offers marine and energy insurance products on a commercial basis to shipowners and operators within the international oil and gas industry. The Company is ceding 70 percent through a quota share agreement to Gard Marine & Energy Limited.

The Company has the benefit of The Group's external reinsurance programs in addition to the internal reinsurance contracts.

Insurance risk is down from last period. This is mainly due to the removal of the imposed 15 percent capital add-on for insurance risk as the insurance risk module in the internal risk capital model is now fully approved for regulatory purposes by the Norwegian FSA.

A set of extreme events for insurance risk have been identified and the realistic possible loss to the Company has been calculated. The highest insurance loss for own account from the identified extreme events is USD 26 million, which is 19 percent of the Company's equity.

Market risk

The market risk decreased over the last period which is mainly due to an increase in expected investment income as a result of the hike in interest rates over the last period.

According to market risk stress tests, the highest estimated market loss to the Company is USD 3 million due to a risk premium shock.

Counterparty default risk

The main sources of counterparty default risk are reinsurers, cash deposits at banks and receivables from policyholders.

The main reinsurer of the Company is Gard Marine & Energy Limited, which covers 70 percent of all risks undertaken not reinsured elsewhere. The counterparty exposure against the intra-group reinsurer is large compared to the overall operation and capitalization.

Counterparty default risk was up from last period. Gard is closely monitoring receivables and overdue payments.

The Company acknowledges that there is an increased counterparty risk towards Russian entities due to the different sanction regimes imposed. Although, due to the Association's limited exposure towards these counterparties, this does not impose any material financial risk as at 31 December 2022.

Liquidity risk

The insurance premium inflow is stable through the period, but the claims payment pattern will vary and reinsurance cost is payable in instalment through the period. A liquidity buffer is established as a money market fund and a more liquid part of the investment portfolio. The buffer is used to place excess liquidity in periods or to be drawn on when liquidity is needed.

The duration of investable assets shall meet the pay-out profile of the Company's liabilities. The investable assets consist of a liquid portfolio that can be liquidated in a short period. The liquidity risk is deemed low.

Operational risk

The operational risk of the Company is assessed annually through the Group's internal self-assessment. The results of the self-assessment are used to manage operational risk and to quantify the internal operational risk charge. The operational risk for the Company was unchanged from last period.

In relation to the war and events in Ukraine, the Company's exposure towards Russian entities and entities controlled by Russian interests has remained limited in comparison with 20 February 2022. Gard does not have any exposure towards Russian reinsurers as at 31 December 2022. Gard Group's internal Sanctions Consultancy Group continues to work diligently, providing enhanced vigilance and strong advisory services that neither Gard Group nor our members or clients are in breach of rapidly evolving sanction regulations against Russia and Russian special designated parties imposed by the USA, EU, UK, and other countries.

Capital and solvency position

The Company is complying with all statutory solvency and capital requirements.

The parent company, Gard Marine & Energy Limited, is well-capitalized and able to inject capital into the Company in the event this would be required to meet strategic goals.

ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2022

The Company has been granted dispensation by the Norwegian Financial Supervisory Authority and the Tax Authority from the requirements to present the annual accounts in Norwegian currency and the Norwegian language. Following this, the annual accounts are presented in United States Dollar (USD) and the English language.

Change of financial year
The financial statements for the year ending 31 December 2022 covers the activity for the period from 21 February 2022 to 31 December 2022 – a period of 314 days. However, the accounts for the previous year used as a comparison cover the period from 21 February 2021 to 20 February 2022, i.e. a period of 365 days. Due to the different number of days in these two periods the numbers for this year and for the previous year will not be fully comparable.

Result

The total comprehensive income was a surplus of USD 11.3 million (USD 7.0 million).

The technical result was a strong surplus of USD 18.3 million (USD 11.8 million).

Premiums

The gross earned premium to 31 December 2022 was USD 170.0 million (USD 150.8 million). Earned premium for own account was USD 45.0 million (USD 41.2 million) and above plan. The increase was due to premium growth from new and existing clients and hardening of rates.

Claims

Gross incurred claims during the period were USD 90.1 million (USD 83.7 million). Net incurred claims for own account was USD 29.1 million (USD 27.9 million). The claims development was better than expected for the company due to no large claims this period.

Non-technical result

The non-technical result was a loss of USD 3.5 million in the period ending 31 December 2022 (a loss of USD 2.7 million). The main drivers for the negative result are inflation and rapidly increasing interest rates in addition to geopolitical tension and turbulence.

Total equity

Total equity has increased to USD 85.9 million (USD 74.6 million). The equity shall meet unforeseen fluctuations in claims exposure, possible catastrophes, extraordinary claims patterns that fall within the Company's liabilities and to meet capital requirements.

Technical provisions

As of 31 December 2022, the Company's net premium reserve was USD 21.6 million (USD 29.6 million) as a provision for the part of the agreed premium written that exceeds the end of the financial period.

As of 31 December 2022, the Company's net provision to cover reported and unreported claims amounted to USD 40.7 million (USD 32.2 million).

The Board of Directors is of the opinion that the equity and technical provisions are sufficient to cover all technical liabilities for the period to 31 December 2022 and earlier.

Cash flow analysis

The Company's bank deposit as of 31 December 2022 amounted to USD 11.5 million (USD 14.6 million). Net cash flows from operating activities consist primarily of incoming payments in the form of premiums and outgoing payments in claims and operating expenses. Operating liquidity (cash) is balanced by transfers to and from the investment portfolio.

GOING CONCERN AND FUTURE DEVELOPMENT

The company's financial situation is monitored closely, not only the development of the market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk.

The business development is expected to be positive.

Against this background and pursuant to the Norwegian Accounting Act of 1998, section 3-3a, the annual financial statement of the Company have been prepared on a going concern basis and the Board of Directors is of the opinion that the conditions for going concern are present.

GOVERNING CORPORATE BODIES

The Board of Directors of the Company are composed as shown on page 1.

Board of Directors

Nils Aden and Ian Beveridge shall retire by rotation at the forthcoming Annual General Meeting but can be re-elected.

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The Board of Directors wishes to express its gratitude to customers, business associates and correspondents for their participation and support to the Company, and thanks all employees of Gard AS for their loyalty and interest throughout the period.

Arendal, 20 March 2023

Board of Directors
Gard Marine & Energy Insurance (Europe) AS

Trond Eilertsen Chairman	Jane Sy	Ian Beveridge
Nils Aden		Rolf-Thore Roppestad Managing Director

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statement of comprehensive income

Amounts in USD 000's	Notes	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Technical account			
Gross written premium	4, 5	143,742	187,633
Gross earned premium	5	170,003	150,782
Ceded reinsurance	5	(124,955)	(109,589)
Earned premium for own account		**45,048**	**41,193**
Other insurance related income		**7**	**0**
Gross incurred claims	5	90,055	83,654
Reinsurers' share of gross incurred claims	5	(60,968)	(55,784)
Claims incurred for own account		**29,087**	**27,870**
Acquisition costs	7	8,382	8,235
Agents' commission	7	17,718	17,823
Commission received	7	(29,302)	(25,771)
Insurance related expenses/(income) for own account		**(3,202)**	**288**
Other insurance related expenses	7	**913**	**1,203**
Technical result		**18,258**	**11,833**
Non-technical account			
Interest and similar expenses	8	(834)	(1,183)
Change in unrealised loss on investments		(1,553)	(2,101)
Gain/(loss) on realisation of investments		(1,095)	557
Other expenses		(12)	(2)
Non-technical result		**(3,494)**	**(2,730)**
Profit before tax		**14,764**	**9,104**
Corporate income tax	9	3,423	2,085
Net result before other comprehensive income		**11,340**	**7,019**
Other comprehensive income			
Total comprehensive income		**11,340**	**7,019**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	Notes	As at 31.12.22	As at 20.02.22
Assets			
Investments			
Financial investments at fair value through profit or loss			
Equities and investment funds	10, 11	2,598	2,912
Interest-bearing securities and funds	10, 11	102,603	74,769
Total investments		**105,201**	**77,681**
Reinsurers' share of technical provisions			
Reinsurers' share of gross premium reserve	5, 11	53,109	71,327
Reinsurers' share of gross claims reserve	5, 11	97,627	75,202
Total reinsurers' share of technical provisions		**150,736**	**146,530**
Receivables			
Receivables from direct insurance operations			
Policyholders	11, 12	1,571	1,468
Intermediaries	11, 12	80,755	107,636
Receivables from reinsurance operations			
Receivables from reinsurance operations	11	0	46
Receivables from reinsurance operations - group companies		0	2,292
Other receivables			
Other receivables		0	10
Other receivables from group companies		316	25
Total receivables	11	**82,642**	**111,477**
Other assets			
Cash and cash equivalents	11, 13	11,495	14,560
Deferred tax asset	9	106	0
Other assets	11	5,490	5,400
Total other assets		**17,090**	**19,960**
Prepayments and accrued income			
Accrued income and other prepayments		13,598	10,239
Total prepayments and accrued income		**13,598**	**10,239**
Total assets		**369,267**	**365,888**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	Notes	As at 31.12.22	As at 20.02.22
Equity and liabilities			
Equity			
Statutory reserve	14	63,262	63,262
Other equity		22,641	11,300
Total equity		**85,903**	**74,562**
Technical provisions			
Gross premium reserve	5, 11	74,705	100,967
Gross claims reserve	5, 11	138,370	107,446
Total technical provisions	5, 11	**213,075**	**208,412**
Provisions for other liabilities			
Income tax payable	9, 11	5,696	1,908
Deferred tax	9	0	461
Total provisions for other liabilities		**5,696**	**2,369**
Payables			
Payables arising out of direct insurance operations	11	5,347	7,528
Payables arising out of reinsurance operations	11	2,020	1,965
Payables arising out of reinsurance operations - group companies	11	42,097	53,864
Payables to group companies	11	95	53
Other payables	11	984	784
Total payables	11	**50,543**	**64,194**
Accruals and deferred income			
Accruals and deferred income	11	14,051	16,351
Total accruals and deferred income		**14,051**	**16,351**
Total liabilities		**283,365**	**291,326**
Total equity and liabilities		**369,267**	**365,888**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statement of changes in equity

Amounts in USD 000's	Statutory reserve	Other equity	Total
Equity as at 21.02.21	**53,183**	**4,281**	**57,465**
Net result	0	7,019	7,019
Capital increase	10,079	0	10,079
Equity as at 20.02.22	**63,262**	**11,300**	**74,562**
Equity as at 21.02.22	**63,262**	**11,300**	**74,562**
Net result	0	11,340	11,340
Equity as at 31.12.22	**63,262**	**22,641**	**85,903**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statement of cash flow

Amounts in USD 000's	Notes	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Cash flow from operating activities			
Profit before tax		14,764	9,104
Tax paid	9	0	0
Change in unrealised loss on investments		1,553	2,101
Change in receivables and payables		15,095	(13,626)
Change in technical provisions and other accruals		(5,202)	14,430
Financial investments		(29,073)	(17,396)
Change in valuation due to change in exchange rates		(203)	468
Net cash flow from operating activities		**(3,065)**	**(4,919)**
Cash flow from investment activities			
Cash flow from investment activities		0	0
Net cash flow from financial activities		**0**	**0**
Cash flow from financial activities			
Increase of share capital	14	0	10,079
Net cash flow from financial activities		**0**	**10,079**
Net change in cash and cash equivalents		(3,065)	5,160
Cash and cash equivalents at the beginning of the period		14,560	9,400
Cash and cash equivalents at the end of the period	**11**	**11,495**	**14,560**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

Gard Marine & Energy Insurance (Europe) AS ("the Company") is a wholly owned subsidiary of Gard Marine & Energy Limited ("Gard M&E Ltd") and a part of the Gard group of companies (the "group") where Gard P. & I. (Bermuda) Ltd. is the ultimate owner. 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.

In 2022, the Company's General Assembly resolved to change the Company's financial year, which will now end on 31 December. Therefore, the current financial period is from 21 February 2022 to 31 December 2022. From 1 January 2023, the full financial year will be 1 January to 31 December.

Comparative figures have not been adjusted in relation to the change of financial year and shows the activity for the 12-month period 21 February 2021 to 20 February 2022.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts
The accounts include the activity from 21 February 2022 to 31 December 2022. The financial statements have been prepared in accordance with regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

2.2 Changes in accounting policies
There are no changes in accounting policies for Gard Marine & Energy Insurance (Europe) AS for the financial period ending 31 December 2022.

Starting 1 January 2023, the Company will implement IFRS 9. "Equities and investment funds" and "Interest-bearing securities and funds" have been measured at fair value in accordance with IAS 39. The same measurement rules will be applied under IFRS 9. As a result, the implementation of IFRS 9 is not expected to impact measurement of the Company's investments. At 31 December 2022, the Company did not hold investments measured at amortised cost. The impact of implementation of IFRS 9 on other financial assets is expected to be immaterial, if any.

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

2.3 Foreign currency
Functional currency and presentation currency
The accounts are prepared in USD, which is both the functional currency and presentation currency of the Company.

Transactions in foreign currency
Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are retranslated into USD using the exchange rate applicable on the balance sheet date. The currency exposure of the provision for claims is assessed to be equivalent to the same currency exposure as claims paid. The opening and closing balances of the provision for claims in foreign currency are translated into USD based on the same method as for monetary items. Translation differences are recognised in the statement of comprehensive income as they occur during the accounting period. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented as part of the non-technical result as 'interest and similar income'. Foreign exchange gains and losses that relate to financial investments are presented as part of 'change in unrealised gain/(loss) on investments'. All foreign exchange gains and losses relating to technical operations are presented in the statement of comprehensive income as part of the technical result.

2.4 Provisions, contingent liabilities, and assets
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and an outflow of resources embodying economic benefits will probably be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. For potential obligations whose likelihood is neither remote nor not probable (i.e. not 'more likely than not'), a contingent liability is disclosed.

There is no provision for contingent liabilities recognised in the balance sheet.

Contingent assets are not recognised in the financial statements but are disclosed if it is likely that resources embodying economic benefits will flow to the Company.

2.5 Events after the reporting period
New and material information on the Company's financial position at the end of the reporting period, which becomes known after the end of the reporting period, is recorded in the financial statements. Events after the reporting period that do not affect the Company's financial position at the end of the reporting period, but which will affect the financial position in the future, are disclosed if significant.

2.6 Other significant accounting policies
Other significant accounting policies are presented and described in other notes to the financial statements, together with the more expanded disclosures for that particular area. This is done to make the disclosures more relevant to the users and make it easier to get an overview of the relevant note. The following table includes other significant accounting policies that are described in other notes to the financial statements, including the number of the note:

Accounting policy	Note
Technical result	5
Technical provisions	5
Insurance related expenses	7
Tax	9
Financial Investments	10
Cash and cash equivalents	13

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Notes to the accounts

Note 3 - Intra-group transactions

Reinsurance agreement with Gard M&E Ltd.

The Company cedes to Gard M&E Ltd. by way of reinsurance 70 per cent of the Company's Marine & Energy risk underwritten by the Company that is not reinsured elsewhere.

	Ceded to Gard M&E Ltd.	
Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Reinsurance premium	(105,112)	(96,118)
Reinsurers' share of gross settled claims	38,250	49,073
Reinsurance commission	21,397	22,394

	Ceded to Gard M&E Ltd.	
Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Reinsurers' share of gross claims reserve	86,819	69,322

Insurance/reinsurance agency agreement

The operations and insurance activities of the Company are carried out by the insurance intermediaries Gard AS, Gard (UK) Ltd., and Oy Gard Baltic Ab. Gard (UK) Ltd. and Oy Gard Baltic Ab are fully owned by Gard AS. Gard AS is a fully owned subsidiary of Gard P. & I. (Bermuda) Ltd.

The Company has entered into an insurance agreement with Gard (UK) Ltd. where Gard (UK) Ltd. is performing certain day-to-day operational functions for the Company's branch in the UK.

	Insurance services invoiced	
Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Gard AS	13,097	12,782
Gard (UK) Ltd.	1,269	1,458
Oy Gard Baltic Ab	1,077	1,043

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
EEA / European Economic Area	102,610	144,450
Norway	4,671	0
Other areas	36,460	43,183
Total gross written premium	**143,742**	**187,633**

The geographical split is made based on the location of the individual client.

Client is defined as any entity with an active insurance cover from the company.

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Notes to the accounts

Note 5 - Technical result and technical provisions

Accounting policy

Premiums and received reinsurance premiums
Premiums are based on the insurance contracts where one party (the insurer) has accepted a significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Premiums are recognised over the insurance policy period.

Ceded reinsurance premiums
Reinsurance premiums are recognised as an expense over the underlying policy period.

Claims expenses
Expenses regarding incurred claims and other administrative expenses are recognised in the period they are incurred.
Paid claims include an allocated portion of both direct and indirect claims handling cost.

Amounts in USD 000's	Marine	Energy	21.02.22 to 31.12.22 Total
Technical result			
Gross written premium	126,712	17,030	143,742
Gross earned premium	146,375	23,628	170,003
Ceded reinsurance	(107,856)	(17,099)	(124,955)
Earned premium for own account	**38,519**	**6,529**	**45,048**
Claims incurred, gross			
Incurred this period	71,144	11,930	83,074
Incurred previous periods	7,883	(902)	6,981
Total claims incurred, gross	**79,026**	**11,028**	**90,055**
Reinsurers' share of gross incurred claims	(54,156)	(6,813)	(60,968)
Claims incurred for own account	**24,871**	**4,216**	**29,087**

Amounts in USD 000's	Marine	Energy	21.02.21 to 20.02.22 Total
Technical result			
Gross written premium	158,167	29,466	187,633
Gross earned premium	128,772	22,011	150,782
Ceded reinsurance	(93,662)	(15,927)	(109,589)
Earned premium for own account	**35,110**	**6,084**	**41,193**
Claims incurred, gross			
Incurred this period	72,130	6,486	78,617
Incurred previous periods	5,841	(804)	5,037
Total claims incurred, gross	**77,971**	**5,683**	**83,654**
Reinsurers' share of gross incurred claims	(52,564)	(3,220)	(55,784)
Claims incurred for own account	**25,407**	**2,463**	**27,870**

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Notes to the accounts

Note 5 - Technical result and technical provisions continued

Accounting policy

Technical provisions are calculated in accordance with the regulations for annual accounts for insurance companies.

Gross premium reserve

The gross premium reserve is amortised over the risk period and is calculated and accounted for in the balance sheet as a provision for the part of premium written that exceeds the end of the financial period. Changes in the provision are charged to the statement of comprehensive income.

Gross claims reserve

The gross claims reserve comprises estimates of the expected remaining exposure from claims that have been reported to the Company (RBNS), and from claims that have been incurred, but which have not yet been reported (IBNR).

Provisions for reported claims are made by assessing the liability of each claim. Actuarial methods are used in estimating the total cost of outstanding claims. The claim provisions have not been discounted.

In accordance with the Norwegian regulations for insurance companies, provisions for internal claims handling expenses (unallocated loss adjustment expenses, or ULAE) and binary events are included in the ‘Gross claims reserve’.

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 use historical data as one of the elements in the model to estimate future claims costs.
It can take a significant period of time before the ultimate claims cost can be established with certainty.

			As at 31.12.22
Amounts in USD 000's	Marine	Energy	Total
Technical provisions gross			
Provisions, at the beginning of the period	91,020	16,425	107,446
Claims paid	(55,955)	(3,176)	(59,131)
Claims incurred - gross this period	71,144	11,930	83,074
Claims incurred - gross previous periods	7,883	(902)	6,981
Provisions, at the end of the period	**114,092**	**24,277**	**138,370**
Reinsurers' share of claims provision	(81,072)	(16,554)	(97,627)
Provision net, at the end of the period	**33,020**	**7,723**	**40,743**
Provision for unearned premiums, gross	60,314	14,391	74,705
Reinsurers' share of premium provision	(42,929)	(10,181)	(53,109)
Provision for unearned premiums, net	**17,386**	**4,210**	**21,596**
Provision for outstanding claims			
Technical provision gross	114,092	24,277	138,370
Technical provision net	33,020	7,723	40,743

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied. The Company applied the following methods: Development factor method, Bornhuetter Ferguson, Apriori reduced method and Benktander. Based on these methodologies the gross claim reserve range between USD 136.9 million and USD 139.8 million as at 31 December 2022. (Between USD 106.5 million to USD 108.4 million as at 20 February 2022).

Note 5 - Technical result and technical provisions continued

Amounts in USD 000's	Marine	Energy	As at 20.02.22 Total
Technical provisions gross			
Provisions, at the beginning of the period	85,920	14,545	100,465
Claims paid	(72,871)	(3,803)	(76,673)
Claims incurred - gross this period	72,130	6,486	78,617
Claims incurred - gross previous periods	5,841	(804)	5,037
Provisions, at the end of the period	**91,020**	**16,425**	**107,446**
Reinsurers' share of claims provision	(64,005)	(11,197)	(75,202)
Provision net, at the end of the period	**27,015**	**5,228**	**32,243**
Provision for unearned premiums, gross	79,978	20,989	100,967
Reinsurers' share of premium provision	(56,571)	(14,756)	(71,327)
Provision for unearned premiums, net	**23,407**	**6,233**	**29,639**
Provision for outstanding claims			
Technical provision gross	91,020	16,425	107,446
Technical provision net	27,015	5,228	32,243

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Notes to the accounts

Note 6 - Differences between Solvency II and balance sheet valuation

Amounts in USD 000's	Solvency II	Balance sheet	As at 31.12.2022 Differences
Assets			
Reinsurance recoverables			
Reinsurers' share of gross premium reserve	0	53,109	(71,327)
Reinsurers' share of expected cash flow for unexpired cover net of reinsurer commission provision	31,373	0	51,788
Reinsurers' share of gross claims reserves	97,627	97,627	0
Discounting effect of reinsurers' share of gross claims reserves	(5,231)	0	(1,123)
Reinsurers' share of Bound but not incepted (BBNI) - net	(541)	0	(284)
Losses occuring during - net	(483)	0	(2,854)
Reinsurance recoverables	**122,745**	**150,736**	**(23,801)**
Liabilities			
Technical provisions			
Gross premium reserves	0	74,705	(100,967)
Gross expected cash flow for unexpired cover net of commission provision	49,146	0	72,651
Gross claims reserves	138,370	138,370	0
Discounting effect of gross claims reserves	(7,215)	0	(1,563)
Bound but not incepted (BBNI) - net	(927)	0	(532)
ULAE future claims discounted	4,027	0	5,692
Risk Margin	2,672	0	2,777
Technical provisions	**186,073**	**213,075**	**(21,942)**

Reinsurance recoverables

Reinsurers’ share of expected cash flow for unexpired cover net of reinsurer commission provision covers the combined ratio share of reinsurers’ share of gross premium reserves less reinsurance commission provisions.

Discounting effect of reinsurers’ share of gross claims reserve shows the reduction in reinsurers’ share of gross claims reserve, in order to arrive at net present value of the reserves as at the balance sheet date.

Reinsurers’ share of Bound but not incepted (BBNI) – net, covers the net of reinsurers’ share of premiums, claims and commission based on agreements with customers entered into but not incepted as at the balance sheet date.

Losses occurring during is covering expected cash flow of extended reinsurance in order to align the coverage period with the premium reserve period.

Technical provisions

Bound but not incepted (BBNI) – net is covering the net of gross premiums, claims and commission from customer agreements entered into, but not incepted as at the balance sheet date.

Gross expected cash flow for unexpired cover net of commission provision is covering the combined ratio share of gross premium reserve less commission provisions. This represents the expected claims costs related to the gross premiums reserve as at balance sheet date.

Discounting effect of gross claims reserve is showing the reduction in gross claims reserve, in order to arrive at net present value of the reserves as at balance sheet date.

The risk margin is calculated as a 6 % charge on future annual cash flows, and is based on Solvency Capital Requirement in respect of non-hedgeable risks. The risk margin represents the cost of capital an insurance company would require to take on the obligations of a given company. Other equity is covering retained reserves to meet unforeseen fluctuations in claims exposure, possible catastrophes and extraordinary claims patterns that fall within the Group’s liabilities. For Balance values other equity is included in the Technical provisions – non-life, while other equity is included in Excess of assets over liabilities for Solvency II values.

Note 7 - Insurance related expenses and number of staff

Accounting policy

Insurance related expenses for own account consist of broker and agent commissions, sales and administrative expenses, less commission received on ceded reinsurance premiums. Sales expenses are recognised in the period in which they are incurred. The administrative expenses and commission received are expensed over the underlying policy period.

Insurance related expenses are accounted for in the period they are incurred.

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Acquisition costs and commissions		
Sales related salaries	66	298
Other acquisition costs	8,316	7,938
Agents' commission	17,718	17,823
Commission received	(29,302)	(25,771)
Insurance related expenses for own account	**(3,202)**	**288**
Number of part-time staff	**17**	**14**

Remuneration to Group Leadership Team, Board of Directors and Committees

The Group Leadership Team consists of the Group Directors.

Amounts in USD 000's	**Salary incl. bonus**	**Board remuneration**	**Total remuneration**
Group Leadership Team			
Rolf-Thore Roppestad (Managing Director)	60	0	60
Bjørnar Andresen	31	0	31
Christen Guddal	29	0	29
Torunn Biller White	21	0	21
Lars Lislegard-Bækken	21	0	21
Christian Pritchard-Davies	24	0	24
Total	**186**	**0**	**186**

The table below provides information regarding payments made in the financial period 2022 to members of the Board of Directors within the group. Remuneration relating to the financial period to 31 December 2022, but not yet paid, is accrued for in the accounts.

Members of the Board of Directors of the Company		
Trond Eilertsen (Chairman)	5	5
Jane Sy (Member)	5	5
Yngvil Åsheim (Outgoing member)	5	5
Nils Aden (Member)	5	5
Ian Beveridge (Member)	5	5
Total	**25**	**25**

Note 7 - Insurance related expenses and number of staff continued

The CEO has a remuneration guarantee that comes into force if the Board should ask him to leave his position. The remuneration guarantee gives him 12 months' salary in addition to a contractual six months' notice period.

The minority of the Group Leadership Team and certain key personnel have a pension scheme that gives them the right to retire at 60 years of age and covers income included and above 12 times the base amount G. G is a base rate used as the basis for calculating May 2022. As of 31 December 2022 G equals NOK 111,477 (USD 11,316). The full pension requires a thirty year accrual period in Gard, or it will be reduced accordingly.

Gard P. & I. (Bermuda) Ltd. has given a collective bonus promise to all employees within the group including the CEO. A bonus will be paid if predefined targets are met. Members of GLT (Group leadership team, CEO included) and other Key Employees, as defined in the Norwegian legislation, are participating in the collective bonus scheme subject to certain adjustments required by the new Finance Institution Act of 2015 (Finansforetaksloven). The bonus will be paid through the companies where the employees work and refunded by Gard P. & I. (Bermuda) Ltd. A maximum possible bonus is 20 per cent of gross salary. For all employees, a bonus of 10.0 percent is to be paid for the period to 31 December 2022.

The key features of the special terms for members of GLT and Key Employees can be summarised as follows:
1. The payment of a proportion of the bonus triggered by the collective scheme shall be deferred for a period of 36 months from the expiry of the financial period the bonus is linked.
2. An individual component based on an individual assessment conducted by the CEO in consulation with the Chairman of the Excecutive Committee of Gard P. & I. (Bermuda) Ltd.

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Remuneration auditor		
Statutory audit	26	37
Tax advising	6	7
Total auditors' fee	**32**	**43**

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Net operating expenses		
Bad debt	88	192
Service cost	16	15,283
Allocated to claims handling and acquisition costs	0	(15,251)
Other operating expenses	6	980
Other insurance related expenses	**110**	**1,203**

Included in other operating expenses are also revenues related to non-insurance activities.

Note 8 - Interest and similar income

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Interest and similar expenses		
Interest income/(expenses)	56	(39)
Income from financial investments	666	0
Foreign exchange loss	(1,556)	(1,144)
Total interest and similar expenses	**(834)**	**(1,183)**

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Notes to the accounts

Note 9 - Tax

Accounting policy

The tax expense consists of tax payable and changes in deferred tax.

Deferred tax/tax asset is calculated on all differences between the book value and the tax value of assets and liabilities. Deferred tax is calculated at the nominal tax rate of temporary differences and the tax effect of tax losses carried forward at the tax rate at the end of the accounting year. Changes in tax rates are accounted for when the new rate has been approved and changes are presented as part of the tax expense in the period the change has been made. A deferred tax asset is recorded in the balance sheet, when it is more likely than not that the tax asset will be utilised.

Taxes are calculated as follows

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Basis for income tax expenses, changes in deferred tax and tax payable		
Profit before tax as basis for tax calculation	**14,764**	**9,104**
Permanent differences	(1,834)	3,735
Basis for the tax expenses for the period	**12,930**	**12,839**
Change in temporary differences	2,104	99
Basis for payable taxes in the income statement	**15,035**	**12,938**
Change in tax losses carried forward	0	(6,027)
Taxable income (basis for payable taxes in the balance sheet)	**15,035**	**6,911**
Income tax expenses		
Tax payable	3,759	1,728
Tax correction earlier period	(12)	0
Change in deferred tax	(526)	788
Correction in deferred tax earlier period	0	0
Accrual tax in foreign branches	202	(431)
Tax expenses ordinary result	**3,423**	**2,085**
Income tax payable		
Tax at the beginning of the period	1,908	589
Tax payable related to the period	3,961	1,908
Tax correction earlier period	(12)	(589)
Exchange adjustments	(161)	0
Tax payable at the end of the period	**5,696**	**1,908**
Deferred tax asset/(tax)		
Specification of tax effect resulting from temporary differences		
Portfolio investments	1,381	(176)
Other temporary differences	1,173	1,135
Retained earnings*	(2,131)	(2,803)
Total temporary differences	**422**	**(1,844)**
Deferred tax asset, 25 per cent of total temporary differences	106	(461)
Net deferred tax asset/(deferred tax) of total temporary differences	**106**	**(461)**
Deferred tax asset/(tax) reconciliation		
Deferred tax asset/deferred tax at beginning of the period	(461)	
Deferred tax expense related to the period	526	
Exchange adjustment	40	
Deferred tax asset/deferred tax at end of the period	**106**	

Note 9 - Tax continued

Amounts in USD 000's	21.02.22 to 31.12.22	21.02.21 to 20.02.22
Reconciliation of the tax expense		
Profit before tax as basis for tax calculation	14,764	9,104
Calculated tax 25 per cent	**3,691**	**2,276**
Tax expense	3,423	2,085
Difference	**268**	**191**
The difference consist of:		
Accrual tax in foreign branches	(202)	431
Tax correction earlier period	12	589
Different tax rates branches	0	91
Permanent differences not subject to tax	458	(934)
Asymmetric currency adjustment	0	13
Sum explained differences	**268**	**191**

*As a result of changes in the Norwegian tax legislation for insurance companies, the part of retained earnings coming from contingency reserve, is no longer recognized as tax deductible as it has been reclassified to other equity. Deferred tax related to this part of retained earnings was implemented in the Financial Statement as at 20 February 2018 and introduced as a temporary difference. For all insurance companies except Mutuals, the change in tax regime is implemented and included in the tax provisions as at 31 December 2022. A transition rule applies and 10 per cent of the retained earnings coming from contigency reserve will be taxable each period, and as a consequence moved from deferred tax to payable tax.

Note 10 - Financial investments at fair value through profit or loss

Accounting policy

Classification
The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as receivables and payables in the balance sheet.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans, receivables and held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Unrealised gains or losses arising from changes in the fair value of the ‘Financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within ‘Change in unrealised gain/loss on investments’ in the period in which they arise. Realised gains or losses are presented within ‘Gains on realisation of investments’. Dividends and interest income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of ‘Interest and similar income’ when the right to receive payments is established. Dividends from investments are 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.

Offsetting financial investments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Note 10 - Financial investments at fair value through profit or loss continued

Determination of fair value
The following describes the methodologies and assumptions used to determine fair values.

Financial investments at fair value through profit or loss
The fair value of financial assets classified as financial investments at fair value through profit or loss and the fair value of interest-bearing securities and funds included is determined by reference to published price quotations in an active market. For unquoted financial assets the fair value has been estimated using a valuation technique based on assumptions that are supported by observable market prices.

Assets for which fair value approximates carrying value
For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique.

Financial investments in Level 1
The fair value of financial investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last trade price (these investments are included in Level 1).
US government bonds and other financial investments have been classified on Level 1 in the pricing hierarchy.

Financial investments in Level 2
The fair value of financial investments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an investment are observable, the investment is included in Level 2.

Investments listed in the following have been classified on Level 2 in the pricing hierarchy:
- Equity funds and interest-bearing securities and funds where fair values are determined by using quoted market prices of the assets where the funds are invested.
- Equity futures, interest futures, currency futures, currency forwards and interest rate swaps where fair values are determined on the basis of the price development on an underlying asset or instrument. All deriviatives are priced by standard and well recognized methods.

If one or more of the significant inputs is not based on observable market data, the investment is included in Level 3.

Specific valuation techniques used to value financial investments include:
- Quoted market prices or dealer quotes for similar investments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial investments.

Note that all of the resulting fair value estimates are included in Level 2 except for financial investments explained below.

Financial investments in Level 3
When neither quoted prices in active markets nor observable market data is available, the fair value of financial assets is estimated based on valuation techniques using non-observable market data.

Level 3 includes investments in less liquid fund structures in real estate and private debt instruments, and are values based on net asset value as reported by the fund administrators.

	As at 31.12.22				As at 20.02.22			
	Quoted market prices	Observable market data	Non observable market data		Quoted market prices	Observable market data	Non observable market data	
Amounts in USD 000's	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments								
Equities and investment funds	0	2,598	0	2,598	0	2,912	0	2,912
Interest-bearing securities and funds	27,127	75,476	0	102,603	27,033	47,737	0	74,769
Total financial investments	**27,127**	**78,074**	**0**	**105,201**	**27,033**	**50,649**	**0**	**77,681**

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Notes to the accounts

Note 10 - Financial investments at fair value through profit or loss continued

The majority of investments held are subfunds of the Gard Unit Trust Fund, a legal fund structure establised in Ireland.

Equities and investment funds

Each subfund holds well diversified portfolios with different investment objectives and the underlying holdings are common stocks traded on regional stock exchanges. The Company possesses only minority interests in quoted companies.

Interest-bearing securities and funds

Funds classified as interest-bearing funds are predominantly invested in fixed income securities and money markets. There are also some exposure to floating rate loans.

Amounts in USD 000's	Investment profile	Currency	As at 31.12.22
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	2,598
Total Equity funds			**2,598**
Total Equities and investment funds			**2,598**
The part of Equity funds invested in quoted shares			2,598

Amounts in USD 000's	Investment profile	Currency	As at 31.12.22
Interest-bearing securities			
Gard Global Treasury Fund	Government debt	USD	15,488
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	42,263
Gard International Credit Bond Fund I	Global corporate bonds	USD	12,474
Gard US Credit Bond Fund I	US corporate bonds	USD	5,251
iShares Treasury ETF	Global corporate bonds	USD	11,400
Northern Trust Cash Fund	Money market US Dollar	USD	15,727
Total Interest-bearing funds			**102,603**
Total Interest-bearing securities and funds			**102,603**

Note 11 - Financial risk

Risk management framework

The purpose of the risk management system is to ensure that material risks are managed in accordance with the Company's corporate objectives and risk-bearing capacity. The risk management system consists of the following components:

Risk appetite and limits: Overall Risk Appetite and Comfort Zone (target range for capitalisation) are defined in accordance with risk-bearing capacity and corporate objectives. This cascades into limits by risk type and legal entities. This forms the basis for all risk management, monitoring and reporting.

Risk policies: There are group policies describing the processes and procedures for managing material risk exposures. The purpose of the policies is to ensure consistent and adequate risk and capital management.

Risk management cycle: Material risks are identified, assessed regulary, managed proactively, monitored regularly and reported to the relevant responsible body. Assessments are made on a quarterly basis as a minimum.

Note 11 - Financial risk continued

Market risk

Market risk arises from the investment activities and the sensitivity of liabilities to changes in market price. The sensitivity analysis of investments assets aims to illustrate the risk of economic losses resulting from deviations in the value of assets caused by changes in observable market prices differing from expected values. The six main market risks selected for testing of sensitivity due to price changes are.

Equity risk

The risk of economic losses resulting from deviations of market values of equities from expected values. The equity portfolio is well diversified, although with skewedness towards emerging markets and smaller companies compared to a global market capitalised benchmark. This is expected to generate a slightly higher return combined with higher volatility over time. The equity portfolio is being managed by a selection of specialist fund managers in which portfolios are partly hedged through a rolling equity index futures program. The sensitivity analysis for equity risk includes equities net of equity index derivatives.

Interest rate risk

The risk of economic losses resulting from deviations in actual interest rates from expected interest rates. The term structure of interest bearing assets are broadly matched to the expected duration of the liabilities. The sensitivity analysis for interest-bearing investments is testing the portfolio's interest rate sensitivity with a weighted average duration approach. Interest sensitive liabilities are not part of the analysis.

Currency risk

The risk of economic losses resulting from actual foreign exchange rates differing from expected foreign exchange rates. Foreign currency exposure are assumed to be tightly matched across the balance sheet and managed with an emphasise on major currency exposures. The sensitivity analysis for foreign currencies only applies to investments assets and illustrates the impact on values given changes in exchange rates against USD.

Inflation risk

Inflation risk is the risk of a loss in the value of nominal assets or nominal cash flows due to a persistence of high inflation. This risk is most visible in fixed income assets and liabilities due to the tendency of inflation to be followed by higher interest rates. This risk is mitigated by monitoring the duration profile of the portfolio and by maintaining a diversified portfolio of assets whose values are impacted differently by inflation, including inflation protected securities and real assets.

The table below splits the balance sheet into the major currencies USD, EUR and GBP, and remaining currencies are grouped into Other. Note that investments held as shares/units in various fund structures are reported in base currency. The split deviates from underlying currency exposure that is used as input in the enterprise risk models.

Currency split balance sheet

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Assets		
USD	334,399	319,912
EUR	31,251	42,914
GBP	1,406	351
Other	2,201	2,711
Total assets	**369,257**	**365,888**
Equity and liabilities		
USD	290,217	292,431
EUR	70,950	68,955
GBP	2,202	329
Other	5,887	4,174
Total equity and liabilities	**369,257**	**365,888**
Net asset exposure		
USD	(44,182)	(27,481)
EUR	39,699	26,041
GBP	797	(22)
Other	3,686	1,463

Note 11 - Financial risk continued

Financial investments - sensitivity analysis

The analysis below is performed for reasonably possible movements in key market variables with all other variables held constant.

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Impact on fixed income portfolio investments given an increase of 50 basis points	(1,178)	(748)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(257)	(289)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(2,032)	(1,605)

The sensitivity analysis assumes no correlation between equity price, property market and foreign currency rate risk. It also assumes that all other receivables and payables remain unchanges and that no management action is taken. The Gard group has no significant risk concentrations which are not in line with the overall investment guidelines set by the Group's Board of Directors. Any impact from risk tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

Credit risk

The risk of economic losses resulting from the default of third parties, split into:

Credit default risk
The risk that actual credit losses will be higher than expected due to the failure of counterparties to meet their contractual debt obligation.

Credit spread risk.
The risk of economic losses due to the difference in yield between a defined rating class bucket and treasury bills/bonds with the same duration.

Credit migration risk.
The risk that a portfolio's credit quality will materially deteriorate over time, without allowing a re-pricing of the constituent loans to compensate the creditor for the higher default risk being undertaken.

Counterparty default risk
The main sources of counterparty default risk are reinsurers, cash deposits at banks, and receivables from policyholders.

The credit exposure on the reinsurance program is in line with the guidelines of only accepting reinsurers with an A- or higher rating. We are however exposed to lower ratings origining from fronting arrangements. Fronting is the use of an insurer to issue an insurance policy on behalf of a self-insured organization or captive insurer, without the intention of transferring any of the risk. The risk of loss is retained by the self-insured or captive insurer with an indemnity or reinsurance agreement.

Banks and custodians are in line with the guidelines with a credit rating of at least A/stable.

The credit risk in respect of receivables is handled by policies and by close follow up. Outstanding receivables can be netted off against outstanding claims payments to reduce the risk of doubtful debts.

The Company acknowledges that there is an increased counterparty risk towards Russian entities due to the different sanction regimes imposed. Although, due to the Company’s limited exposure towards these counterparties, this does not impose any material financial risk as at 31 December 2022.

The tables below show the credit risk exposure as at 31 December 2022. Assets are classified according to the median rating amongst the three market leading providers, Standard & Poor's, Moody's and Fitch. Top rated assets are denoted with AAA rating and US long-term sovereign credit rating is equivalent to a AAA rating due to an applied median approach.

Credit risk exposure in balance sheet

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Interest-bearing securities and funds		
AAA	15,727	15,336
Not rated	86,877	59,434
Total Interest-bearing securities and funds	**102,603**	**74,769**
Reinsurers` share of gross premium reserve		
AA	208	0
A	52,901	71,327
Total reinsurers' share of gross premium reserve	**53,109**	**71,327**

Note 11 - Financial risk continued

	As at 31.12.22	As at 20.02.22
Reinsurers` share of gross claims reserve		
A	77,784	75,202
BB	9,710	0
Not rated	10,133	0
Total reinsurers' share of gross claims reserve	**97,627**	**75,202**
Receivables		
A	316	2,317
Not rated	82,326	109,160
Total receivables	**82,642**	**111,477**
Cash and cash equivalents		
AA	11,495	14,560
Total cash and cash equivalents	**11,495**	**14,560**
Other financial assets		
AAA	5,490	5,400
Total other financial assets	**5,490**	**5,400**

Other financials assets include regulatory and contractually required deposits that is considered encumbered assets amounting to USD 5.5 million as at 31 December 2022 (USD 5.4 million as at 20 February 2022).

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Not due	69,625	100,253
0-60 days	1,917	9,615
61-90 days	797	552
Above 90 days	7,404	1,058
Provision for bad debt	(1,163)	(1,101)
Total Receivables	**82,642**	**111,477**

Analysis of provision for bad debt

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Balance as at the beginning of the period	1,101	937
Provision for receivables impairment	62	163
Receivables written off during the period as uncollectable	16	(28)
Unused amounts reversed	(16)	28
Balance as at the end of the period	**1,163**	**1,101**

The creation and release of provision for impaired receivables has been included in 'other insurance related expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Note 11 - Financial risk continued

Liquidity risk
The risk that cash resources are insufficient to meet financial obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. Liquidity risk arises primarily due to the unpredictability of the timing of payment of insurance liabilities or when market depth is insufficient to absorb the required volumes of assets to be sold, resulting in asset sale at a discount.

Maturity profile
The following tables set out the maturity profile of liabilities combining amounts expected to be recovered within one year, between one and five years and more than five years.

The Company maintains highly marketable financial investments and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow.

Amounts in USD 000's	Within 1 year	1-5 years	No maturity date	As at 31.12.22 Total
Gross claims reserve	57,451	77,957	2,961	138,370
Income tax payable	5,696	0	0	5,696
Payables, accruals and deferred income	63,610	0	0	63,610
Other payables	984	0	0	984

Amounts in USD 000's	Within 1 year	1-5 years	No maturity date	As at 20.02.22 Total
Gross claims reserve	44,514	60,194	2,738	107,446
Income tax payable	1,908	0	0	1,908
Payables and accruals	79,761	0	0	79,761
Other payables	784	0	0	784

Note 12 - Receivables from direct insurance operations

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Direct and received premium	1,571	1,468
Direct and received premium through broker	46,659	49,237
Not closed premium	19,436	42,850
Claims related debtors, co-insurers	15,822	16,646
Provision for bad debts	(1,163)	(1,097)
Receivables from direct insurance operations	**82,326**	**109,104**

Note 13 - Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash in hand and deposits held at call with banks, brokers and fund managers. In the balance sheet, cash and cash equivalents that relate to investment management is presented as other financial investments. All other cash is presented as cash and cash equivalents. In the cash flow statement, cash and cash equivalents do not include cash and cash equivalents presented as other financial investments.

Restricted cash

Cash and cash equivalents includes restricted cash amounting to USD 19,125 as at 31 December 2022 (USD 26,035 as at 20 February 2022).

Cash and cash equivalents also include regulatory and contractually required cash deposits that is considered restricted cash amounting to USD 987,439 as at 31 December 2022 (USD 1,049,089 as at 20 February 2022).

Note 14 - Statutory reserve

Amounts in USD 000's	Shares	Per cent
Owners equity		
Gard Marine & Energy Ltd.	300	100

Par Value is NOK 1,736,703.- per share.

All shares have the same rights in the Company.

All shares are owned by Gard Marine & Energy Ltd.

The Company is consolidated into the accounts of Gard Marine & Energy Ltd. as at 31 December 2022 and the consolidated accounts are available at the office of Gard Marine & Energy Ltd`s management company Lingard Ltd. in Bermuda.

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Notes to the accounts

Note 15 - Capital requirements

Gard Marine & Energy Insurance (Europe) AS is required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The SCR, which is part of the Solvency II reporting package, will not be filed with the Norwegian Financial Supervisory Authority (Finanstilsynet) until after the presentation of the financial statements (April 2023 for the 31 December 2022 figures).
As a result, preliminary figures are included as at 31 December 2022 and 20 February 2022.

Amounts in USD 000's	As at 31.12.22	As at 20.02.22
Own funds		
Ordinary share capital	62,385	62,385
Share premium account	23,517	12,177
Reconciliation reserve	3,556	4,233
Net deferred tax assets	106	0
Excess of assets over liabilities	**89,565**	**78,796**
Tier 1 - Unrestricted	89,459	78,796
Tier 3 - Net deferred tax assets	106	0
Total basic own funds / (equal to Excess of assets over liabilities)	**89,565**	**78,796**
Total available own funds to meet the SCR	89,565	78,796
Total available own funds to meet the MCR	89,459	78,796
Total eligible own funds to meet the SCR	89,565	78,796
Total eligible own funds to meet the MCR	89,459	78,796
SCR	42,606	52,235
MCR	11,428	13,560
Ratio of eligible own funds to SCR	**210 %**	**151 %**
Ratio of eligible own funds to MCR	**783 %**	**581 %**
Minimum Capital Requirement (MCR)		
Linear MCR	11,428	13,560
SCR	42,606	52,235
MCR cap (45% of SCR)	19,173	23,506
MCR floor (25% of SCR)	10,652	13,059
Combined MCR	11,428	13,560
Absolute floor of the MCR	3,966	4,309
MCR	**11,428**	**13,560**
Solvency Capital Requirement (SCR)		
Market risk	178	7,101
Counterparty default risk	19,132	17,867
Non-life underwriting risk	33,091	39,437
Diversification	(12,306)	(14,669)
Basic SCR	**40,095**	**49,737**
Calculation of SCR		
Adj - Loss Absorbing Capacity of Deferred Tax	(2,991)	(3,013)
Operational risk	5,502	5,511
SCR	**42,606**	**52,235**

Arendal, 20 March 2023

Board of Directors

Gard Marine & Energy Insurance (Europe) AS

Trond Eilertsen Chairman	Nils Aden	Jane Sy
Ian Beveridge		Rolf-Thore Roppestad Managing Director

To the General Meeting of Gard Marine & Energy Insurance (Europe) AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Gard Marine & Energy Insurance (Europe) AS (the Company), which comprise the balance sheet as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the period 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 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 9 years from the election by the general meeting in 2014 for the accounting year 2015.

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.

The Company's business and operations have been stable in 2022 compared to the prior year. There have not been any significant regulatory changes, transactions, or events with material impact on the financial statements for 2022. Furthermore, *Valuation of gross claims reserve*, has the same characteristics and risks as in prior years, and therefore continues to be an area of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of gross claims reserve	
The estimation of gross claims reserve requires application of significant management judgement. The liabilities are based on the estimated ultimate cost of all claims incurred but not settled at 31 December 2022, whether reported or not, together with the unallocated loss adjustment expenses (ULAE). Management used a range of methods, including statistical models to determine the claims provision. Underlying these methods are several explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We focused on this area because of management's use of significant judgement and the inherent complexities necessary to determine the provision for gross outstanding claims. See note 5 to the financial statements for information on valuation of gross claims reserve.	We assessed the calculation of the gross claims reserve by performing among others the following procedures: • Understood and evaluated the governance process and tested operating effectiveness of selected internal controls that address the risk of material misstatement in the provision for gross outstanding claims; • Tested the underlying data to source documentation on a sample basis; • Used our actuarial specialists and applied our industry knowledge and experience to compare the methodology, models and assumptions used against recognised actuarial practices; • Used our actuarial specialists to independently estimate the reserves on selected classes of business. For these classes we compared our estimated reserves to those booked by management, and sought to understand any significant differences; • For the remaining classes we evaluated the methodology and assumptions applied, and compared the historical loss developments to reported provisions to identify any abnormality in the applied methodology; and • Assessed the disclosures in the financial statements. During our work we did not note any material exceptions or errors. We also read note 5 to the financial statements and found it to be appropriate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors’ report. The purpose is to consider if there is material inconsistency between the Board of Directors’ report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors’ report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors’ report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors’ report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 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 a true and fair view.

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.

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.

Arendal, 20 March 2023
PricewaterhouseCoopers AS

Fredrik Botha
State Authorised Public Accountant