

GARD M&E INSURANCE (EUROPE) AS

Statement of comprehensive income

	Quarterly		YTD	
	Current year	Previous year	Current year	Previous year
	21.02.17- 20.05.17	21.02.16- 20.05.16	21.02.17- 20.05.17	21.02.16- 20.05.16
Amounts in USD 000's				
Technical account				
Gross written premium	18,968	21,908	18,968	21,908
Ceded reinsurance	(14,177)	(20,064)	(14,177)	(20,064)
Earned premium for own account	4,792	1,844	4,792	1,844
Other insurance related income	8	0	8	0
Gross settled claims	22,388	9,113	22,388	9,113
Reinsurers' share of gross settled claims	(18,432)	(8,080)	(18,432)	(8,080)
Claims incurred for own account	3,956	1,033	3,956	1,033
Acquisition costs	1,604	1,490	1,604	1,490
Agents' commission	2,234	2,759	2,234	2,759
Commission received	(2,325)	(4,012)	(2,325)	(4,012)
Insurance related expenses for own account	1,513	237	1,513	237
Other insurance related expenses	159	112	159	112
Technical result	(829)	463	(829)	463
Non-technical account				
Interest and similar income/(cost)	667	205	667	205
Change in unrealised gain/(loss) on investments	106	972	106	972
Gain/(loss) on realisation of investments	10	(24)	10	(24)
Investment management expenses	(6)	(10)	(6)	(10)
Non-technical result	776	1,143	776	1,143
Profit before tax	(53)	1,606	(53)	1,606
Taxation	(214)	0	(214)	0
Net result	162	1,606	162	1,606

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.05.17	As at 20.02.17
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	1,939	1,876
Bonds	17,476	17,408
Other financial investments	314	259
Total investments	19,730	19,542
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	28,183	32,218
Reinsurers' share of gross claims reserve	58,938	50,197
Total reinsurers' share of technical provisions	87,121	82,415
Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	1,346	953
Intermediaries	39,231	34,590
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	0	1,705
Receivables from group companies	139	16
Other receivables	31	9
Total receivables	40,746	37,273
Other assets		
Cash and cash equivalents	19,229	18,006
Deferred tax asset	488	275
Total other assets	19,717	18,281
Prepayments and accrued income		
Accrued income and other prepayments	4,151	4,178
Total prepayments and accrued income	4,151	4,178
Total assets	171,465	161,689

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.05.17	As at 20.02.17
Equity and liabilities		
Equity		
Statutory reserve	33,268	33,268
Other equity	2,397	2,236
Total equity	35,666	35,504
Technical provisions		
Gross premium reserve	37,734	35,525
Gross claims reserve	68,240	57,336
Total technical provisions	105,975	92,861
Payables		
Payables arising out of direct insurance operations	4,744	832
Payables arising out of reinsurance operations	17,647	24,615
Payables to group companies	449	272
Other payables	472	143
Total payables	23,312	25,862
Accruals and deferred income		
Accruals and deferred income	6,512	7,462
Total accruals and deferred income	6,512	7,462
Total liabilities	135,799	126,185
Total equity and liabilities	171,465	161,689

GARD MARINE & ENERGY INSURANCE (EUROPE) AS

Statements of changes in equity

Amounts in USD 000's	Statutory reserve	Other equity	Total
Equity as at 20.02.2016	33,268	(310)	32,958
Net result		2,546	2,546
Equity as at 20.02.2017	33,268	2,236	35,503
Equity as at 21.02.2017	33,268	2,236	35,503
Net result		162	162
Equity as at 20.05.2017	33,268	2,397	35,666

GARD M&E INSURANCE (EUROPE) AS

Cash flow analysis

Amounts in USD 000's	21.02.17 to 20.05.17	21.02.16 to 20.05.16
Cash flow from operating activities		
Profit from ordinary operations before tax	(53)	1,606
Change in unrealised gain/(loss) on investments	(106)	(972)
Change in receivables and payables	(6,023)	181
Change in technical provisions and other accruals	7,485	975
Financial investments	(82)	(2,789)
Net cash flow from operating activities	1,223	(998)
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Net change in cash and cash equivalents	1,223	(998)
Cash and cash equivalents at beginning of year	18,006	22,825
Cash and cash equivalents at end of year	19,229	21,826

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

Corporate information

Gard Marine & Energy Insurance (Europe) AS ("the Company") is a wholly owned subsidiary of Gard Marine & Energy Ltd ("Gard M&E"). The Company is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of Marine and Energy risks.

Gard Marine & Energy Insurance (Europe) AS is consolidated into the accounts of Gard M&E Ltd. and the consolidated accounts are available at the office of Gard M&E Ltd's management company Lingard Ltd in Bermuda.

The Company has established a branch in UK with effect from 01.01.2017.

Basis of preparation of the Accounts

The quarterly accounts includes activity from 21 February 2017 to 20 May 2017.

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance.

The quarterly accounts have been prepared in accordance with Regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance.

As a result of change in Norwegian accounting regulations for insurance companies, the Company applied the following changes to accounting principles during 2016:

Contingency reserve was reclassified to other equity. Related deferred tax liability was recognized as applicable depending on tax jurisdiction. As a result, the Statement of comprehensive income no longer includes the line item "change in contingency reserve". Gross written premium and changes in gross premium reserve is presented net as Gross earned premium, while Gross settled claims and Change in gross claims reserve is presented net as Gross incurred claims. Comparative information has been restated accordingly.

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

The accounts as at 20.05.2017 has not been audited.

Use of accounting estimates when preparing the accounts

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

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

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 2 – Related party transactions

Reinsurance agreements

The Company cedes to Gard M&E Ltd by way of reinsurance 70 per cent of the Company's Marine & Energy risk underwritten by the Company that is not reinsured elsewhere (90 per cent for net claims incurred related to claim years up to and including 2016).

Insurance agency agreement

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

Note 3 – Capital Requirements

Amounts in USD 000's	As at 20.05.17	As at 20.02.17
Own funds		
Ordinary share capital	32,392	32,392
Share premium account	3,274	877
Reconciliation reserve	(3,927)	589
Net deferred tax assets	488	856
Excess of assets over liabilities	32,227	34,713
Tier 1 - Unrestricted	31,739	33,857
Tier 1 - Restricted	0	856
Tier 3 - Net deferred tax assets	488	
Total basic own funds / (equal to Excess of assets over liabilities)	32,227	34,713
Tier 2 - Supplementary calls	0	0
Total ancillary own funds	0	0
Total available own funds to meet the SCR	32,227	34,713
Total available own funds to meet the MCR	31,739	33,857
Total eligible own funds to meet the SCR	32,227	34,713
Total eligible own funds to meet the MCR	31,739	33,857
SCR	30,920	21,645
MCR	7,730	5,411
Ratio of eligible own funds to SCR	104 %	160%
Ratio of eligible own funds to MCR	411 %	626%

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 3 – Capital Requirements continued

Amounts in USD 000's	As at 20.05.17	As at 20.02.17
Minimum Capital Requirement (MCR)		
Linear MCR	4,515	2,233
SCR	30,920	21,645
MCR cap (45% of SCR)	13,914	9,740
MCR floor (25% of SCR)	7,730	5,411
Combined MCR	7,730	5,411
Absolute floor of the MCR	4,050	4,050
MCR	7,730	5,411
Solvency Capital Requirement (SCR)		
Market risk	2,989	3,590
Counterparty default risk	8,517	7,360
Non-life underwriting risk	21,651	12,853
Diversification	(5,233)	(4,747)
Basic SCR	27,924	19,056
Calculation of SCR		
Operational risk	2,996	2,589
SCR	30,920	21,645

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

15 June 2017

Trond Eilertsen
Chairman

Morten Hoegh

Jane Sy

Yngvil Åsheim

Ian Beveridge