FINANCIAL STATEMENTS 2021

Assuranceforeningen Gard - gjensidig -

for the year to 20 February 2021

Assuranceforeningen Gard - gjensidig -

The Board of Directors

Trond Eilertsen, Chairman, Norway

Jane Sy, Deputy Chairman, Stolt Tankers B.V., Netherlands

Yngvil Åsheim, BW Maritime, Norway

Nils Aden, V.Ships (Germany) GmbH, Germany

Ian Beveridge, Bernhard Schulte GmbH & Co. KG, Germany

Assuranceforeningen Gard - gjensidig -
Board of Directors' Report

INTRODUCTION

The Board of Directors hereby submits the report and accounts of Assuranceforeningen Gard - gjensidig - (the “Association”) for the 2021 financial year, covering the 12-month period to 20 February 2021. This is the Association’s 113th year of business.

In the opinion of the Board of Directors this report and accounts for the year to 20 February 2021 gives a true and fair view of the Association’s assets, liabilities, financial position and result.

Statutory requirements with regard to solvency and capital are complied with.

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

The Associations is a part of the Gard group (group) where Gard P. & I. (Bermuda) Ltd. is the ultimate owner.

THE ASSOCIATION - MEMBERSHIP RIGHTS

The Association is a Norwegian mutual insurance association founded in Arendal in 1907. The Association provides Protection and Indemnity (“P&I”) insurance and related insurance products to its members being owners, operators, charterers or other direct insurers of ships entered in the Association. As a mutual insurance association, its members own the Association. There are no external capital owners.

The members of the Association are also members of Gard P. & I. (Bermuda) Ltd and *vice versa*. The membership rights in the Association are exercised through the parent company, Gard P. & I. (Bermuda) Ltd. which is also a member of the Association. The parent company shall then exercise the membership rights on behalf of the entire membership at the General Meeting of the Association. Against this background the Association is treated as a subsidiary of Gard P. & I. (Bermuda) Ltd for accounting purposes.

THE OPERATION IN GENERAL

<u>P&I insurance</u>

Protection and Indemnity (“P&I”) insurance is the name of the insurance covering the shipowner’s liability towards a third party. The insurance covers both liability for property damage and personal injuries arisen in connection with the operation of the insured ship.

Traditional P&I insurance is currently offered by 13 clubs covering about 90 percent of the world’s merchant fleet.

These 13 clubs, or mutual insurance associations, have formed an organisation called the International Group of P&I Clubs (the “IG”). One of the important functions of IG is to co-ordinate the clubs collective purchase of market reinsurances. This is done within the framework of the Pooling Agreement. The latter contains three main elements. The first is the claims sharing between the parties to the agreement. The second is the provisions dealing with collective purchase of market reinsurances covering liabilities in excess of the upper limit of the Pool. The third is the provisions governing a claim exceeding the limit of the IG clubs collective market reinsurance contract, a so-called overspill claim.

<u>The Association’s branch office in Tokyo</u>

The Association has a branch office in Tokyo. The branch office has five employees and was established when the Association was granted a licence from the Japanese Ministry of Finance to insure vessels flying Japanese flag.

The Association's branch office in Finland

The Association established a branch office in Finland early 2020. 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 Association's branch office in Hong Kong

The Association has a branch office in Hong Kong. The branch office is authorized by the Insurance Authority to carry on business in and from Hong Kong.

The Association's branch office in the United Kingdom

The Association has a branch office in the United Kingdom. The branch is established in the United Kingdom as a branch of an Overseas Firm in accordance with the EU rules for Free Movement of Services.

Due to UK leaving the EU, the Association applied, in March 2018, for an authorization to establish a UK regulated branch which will replace the current EU Branch The application is still being processed by the UK authortiies (PRA/FCA). In the meantime, the UK Treasury has introduced a unilateral extension of inward passporting rights known as the Temporary Permissions Regime. Given this regime, EEA firms that currently passport into the UK may continue to do business as of today until there has been a clarification of the legal situation following Brexit or until the UK financial supervisory authorities have finally processed the application.

Gard AS - the Association's insurance agent

The Association has entered into an agency agreement with Gard AS being a Norwegian registered insurance intermediary. Gard AS is registered with the Norwegian Financial Supervisory Authority as the agent of the Association. All underwriting and claims handling services offered by the Association are performed by Gard AS, or its subsidiaries abroad as insurance intermediaries on the basis of an agency agreement.

Personnel and organisation

As a result of the appointment of Gard AS as the agent of the Association there are at the end of the year only 13 persons directly employed by the Association. These persons include, inter alia, the Managing Director, the Legal Director (Company Secretary) and the Accounting Manager.

In the period from 21 February 2020 to 20 February 2021 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 0.20 against 3.6 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 Association seeks 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 Association has in the period to 20 February 2021 been good.

Directors' and Officers' liability insurance

There is a Directors and Officers' liability insurance in place covering all directors and officers of the Association. 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.

Internal control

Pursuant to regulations determined by the Norwegian Financial Supervisory Authority the Association has established an internal control system. In accordance with the said regulations, a report about the internal auditor's findings is submitted to the Audit Committee established on a group basis as set out below. In line with the Solvency II regime a

Compliance Officer function was established with effect from 1 January 2015. The Compliance Officer is part of the risk assessment and internal control system and shall ensure compliance with governing laws, regulation and administrative provisions.

Pursuant to the Norwegian Finance Institutions Act of 2015 no. 17, Section 8-18, the Association shall have an Audit Committee. However, the Association has been granted dispensation from the requirement to have an Audit Committee by the Norwegian Financial Supervisory Authority. The exemption is made on the basis that the parent company of the Association, Gard P. & I. (Bermuda) Ltd., has an Audit Committee overseeing the activities of the Group on a consolidated basis, including the activities of the Association. The decision by the authorities is made on the basis that the composition of the Group Audit Committee is in line with the requirements of Norwegian legislation both in relation to its composition as well as responsibility to perform certain tasks.

Safety at sea

The Association is participating in the activities organised under the umbrella of the International Group with a view to review possible measures to be taken by insurers for the purposes of improving safety at sea. The Norwegian Act on Ship Safety, which entered into force on 1 July 2007 allows exchange of information between insurers regarding the technical condition of vessels. The Association believes that this is an important step for the purposes of improving the safety at sea.

Research and development

The Association does not carry out research and development activities.

Environmental impact

The Association is a mutual insurance provider and the environmental footprint is therefore limited as the products, in the form of insurance cover, do not have an environmental impact. The Associations impact on climate and the environment is therefore 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 Skype and 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 use 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 Principles for Sustainable Ocean Business.

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

Gard is a signatory to the Call to Action for CEO's and maritime industry leaders in support of decarbonisation. The goal is to help the maritime industries mitigate their operational risks and its consequences following the shared goal to reduce emissions from vessels by 50 percent within 2050.

Ship recycling

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

FUND MANAGEMENT

A major part of the Association's investment portfolio is invested through an Irish Unit Trust Fund structure. The investment structure represents a common legal framework for the management of the funds belonging to the following risk carriers in the Gard group: Assuranceforeningen Gard - gjensidig -, Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard Marine & Energy Insurance (Europe) AS 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 Association 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 guidelines permit also investments in real estate funds, futures, options and other derivatives for the purpose of improving risk management, efficiency and liquidity of the portfolio. The individual portfolio manager's mandate is composed on the basis of an index enabling the Association to measure the individual manager's performance against a benchmark.

The Administration 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 Association's investments can be described as having a medium risk profile.

INSURANCE BUSINESS

<u>Entered tonnage</u>

At the end of the financial year to 20 February 2021, the number of entered vessels and other units were 3,339. The total tonnage of the direct business amounted to 114.2 million gross tons of which direct owner's entries amounted to 83.7 million gross tons.

<u>Reinsurance</u>

In the financial year to 20 February 2021, the Association's retention level for insurance liabilities, arising out of any one event any one vessel, was USD 10 million, net of reinsurance, for mutual entries reinsured under the IG Pooling Agreement. For liabilities arising under fixed premium entries reinsured outside the Pool-structure, the retention level was USD 20 million, net of reinsurance, any one event any one vessel. The Association's reinsurance program was structured as outlined below.

According to the P&I Clubs' Pooling Agreement claims in the layer between USD 10 million and USD 100 million were shared between the parties to that agreement pursuant to the agreed formula. Further the reinsurance protection through the Pool was USD 2,000 million, any one event any one vessel, in excess of the USD 100 million being the upper limit of the Pool.

Fixed premium entries covering risks falling outside the scope of the Pooling Agreement was reinsured by the Association in the commercial reinsurance market with overall capacity limits of USD 500 million for Mobile Offshore Units and USD 1 billion for Charterers and Floating Production Storage and Offloading segment. The level of retained risk for each claim was USD 20 million.

Internal reinsurance contracts

The Association has also entered into a reinsurance treaty with its parent company, Gard P. & I. (Bermuda) Ltd., covering a proportion of the risks retained under the above reinsurance arrangements based on the Pooling Agreement and the market reinsurance contract for fixed premium business.

The Association has entered into a separate reinsurance treaty with Gard P. & I. (Bermuda) Ltd, where the Association, as the reinsurer, covers a proportion of the risks retained by Gard P. & I. (Bermuda) Ltd. under the reinsurance arrangements based on the Pooling Agreement and the market reinsurance contracts for fixed premium business.

The Association has entered into a stop loss reinsurance agreement with Gard Reinsurance Co. Ltd, a subsidiary of Gard P. & I. (Bermuda) Ltd.

The Association has also entered into a reinsurance agreement with Hydra, which is a segregated accounts company where Gard P. & I. (Bermuda) Ltd. is the owner of the Hydra Gard cell.

Open policy years

The 2018 policy year

Over the last 12 months, the value of reported claims for the policy year 2018 has been stable. A positive development is expected.

The year can at the earliest be closed in October 2021. Further calls are not expected.

The 2019 policy year

Over the last 12 months, the value of reported claims for the policy year 2019 has been stable. A positive development is expected. Due to uncertainty related to the financial impact of COVID-19 the Board of Directors decided to postpone the decision related to the last instalment for the 2019 policy year to November 2020. It was then decided to levy a last instalment of 15 percent of estimated total call, being a 5 percent reduction compared to the original forecast.

The year can at the earliest be closed in October 2022. Further calls are not expected.

The 2020 policy year

The 2020 policy year has delivered an acceptable result up to 20 February 2021. The Board of Directors have decided that a last instalment of 10 percent shall be levied, being a 10 percent reduction compared to the original forecast. The decision reflects the Association’s financial position as at 20 February 2021.

The year can at the earliest be closed in October 2023.

Closed policy years

All closed years up to and including the 2017 policy year have developed as anticipated and show an overall surplus.

FINANCIAL RISK

The regulatory solvency capital requirement for the Company was USD 110 million, increase of 1 per cent from last year.

Insurance risk

The Association writes P&I risks through direct operations and reinsurance of Gard P. & I. (Bermuda) Ltd. through a quota share agreement.

The Association participates in the external reinsurance programs as described above in addition to the internal reinsurance contracts.

Insurance risk was up from last year. This is mainly due to increased exposure and an amendment to the stop-loss agreement between Assuranceforeningen and Gard Re. The underlying risks are stable.

A set of extreme events for insurance risk have been identified and the realistic possible loss to the Association has been calculated. The highest insurance loss for own account from the identified extreme events is USD 33 million, which is 27 percent of the company’s equity.

Reverse stress testing has been conducted. A net insurance loss of USD 83 million will bring the Association’s solvency down to 75 percent. This corresponds to nine losses in excess of USD 20 million on the Mutual portfolio and six losses on the fixed portfolio respectively.

Market risk

The Association has experienced an increase in market risk over the last year, which is mainly due to increased equity risk and reduced diversification.

According to stress tests, the highest estimated market loss to the Association is USD 22 million due to a risk premium shock.

A reverse stress test demonstrates that a market loss of USD 90 million will bring the Association’s solvency ratio down to 75 percent. This represents a loss of 49 percent of the initial investment portfolio.

Counterparty default risk

The main sources of counterparty default risk are intra-group reinsurers and cash deposits at banks. As of 20 February 2021, the main counterparty exposures were towards the Government of the United States of America, Sumitomo Bank and Nordea.

The credit risk in respect of receivables is handled by group policies and by close follow-up. Outstanding and overdue premiums from members and customers will be set off in payments of claims compensations.

Counterparty default risk was slightly up from last year. Gard has established a task force that is closely monitoring receivables and overdue payments.

Liquidity risk

The duration of investable assets shall meet the pay-out profile of the Association’s liabilities. The investable asset consists of a portfolio that can be liquidated in a short period of time. The liquidity risk is deemed low.

Operational risk

The operational risk of the Gard group is assessed annually through the internal self-assessment. Results of the self-assessment are used to manage operational risk and to quantify the internal operational risk charge. The operational risk for the Association was slightly up from last year.

Capital and solvency position

The Association and its branches in Finland, Japan, Hong Kong and the United Kingdom comply with all solvency and capital requirements.

Assuranceforeningen Gard - gjensidig -

Board of Directors' Report

ACCOUNTS FOR THE YEAR 2021

The Association 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 in the Norwegian language. In accordance with this, the annual accounts are presented in United States Dollar (USD) and in the English language. Comparing figures as per 20 February 2020 are included in brackets.

Result

The total comprehensive income shows a profit of USD 30.2 million (loss of USD 22.2 million). The reduction in last instalment amounts to USD 12.2 million (USD 25.2 million). On Estimated Total Call basis the gross written premium is USD 167.7 million (USD 165.5 million).

The last instalment for the 2019 policy year was reduced to 15 per cent from 20 per cent. Due to high volatility and uncertainty in the global financial markets as a consequence of the Covid-19 pandemic the decision on the level of the last instalment for the 2019 policy year (financial year ending 20 February 2020) for was postponed to after the final approval of the financial statements for the respective financial year. The call of 15 per cent for the 2019 policy year, USD 19.0 million, has therefore been included in the financial year ending 20 February 2021.

Starting from the 2021 policy year (financial year ending 20 February 2022), the reduction in the last instalment will be replaced with an Owners' General Discount, which is given as a percentage of the agreed Estimated Total Call at renewal.

A direct call on Gard P. & I. (Bermuda) Ltd. was made in the first half for 2020 to be in compliance with capital requirements. The net effect of the direct call was USD 34.8 million.

Technical result was a profit of USD 25.2 million (loss of USD 37.8 million).

Premiums

The gross written premium in the year ending 20 February 2021 was USD 221.5 million (USD 140.2 million). Earned premium for own account was USD 138.3 million (USD 67.3 million). The premium volume (ETC basis) of the Association has increased in the year to 20 February 2021.

Claims

Gross incurred claims during the period amounted to USD 117.7 million (USD 131.6 million). Net claims incurred for own account was USD 96.5 million (USD 96.0 million). The increase in claims incurred for own account from last year is due to an increase in other Clubs’ pool claims.

Non-technical result

The non-technical result was a profit of USD 12.3 million in the year to 20 February 2021 (profit of USD 12.2 million).

Total equity

Other equity has increased to USD 123.6 million (USD 93.4 million). The equity is retained to meet unforeseen fluctuations in claims exposure, possible catastrophes, and extraordinary claims patterns that fall within the Association’s liabilities and to meet capital requirements.

Technical provisions

As at 20 February 2021 the Association’s technical provisions to cover reported and unreported claims for own account amounted to USD 170.0 million (USD 154.2 million).

The Board of Directors is of the opinion that other equity and the technical provisions are sufficient to cover all liabilities for the 2020 policy year and earlier policy years.

Cash flow analysis

The Association's bank deposit as of 20 February 2021 amounted to USD 54.7 million (USD 54.5 million). Net cash flows from operating activities consist primarily of incoming payments in the form of premiums and outgoing payments in the form of claims and operating expenses. Operating liquidity (cash) is balanced by transfers to and from the investment portfolio.

CONTINUED OPERATION AND THE FUTURE DEVELOPMENT

On 11 March 2020, the World Health Organization named the COVID-19 virus as a pandemic, following which, inter alia, many global financial markets experienced heavy turmoil and subsequent rebound. In relation to the COVID-19 pandemic, continued adjustments to the operation of the company and staff in the insurance intermediaries is necessary with most staff required to work remotely from home also in the immediate future. Internal and external meetings and communications have been done, and will continue, via telephone/video link. The changes have not had an adverse effect on the ability to run the company. 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.

Against this background and pursuant to the Norwegian Accounting Act of 1998, section 3-3a, the Board of Directors is of the opinion that it is basis for continued operation of the Association. The year-end accounts are based on these premises.

GOVERNING CORPORATE BODIES

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

Board of Directors

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

Assuranceforeningen Gard - gjensidig -

Board of Directors' Report

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

Arendal, 20 April 2021

Board of Directors
Assuranceforeningen Gard - gjensidig -

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

Assuranceforeningen Gard - gjensidig -

Statement of comprehensive income

Amounts in USD 000's	Notes	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Technical account			
Gross written premium	4, 5, 6	221,537	140,234
Gross earned premium	5, 6	220,488	139,298
Ceded reinsurance	6	(82,196)	(71,989)
Earned premium for own account	6	**138,292**	**67,309**
Other insurance related income		**26**	**332**
Gross incurred claims	6	117,745	131,569
Reinsurers' share of gross incurred claims	6	(21,278)	(35,542)
Claims incurred for own account	6	**96,467**	**96,027**
Acquisition costs	7	5,446	8,177
Agents' commission	7	20,782	7,331
Commission received	7	(11,945)	(8,506)
Insurance related expenses for own account	7	**14,283**	**7,003**
Other insurance related expenses	7	**2,318**	**2,404**
Technical result		**25,250**	**(37,793)**
Non-technical account			
Interest and similar income/(expenses)	8	(35)	1,361
Change in unrealised gain on investments		11,171	7,761
Gain on realisation of investments		1,183	3,181
Other investment expenses		(7)	(150)
Non-technical result		**12,313**	**12,153**
Profit/(loss) before tax		**37,563**	**(25,639)**
Taxation	9	7,197	(3,539)
Net result		**30,366**	**(22,100)**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Remeasurement due to change in pension assumptions	15	(160)	(175)
Income tax related to change in pension assumptions		41	44
Other comprehensive (loss), net of tax		**(119)**	**(131)**
Total comprehensive income/(loss)		**30,247**	**(22,232)**

Assuranceforeningen Gard - gjensidig -

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.21	As at 20.02.20
Assets			
Investments			
Financial investments at fair value through profit or loss			
Equities and investments funds	11	34,023	29,541
Interest-bearing securities and funds	11, 12	198,029	169,933
Other financial investments	11, 12	1	0
Total investments	11	**232,052**	**199,475**
Reinsurers' share of technical provisions			
Reinsurers' share of gross premium reserve	6, 16	521	308
Reinsurers' share of gross claims reserve	6, 12, 16	165,225	162,688
Total reinsurers' share of technical provisions		**165,745**	**162,997**
Receivables			
Receivables from direct insurance operations			
Policyholders	12, 13	22,192	8,864
Receivables from reinsurance operations			
Receivables from group companies		2,782	58
Other receivables			
Other receivables		10	10
Other receivables from group companies		2,163	474
Total receivables	12	**27,148**	**9,406**
Other assets			
Equipment	10	2,150	2,148
Cash and cash equivalents	12, 14	54,723	54,549
Prepaid tax	9	0	237
Other financial assets	11, 12	7,404	1,895
Total other assets		**64,278**	**58,829**
Prepayments and accrued income			
Accrued income and other prepayments		3,877	3,163
Total prepayments and accrued income		**3,877**	**3,163**
Total assets		**493,101**	**433,870**

Assuranceforeningen Gard - gjensidig -

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.21	As at 20.02.20
Equity and liabilities			
Equity			
Retained earnings			
Guarantee scheme		4	4
Other equity		123,615	93,368
Total equity		**123,619**	**93,372**
Technical provisions			
Gross premium reserve	6, 16	2,111	1,061
Gross claims reserve	6, 12, 16	335,239	316,851
Total technical provisions		**337,350**	**317,912**
Provisions for other liabilities			
Pension obligations	15	1,847	1,751
Income tax payable	9	693	635
Deferred tax	9	13,874	6,664
Total provisions for other liabilities	12	**16,414**	**9,049**
Payables			
Payables arising out of direct insurance operations	12	11,709	6,434
Payables arising out of reinsurance operations	12	1,363	1,818
Payables arising out of reinsurance operations - group companies	12	1,201	403
Payables to group companies	12	715	1,658
Other payables	12	20	250
Total payables		**15,007**	**10,564**
Accruals and deferred income			
Accruals and deferred income		712	2,974
Total accruals and deferred income	12	**712**	**2,974**
Total liabilities		**369,482**	**340,498**
Total equity and liabilities		**493,101**	**433,870**

Assuranceforeningen Gard - gjensidig -

Statement of changes in equity

Amounts in USD 000's	Notes	Guarantee scheme	Other equity	Total
Equity as at 21.02.19		**0**	**115,603**	**115,603**
Net result		0	(22,100)	(22,100)
Remeasurement due to change in pension assumptions	15	0	(175)	(175)
Income tax related to change in pension assumptions		0	44	44
Provision for Norwegian Non-life insurance Guarantee Scheme		4	(4)	0
Equity as at 20.02.20		**4**	**93,368**	**93,372**
Equity as at 21.02.20		**4**	**93,368**	**93,372**
Net result		0	30,366	30,366
Remeasurement due to change in pension assumptions	15	0	(160)	(160)
Income tax related to change in pension assumptions		0	41	41
Equity as at 20.02.21		**4**	**123,615**	**123,619**

Assuranceforeningen Gard - gjensidig -

Statement of cash flow

Amounts in USD 000's	Notes	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Cash flow from operating activities			
Profit/(loss) before tax		37,563	(25,639)
Tax (paid)/refunded	9	(586)	(864)
Change in unrealised (gain) on investments		(11,171)	(7,761)
Pension cost charged to statement of comprehensive income	15	160	175
Change in pension obligation		(63)	(219)
Change in receivables and payables		(18,808)	10,680
Change in technical provisions and other accruals		13,592	2,744
Financial investments		(21,406)	18,378
Change in valuation due to change in exchange rates		894	171
Net cash flow from operating activities		**172**	**(2,336)**
Cash flow from investment activities			
Purchase of equipment	10	2	0
Net cash flow from investment activities		**2**	**0**
Net change in cash and cash equivalents		174	(2,336)
Cash and cash equivalents at the beginning of the year	12	54,549	56,885
Cash and cash equivalents at the end of the year	12	**54,723**	**54,549**

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 1 - Corporate information

Assuranceforeningen Gard – gjensidig -.
(the "Association") is a mutual insurance association registered with the Norwegian Companies Register (organisation number 939 717 609). The registered office of the Association is Kittelsbuktveien 31, 4836 Arendal. The Association is licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. As a mutual insurance association, the Association is owned by its Members, being the owners and charterers of the ships from time to time insured by the Association for Protection and Indemnity (P&I) risks. There are no external capital owners.

The principal activities of the Association are: to insure its Members for marine P&I risks, including the reinsurance of a proportion of the P&I risk underwritten by Gard P. & I. (Bermuda) Ltd. as a direct insurer; and management of its assets which are used to cover the technical provisions.

The Members of the Association are also Members of Gard P. & I. (Bermuda) Ltd. and vice versa. The major part of the two associations' combined portfolio of direct business (currently about 80 per cent) is underwritten by Gard P. & I. (Bermuda) Ltd. The Association is primarily used as a vehicle for a smaller proportion of the combined P&I portfolio, which is primarily direct P&I business where an EU/EEA based insurer is required in order to comply with governing EU regulations regarding to cross border activities.

In as much as Gard P. & I. (Bermuda) Ltd. has the right to exercise membership rights in the reinsured portfolio, it controls more than two thirds of the voting rights in the Association. This is the legal basis for consolidating the two associations' accounts pursuant to the International Accounting Standard 27 Consolidated and Separate Financial Statements. Gard P. & I. (Bermuda) Ltd. and its subsidiaries are considered as 'Gard group' or 'the group'.

The Association's accounts are consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. The consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd.'s management company, Lingard Limited in Bermuda.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts

The accounts include the activity from 21 February 2020 to 20 February 2021.

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 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 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 Association.

Transactions in foreign currency
Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency is translated 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. Non-monetary items that are measured at fair value and expressed in a non-USD currency are translated into USD using the exchange rate applicable on the transaction date.

Translation differences are recognised in statement of comprehensive income as they occur during the accounting period. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and financial investments are presented as part of the non-technical result as 'interest and similar income/(expenses)' and 'change in unrealised gain on investments' respectively. 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 Association has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will 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.

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 Association.

2.5 Events after the reporting period

New and material information on the Association'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 Association'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 and page of the note:

Accounting policy	Note
Technical result	6
Technical provisions	6
Insurance related expenses	7
Non-technical items	8
Tax	9
Equipment	10
Financial Investments	11
Cash and cash equivalents	14
Pensions	15

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Notes to the accounts

Note 3 - Intra-group transactions

Reinsurance agreements

Gard P. & I. (Bermuda) Ltd. and the Association have entered into mutual reinsurance agreements. The Association reinsures a proportion amounting to 2 per cent of Gard P. & I. (Bermuda) Ltd. risks that is not reinsured elsewhere. The Association cedes to Gard P. & I. (Bermuda) Ltd. by way of reinsurance 25 per cent of the Association's risks that are not reinsured elsewhere. Premiums are calculated on financial year basis, claims are calculated on a claim year basis. In the financial year ending 20 February 2021, two direct calls amounting to USD 47 million has been levied based on the reinsurance agreement.

	Received from Gard P. & I. (Bermuda) Ltd.		**Ceded to Gard P. & I. (Bermuda) Ltd.**	
Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurance	51,855	4,107	29,479	21,734
Reinsurers' share of gross settled claims	4,136	4,262	7,591	25,495
Reinsurance commission	13,609	1,218	9,696	6,415

	Received from Gard P. & I. (Bermuda) Ltd.		**Ceded to Gard P. & I. (Bermuda) Ltd.**	
Amounts in USD 000's	As at 20.02.21	As at 20.02.20	As at 20.02.21	As at 20.02.20
Reinsurers' share of gross claims reserve	11,138	11,413	72,447	63,294

The Association has entered into a stop loss reinsurance agreement with Gard Reinsurance Co Ltd (a company owned by Gard P.& I. (Bermuda) Ltd.) protecting the former against insurance liabilities in excess of a loss ratio corresponding to 90 per cent for each policy year up to and including 2014 subject to a limit of USD 25 million, for policy year 2015-2018 a loss ratio corresponding to 100 per cent subject to a limit of USD 40 million, and for policy year 2019 a loss ratio corresponding to 110 per cent subject to a limit of USD 20 million.

	Ceded to Gard Reinsurance Co Ltd	
Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Ceded reinsurance	2,000	2,000

	Ceded to Gard Reinsurance Co Ltd	
Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Reinsurers' share of gross claims reserve	4,442	5,730

The Association and Gard P. & I. (Bermuda) Ltd. have entered into a reinsurance agreement with Hydra, which is a segregated accounts company. The Association's segregated account (cell) in Hydra is covering the former companies' liability to a layer of the International Group (IG) Pool and retention in the first market excess layer.

		Ceded to Hydra
Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Reinsurance	18,747	17,816
Reinsurers' share of gross settled claims	306	470
Reinsurers' share of gross claims reserve	10,225	6,856

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Notes to the accounts

Note 3 - Intra-group transactions continued

Insurance management agreement

The Association has entered into an insurance agency agreement with Gard AS, a company owned by Gard P. & I. (Bermuda) Ltd. being the general agent, whereby Gard AS is delegated authorithy as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association. The Association has also entered into agreements with the subsidiaries of Gard AS for services rendered to the Association.

In addition, secondment agreements have been entered into between the insurance branches in Japan and Hong Kong, and the insurance intermediary service company in the same country. Costs related to these agreements are reimbursed by the insurance branches directly to the insurance intermediary service companies.

	Insurance services invoiced	
Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Gard AS	14,543	14,891
Gard (Greece) Ltd.	787	566
Gard (HK) Ltd.	5,508	5,648
Gard (Japan) KK	2,754	3,187
Gard (North America) Inc.	1,393	1,860
Gard (UK) Ltd.	3,059	3,776
OY Gard Baltic Ab	692	742
Total	**28,736**	**30,670**

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
EEA	159,342	54,787
Norway	845	991
Other areas	61,351	84,457
Total gross written premium	**221,537**	**140,234**

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

A Member is an owner, operator or charterer (including a bareboat or demise charterer) or a ship entered in the Association who according to the Articles of the Association and the Rules is entitled to membership of the Association. Client is defined as any entity with an active insurance cover from the Gard group of companies that is not in the capacity of a Member (P&I Owners' Entry and Charterer's Entry). Members may also be a Client of Gard.

Members with location in the United Kingdom has been included in Other areas as from the financial year ending 20 February 2021 with USD 7.3 million (included in EEA for the previous financial year with USD 4.6 million).

Note 5 - Last instalment

These accounts are prepared on the basis of 10 per cent last instalment in respect of the 2020 policy year.

The reduction in last instalment amounts to USD 12.2 million (financial year ending 20 February 2020 USD 25.2 million). On Estimated Total Call basis the gross written premium for the financial year ending 20 February 2021 is USD 167.7 million (financial year ending 20 February 2020 USD 165.5 million).

The last instalment for the 2019 policy year was reduced to 15 per cent from 20 per cent. Due to high volatility and uncertainty in the global financial markets as a consequence of the Covid-19 pandemic the decision on the level of the last instalment for the 2019 policy year (financial year ending 20 February 2020) for was postponed to after the final approval of the financial statements for the respective financial year. The call of 15 per cent for the 2019 policy year, USD 19.0 million, has therefore been included in the financial year ending 20 February 2021.

Starting from the 2021 policy year (financial year ending 20 February 2022), the reduction in the last instalment will be replaced with an Owners' General Discount, which is given as a percentage of the agreed Estimated Total Call at renewal.

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Notes to the accounts

Note 6 - Technical result and technical provisions

Accounting policy

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. The last instalment for P&I business for the accounting year is subject to approval by the Board of Directors in the following year but is included as revenue in the accounts for the current year. Supplementary calls for P&I business may be charged to Members for previous policy years.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as gross premium reserve.

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	21.02.20 to 20.02.21 Total P&I
Technical result	
Gross written premium	221,537
Gross earned premium	220,488
Ceded reinsurance	(82,196)
Earned premiums for own account	**138,292**
Claims incurred, gross	
Incurred this year	126,080
Incurred previous years	(8,335)
Total claims incurred, gross	**117,745**
Reinsurers' share of gross incurred claims	(21,278)
Claims incurred for own account	**96,467**

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Notes to the accounts

Note 6 - 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 year. 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 Association (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, a provision for internal claims handling expenses (unallocated loss adjustment expenses, or ULAE) is 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 uses historical data as one of the elements in the model to estimate the future claims costs. It can take a significant period of time before the ultimate claims cost can be established with certainty.

Amounts in USD 000's	As at 20.02.21 Total P&I
Technical provisions gross	
Provisions, at the beginning of the year	316,851
Claims paid	(99,356)
Claims incurred - gross this year	126,080
Claims incurred - gross previous years	(8,335)
Provisions, at the end of the year	**335,239**
Reinsurers' share of claims provision	(165,225)
Provisions net, at the end of the year	**170,014**
Provision for unearned premiums, gross	2,111
Reinsurers' share of premium provision	521
Provision for unearned premiums, net	**1,590**
The Association is a member of the International Group of P&I Clubs.	
Gross technical provision regarding Pooling Agreement	51,100
Net technical provision regarding Pooling Agreement	40,875
Provision for outstanding claims	
Technical provision gross	335,239
Technical provision net	170,014

Provided guarantees outside cover, not recognised in the balance sheet, amount to USD 0.2 million as at 20 February 2021 (USD 0.5 million as at 20 February 2020).

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied. The Association applied the following methods: Development factor method, Bornhuetter Ferguson, Apriori reduced method and Benktander. Based on these methodologies the gross claim reserve ranges between USD 333.3 million and USD 337.2 million as at 20 February 2021 (ranges between USD 314.8 million and USD 318.9 million as at 20 February 2020).

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Notes to the accounts

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	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Acquisition costs and commissions		
Sales related salaries and wages	263	209
Insurance intermediary	5,182	7,968
Agents' commission	20,782	7,331
Commission received	(11,945)	(8,506)
Insurance related expenses for own account	**14,283**	**7,003**
Number of part time staff	**13**	**13**

Remuneration to Group Leadership Team and Board of Directors

The table below provides information regarding payments made in the financial year 2021 to the Group Leadership Team and to members of the B of Directors. Remuneration relating to the financial year to 20 February 2021, but not yet paid, is accrued for in the accounts.

Amounts in USD 000's	**Salary ***	**Board remuneration**	**Total remuneration**
Group Leadership Team			
Rolf-Thore Roppestad (Managing Director)	67	0	67
Bjørnar Andresen	37	0	37
Christen Guddal	34	0	34
Christian Pritchard-Davies	20	0	20
Lars Lislegard-Bækken	20	0	20
Kristian Dalene	15	0	15
Total	**193**	**0**	**193**
Members of the Board of Directors			
Trond Eilertsen (Chairman)	0	20	20
Jane Sy (Deputy Chairman)	0	15	15
Ian Beveridge (Member)	0	15	15
Yngvild Åsheim (Member)	0	15	15
Nils Aden (Member)	0	15	15
Total	**0**	**80**	**80**

* All figures are excluding social security costs.

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 (see note 15 for definition of base amount). 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) 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, excluding GLT and other Key employees, a bonus of 9.5 per cent of gross salary is excpected to be paid for the year to 20 February 2021.

The key features of the special terms for members of GLT and Key Employees can be summarised as follows:
1. The maximum bonus payable to members of GLT and other Key Employees shall be reduced to 80 per cent of the bonus payable to employees in general under the collective scheme as outlined above.
2. The payment of a proportion of the bonus triggered by the collective scheme under (1) above shall be deferred for a period of 39 months from the expiry of the financial year the bonus is linked. The payment after three years of the deferred component is subject to some further terms and conditions, including defined financial performance target for the three years period.
3. 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.

Remuneration auditor

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Statutory audit	126	145
Tax advisory	8	40
Total auditors' fee	**134**	**185**

VAT is included in the fees specified above.

Other insurance related expenses

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Bad debt	395	312
Service cost	29,281	31,462
Allocated to claims handling and acquisition costs	(29,919)	(31,885)
Other operating expenses	2,561	2,515
Other insurance related expenses	**2,318**	**2,404**

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

Note 8 - Non-technical items

Accounting policy

Other income and expenses are accounted for in the period they are incurred.

Amounts in USD 000's	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Interest and similar income/(expenses)		
Income from financial investments	95	561
Foreign exchange gain/(loss)	(129)	801
Total interest and similar income/(expenses)	**(35)**	**1,361**

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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	21.02.20 to 20.02.21	21.02.19 to 20.02.20
Basis for income tax expenses, changes in deferred tax and tax payable		
Profit/(loss) before tax	37,563	(25,639)
Permanent differences	(14,944)	9,624
Basis for the tax expenses for the year	**22,618**	**(16,015)**
Change in temporary differences	4,566	1,283
Basis for payable taxes in the Statement of comprehensive income	**27,184**	**(14,732)**
Change in (utilisation of) tax losses carried forward	(27,184)	14,732
Taxable income (basis for payable taxes in the balance sheet)	**0**	**0**
Income tax expenses		
Tax payable foreign tax	457	349
Tax payable on net assets	176	174
Change in deferred tax	6,572	(4,116)
Tax correction earlier year	(9)	54
Tax expenses on ordinary result	**7,197**	**(3,539)**
Income tax payable		
Tax at the beginning of the year	635	998
Tax payable related to the year	634	523
Tax paid during the year	(586)	(864)
Exchange adjustments	10	(22)
Tax payable at the end of the year	**693**	**635**
Deferred tax		
Specification of tax effect resulting from temporary differences		
Pension obligations	1,847	1,751
Portfolio investments	(23,909)	(12,730)
Tax loss carried forward	42,404	63,440
Other temporary differences	1,163	744
Retained earnings*	(77,001)	(79,858)
Total temporary differences	**(55,496)**	**(26,654)**
Deferred tax, 25 per cent of total temporary differences	(13,874)	(6,664)
Total deferred tax	**(13,874)**	**(6,664)**
Reconciliation of the tax expense		
Profit/(loss) before tax - Basis for calculating tax	37,563	(25,639)
Calculated tax 25%	**9,391**	**(6,410)**
Tax expense	7,197	(3,539)
Difference	**2,194**	**(2,871)**
The difference consist of:		
Permanent differences	3,736	(2,406)
Tax in foreign branches	(457)	(349)
Tax correction earlier year	(9)	54
Currency effect posted to Non-technical result	(1,075)	(170)
Sum explained differences	**2,194**	**(2,871)**

Note 9 - Tax continued

* 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 20.02.2018 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 20.02.2021. A transition rule applies and 10% of the retained earnings coming from contigency reserve will be taxable each year, and as a consequence moved from deferred tax to payable tax.

Note 10 - Equipment

Accounting policy

Fixed assets are comprised of assets intended for long term ownership and use. Costs for maintenance are expensed as incurred. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount.

Art

Amounts in USD 000's	As at 20.02.21
Acquisition costs at the beginning of the year	2,893
Net additions/(disposals)	2
Cost at the end of the year	**2,895**
Accumulated impairment at the beginning of the year	**(745)**
Accumulated impairment at the end of the year	**(745)**
Net book value at the end of the year	**2,150**

Art

Amounts in USD 000's	As at 20.02.20
Acquisition costs at the beginning of the year	2,893
Cost at the end of the year	**2,893**
Accumulated impairment at the beginning of the year	**(745)**
Accumulated impairment at the end of the year	**(745)**
Net book value at the end of the year	**2,148**

Art is not subject to depreciation.

Note 11 - Financial investments at fair value through profit or loss

Accounting policy

Classification

The Association 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 its 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. Derivative financial insvestments are also categorised as held for trading.

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.

Held-to-maturity financial assets
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where the Association’s management has the positive intention and ability to hold to maturity, other than:
- those that the Association upon initial recognition designates as at fair value through profit or loss;
- those that meet the definition of loans and receivables.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Association 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 Association has transferred substantially all risks and rewards of ownership.

Loans and 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. Dividend from investments are recognised when the Association 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.

Interest on held-to-maturity investments is included in the statement of comprehensive income and reported as interest and similar income. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income.

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.

Note 11 - Financial investments at fair value through profit or loss continued

Accounting policy

Impairment of financial assets

The Association 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 Association 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 11 - 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 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 Association 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 Association 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 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
Level 3 includes securitised debt investments and investments in less liquid fund structures.

				As at 20.02.21				As at 20.02.20
	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	34,023	0	34,023	0	29,541	0	29,541
Interest-bearing securities and funds	15,194	182,835	0	198,029	7,003	162,930	0	169,933
Other financial investments	1	0	0	1	0	0	0	0
Total financial investments	**15,195**	**216,858**	**0**	**232,052**	**7,003**	**192,471**	**0**	**199,475**

Note 11 - 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 Association 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 and private debt.

Amounts in USD 000's	Investment profile	Currency	As at 20.02.21
Equity funds			
Gard Global Multifactor Equity Fund	Global equity	USD	27,118
Gard Global Impact Equity Fund	Global equity	USD	6,905
Total Equity fund			**34,023**
Total Equities and investment funds			**34,023**
The part of Equity fund invested in quoted shares.			34,023

Amounts in USD 000's	Investment profile	Currency	As at 20.02.21
Interest-bearing funds			
Gard Global Treasury Fund	Government debt	USD	29,784
Gard Strategic Global Bond Fund	Global aggregate bonds	USD	34,696
Gard Global Credit Bond Fund I	Global corporate bonds	USD	51,341
Northern Trust Cash Fund	Money market US Dollar	USD	15,194
Gard Emerging Market Debt Fund	Emerging market debt	USD	10,643
Gard Global Bond Fund I	Global aggregate bonds	USD	56,371
Total Interest-bearing funds			**198,029**
Government Bonds			
The Japan Ministry of Finance		JPY	2,004
Total Government Bonds			**2,004**

The Japan Government Bond is held as a deposit for the business underwritten in Japan. The bond is not subject for trade. The bond is held to maturity, and then replaced by a new bond to meet the local capital requirements. According to Norwegian GAAP the Bond is included in "Other assets" in the Balance Sheet.

Note 12 - Financial risk

Risk management framework

The purpose of the risk management system is to ensure that material risks are managed in accordance with the Association’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 capitalization) are defined in accordance with risk carrying 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 all 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.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial risk continued

Main financial risks

The Covid -19 pandemic situation was monitored closely throughout 2020, not only the development of market risk, but also insurance risk, counterparty risk, operational risk and liquidity risk. During the year, management took steps to manage the adverse financial and operational effects as events unfolded, with satisfactory results as the year came to an end. Future challenges due to Covid-19 might arise, however the experience from the previous year will strengthen the risk management going forward.

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 five 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 exposures are assumed to be tightly matched across the balance sheet and managed with an emphasise on major currency exposures. Currency forward derivatives may also serve as an effective tool for mismatch adjustments. The sensitivity analysis for foreign currencies only applies to investments assets and illustrates the impact on values given changes in exchange rates against USD.

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 20.02.21	As at 20.02.20
Assets		
USD	440,160	384,339
EUR	18,271	16,333
GBP	7,072	6,693
Other	27,597	26,506
Total assets	**493,101**	**433,870**
Equity and liabilities		
USD	340,758	289,717
EUR	64,926	62,967
GBP	27,907	27,591
Other	59,510	53,595
Total equity and liabilities	**493,101**	**433,870**
Net asset exposure		
USD	99,402	94,622
EUR	(46,654)	(46,635)
GBP	(20,835)	(20,898)
Other	(31,912)	(27,089)

Assuranceforeningen Gard - gjensidig -
Notes to the accounts

Note 12 - 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 20.02.21	As at 20.02.20
Impact on fixed income portfolio investments given an increase of 50 basis points	(3,481)	(3,454)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(3,404)	(2,955)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(7,752)	(7,216)

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 unchanged and that no management action is taken. The Association has no significant risk concentrations which is not in line with the overall investment guidelines set by the 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, derivative counterparties, 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.
The Association is, however, faced with BBB rating exposure through the IG Pooling agreement. Among the thirteen clubs, three have ratings of BBB or lower.

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

The Association also has counterparty default risk over-the-counter (OTC) financial derivative positions. However, common risk mitigation techniques are exercised to minimise the default risk towards counterparties. 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.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial risk continued

The tables below show the credit risk exposure as at 20 February 2021. 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 20.02.21	As at 20.02.20
Interest-bearing securities and funds		
AAA	15,194	7,003
Not rated	182,835	162,930
Total interest-bearing securities and funds	**198,029**	**169,933**
Other financial investments		
A	1	0
Total other financial investments	**1**	**0**
Reinsurers` share of gross claims reserve		
AA	548	79
A	152,697	147,246
BBB	11,626	15,256
Not rated	354	108
Total reinsurers`share of gross claims reserve	**165,225**	**162,688**
Receivables		
AA	87	8
A	7,106	3,095
BBB	338	74
Not rated	19,617	6,230
Total receivables	**27,148**	**9,406**
Cash and cash equivalents		
AA	22,407	19,714
A	32,317	34,835
Total cash and cash equivalents	**54,723**	**54,549**
Other financial assets presented in balance sheet		
AAA	5,400	0
A	2,004	1,895
Total other financial assets presented in balance sheet	**7,404**	**1,895**

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Not due	23,196	6,752
0-60 days	730	380
61-90 days	1,445	216
Above 90 days	2,615	2,531
Provision for bad debt	(838)	(473)
Total receivables	**27,148**	**9,406**

Impaired receivables

As at 20 February 2021 there are impaired receivables of USD 0.8 million (USD 0.5 million as at 20 February 2020) related to past due. No collateral is held as security for the impaired receivables, but the receivables can be deducted from future claim payments if any. Impairment allowance is included in other insurance related expenses.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial risk continued

Analysis of provision for bad debt

Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Balance as at the beginning of the year	473	626
Provision for receivables impairment	415	42
Receivables written off during the year as uncollectable	(29)	(54)
Unused amounts reversed	(20)	(141)
Balance as at the end of the year	**838**	**473**

The creation and release of provision for impaired receivables have 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.

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 and the illiquidity of the assets held 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 below 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. Liabilities not covered by IFRS 7 (claims reserves) are classified as other liabilities in the table.

The Association maintains highly marketable financial instruments and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. This gives a presentation of the maturity profile on the payables.

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	As at 20.02.21 Total
Gross claims reserve	105,751	201,489	28,000	0	335,239
Payables, accruals and deferred income	15,719	0	0	0	15,719
Other liabilities	693	0	13,874	1,847	16,414

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	As at 20.02.20 Total
Gross claims reserve	103,293	182,348	31,210	0	316,851
Payables, accruals and deferred income	13,537	0	0	0	13,537
Other liabilities	635	0	6,664	1,751	9,049

Assuranceforeningen Gard - gjensidig -
Notes to the accounts

Note 13 - Receivables from direct insurance operations

Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Direct and received premium	10,486	9,337
Accrued deferred call	12,545	0
Provision for bad debts	(838)	(473)
Receivables from direct insurance operations	**22,192**	**8,864**

Note 14 - 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.

Cash and cash equivalents

Cash and cash equivalents include restricted cash amounting to USD 0.023 million as at 20 February 2021 (USD 0.023 million as at 20 February 2020).

Note 15 - Pensions

Accounting policy

Employees are covered by pension plans which comply with Norwegian laws and regulations.The Association has defined benefit pension plans only.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a straight-line earnings method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in “other comprehensive income” in the period in which they arise. Past-service costs are recognised immediately in income.

For defined contribution plans, the Association pays contributions to privately administered pension insurance plans on a contractual basis. There are no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in the future payments is available.

Pension obligations

The Association has defined benefit plans covering two retired employees. These contracts are financed through the Association's operations. Part time employees working with the Association are included in the pension scheme in Gard AS. This pension scheme covers the required occupational pension in accordance with the Norwegian Pension Act.

Defined benefit plans entitle the employees to a defined level of future pension payments. Such future pension payments are mainly dependent on number of contributory years and the salary level on retirement.

For defined benefit plans actuarial calculations are made with regard to pension liabilities at the end of the year, and resulting changes in pension liabilities are charged to the income statement.

Actuarial calculations of pension liabilities have been prepared as at 20 February 2021. These calculations show that the Association has pension liabilities amounting to USD 1.8 million (USD 1.8 million as at 20 February 2020).

Pension costs and pension liabilities are accounted for in accordance with IAS19R.

Amounts in USD 000's	As at 20.02.21	As at 20.02.20
Pension cost		
Defined benefit pension plans		
Interest expense on earned pension	38	56
Net pension cost earning related plan	**38**	**56**
Total pension cost charged to the Statement of comprehensive income	**38**	**56**
Changes in pension assumptions charged to Other comprehensive income	**(160)**	**(175)**
Liabilities according to the actuarial calculations:		
Pension obligation gross	1,847	1,751
Net pension obligation at the end of the year	**1,847**	**1,751**
Financial assumptions	Per cent	Per cent
Discount rate	1.70	2.30
Assumed annual salary regulation	2.25	2.25
Assumed pension increase	1.50	1.50
Assumed regulations of public pensions	2.00	2.00
Assumed yield on funds	1.70	2.30

G is a base rate used as the basis for calculatiing benefits. G is adjusted annually and is approved each year by Norwegian parliament. The last time G was updated was May 2020. As of 20 February 2021 G equals NOK 101,351 (USD 12,002).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 16 - Differences between Solvency II and balance sheet valuation

Amounts in USD 000's	Solvency II	Balance Sheet	As at 20.02.21 Differences
Assets			
Reinsurance recoverables			
Reinsurers' share of gross premium reserve	0	521	(521)
Reinsurers' share of expected cash flow for unexpired cover net of reinsurer commission provision	337	0	337
Reinsurers' share of gross claims reserves	165,225	165,225	0
Discounting effect of reinsurers' share of gross claims reserves	(537)	0	(537)
Reinsurers' share of Bound but not incepted (BBNI) - net and discounted	(10,569)	0	(10,569)
Reinsurance recoverables	**154,456**	**165,745**	**(11,290)**
Liabilities			
Technical provisions			
Gross premium reserves	0	2,111	(2,111)
Gross expected cash flow for unexpired cover net of commission provision	1,085	0	1,085
Gross claims reserves	335,239	335,239	0
Discounting effect of gross claims reserves	(1,269)	0	(1,269)
Bound but not incepted (BBNI) - net and discounted	(51,563)	0	(51,563)
ULAE future claims discounted	51,169	0	51,169
Risk Margin	6,421	0	6,421
Technical provisions	**341,081**	**337,350**	**3,732**

Reinsurance recoverables

Reinsurers’ share of expected cash flow for unexpired cover net of reinsurer commission provision claims 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 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 yearly cash flows, which is based on Solvency Capital Requirement in respect of non-hedgeable risks. The risk margin represents 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 Association’s liabilities. For balance values other equity is included in the technical provisions, while other equity is included in Excess of assets over liabilities for Solvency II values.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 17 - Capital requirements

Assuranceforeningen Gard - gjensidig - is required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The statutory capital and surplus for Assuranceforeningen Gard - gjensidig - include supplementary calls based on gross written premium for the last three open policy years. The SCR, which is part of the Solvency II reporting package, will not be filed with the Norwegian Financial Services Authority (Finanstilsynet) until May 2021. As a result, preliminary figures are included as at 20 February 2021.

Amounts in USD 000's	As at 20.02.21
Own funds	
Share premium account	123,619
Reconciliation reserve	(14,884)
Excess of assets over liabilities	**108,735**
Tier 1 - Unrestricted	108,735
Total basic own funds / (equal to Excess of assets over liabilities)	**108,735**
Tier 2 - Supplementary calls	219,069
Total ancillary own funds	**219,069**
Total available own funds to meet the SCR	327,803
Total available own funds to meet the MCR	108,735
Total eligible own funds to meet the SCR	163,810
Total eligible own funds to meet the MCR	108,735
SCR	110,150
MCR	38,039
Ratio of eligible own funds to SCR	**149 %**
Ratio of eligible own funds to MCR	**286 %**
Minimum Capital Requirement (MCR)	
Linear MCR	38,039
SCR	110,150
MCR cap (45% of SCR)	49,567
MCR floor (25% of SCR)	27,537
Combined MCR	38,039
Absolute floor of the MCR	4,328
MCR	**38,039**
Solvency Capital Requirement (SCR)	
Market risk	23,738
Counterparty default risk	16,058
Non-life underwriting risk	111,412
Diversification	(32,107)
Basic SCR	**119,102**
Calculation of SCR	
Adj - Loss Absorbing Capacity of Deferred Tax	(18,992)
Operational risk	10,040
SCR	**110,150**

Arendal, 20 April 2021

Board of Directors

Assuranceforeningen Gard - gjensidig -

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

To the General Meeting of Assuranceforeningen Gard - gjensidig -

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Assuranceforeningen Gard - gjensidig -, which comprise the balance sheet as at 20 February 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 20 February 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. 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 pwc

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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 21 April 2021
PricewaterhouseCoopers AS

F. Botha

Fredrik Botha
State Authorised Public Accountant