

# GARD M&E INSURANCE (EUROPE) AS

## Statement of comprehensive income

Amounts in USD 000's	Quarterly		YTD	
	Current year	Previous year	Current year	Previous year
	21.08.16- 20.11.16	21.08.15- 20.11.15	21.02.16- 20.11.16	21.02.15- 20.11.15
<b>Technical account</b>				
Gross written premium	11,187	24,259	59,329	72,505
Ceded reinsurance	(10,100)	(21,937)	(54,696)	(66,596)
Change in gross premium reserve	10,825	(3,511)	4,793	(24,878)
Change in reinsurers' share of premium reserve	(10,027)	2,463	(3,988)	21,925
<b>Earned premium for own account</b>	<b>1,885</b>	<b>1,274</b>	<b>5,438</b>	<b>2,957</b>
<b>Other insurance related income</b>	<b>7</b>	<b>5</b>	<b>25</b>	<b>18</b>
Gross settled claims	12,892	12,330	35,575	21,704
Reinsurers' share of gross settled claims	(11,867)	(9,341)	(32,942)	(16,683)
Change in gross claims reserve	5,906	1,382	8,462	21,001
Reinsurers' share of change in claims reserve	(5,021)	(1,215)	(6,842)	(18,637)
<b>Claims incurred for own account</b>	<b>1,910</b>	<b>3,156</b>	<b>4,253</b>	<b>7,386</b>
Acquisition costs	1,584	2,505	4,391	4,056
Agents' commission	2,494	2,334	7,439	5,230
Commission received	(4,340)	(3,823)	(12,166)	(9,213)
<b>Insurance related expenses for own account</b>	<b>(262)</b>	<b>1,017</b>	<b>(337)</b>	<b>73</b>
<b>Other insurance related expenses</b>	<b>119</b>	<b>(2,623)</b>	<b>329</b>	<b>110</b>
<b>Technical result</b>	<b>125</b>	<b>(271)</b>	<b>1,218</b>	<b>(4,594)</b>
<b>Non-technical account</b>				
Interest and similar income/(cost)	(1,871)	167	(889)	(1)
Change in unrealised gain/(loss) on investments	(211)	(112)	764	(158)
Gain/(loss) on realisation of investments	(20)	(2)	(59)	(7)
Investment management expenses	(10)	(7)	(30)	(20)
<b>Non-technical result</b>	<b>(2,112)</b>	<b>46</b>	<b>(214)</b>	<b>(187)</b>
<b>Profit before tax</b>	<b>(1,986)</b>	<b>(225)</b>	<b>1,004</b>	<b>(4,781)</b>
Taxation	(645)	0	(645)	0
<b>Net result</b>	<b>(1,341)</b>	<b>(225)</b>	<b>1,649</b>	<b>(4,781)</b>

# GARD M&E INSURANCE (EUROPE) AS

## Balance sheet

Amounts in USD 000's	As at 20.11.16	As at 20.02.16
<b>Assets</b>		
<b>Investments</b>		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	1,720	1,512
Bonds	17,359	16,956
Other financial investments	235	191
<b>Total investments</b>	<b>19,313</b>	<b>18,659</b>
<b>Reinsurers' share of technical provisions</b>		
Reinsurers' share of gross premium reserve	36,084	40,071
Reinsurers' share of gross claims reserve	50,738	43,896
<b>Total reinsurers' share of technical provisions</b>	<b>86,822</b>	<b>83,968</b>
<b>Receivables</b>		
<i>Receivables from direct insurance operations</i>		
Policyholders	597	76
Intermediaries	37,032	40,056
<i>Receivables from reinsurance operations</i>		
Receivables from group companies	1,802	3,772
Other receivables	10	9
<b>Total receivables</b>	<b>39,442</b>	<b>43,913</b>
<b>Other assets</b>		
Cash and cash equivalents	15,219	22,825
<b>Total other assets</b>	<b>15,219</b>	<b>22,825</b>
<b>Prepayments and accrued income</b>		
Accrued income and other prepayments	4,609	5,302
<b>Total prepayments and accrued income</b>	<b>4,609</b>	<b>5,302</b>
<b>Total assets</b>	<b>165,406</b>	<b>174,666</b>

# GARD M&E INSURANCE (EUROPE) AS

## Balance sheet

Amounts in USD 000's	As at 20.11.16	As at 20.02.16
<b>Equity and liabilities</b>		
<b>Equity</b>		
<i>Paid in equity</i>		
Share capital	32,392	32,392
Premium fund	877	877
<i>Retained earnings</i>		
Other equity	519	(1,130)
<b>Total equity</b>	<b>33,787</b>	<b>32,138</b>
<b>Technical provisions</b>		
Gross premium reserve	39,462	44,255
Gross claims reserve	58,045	49,582
<b>Total technical provisions</b>	<b>97,507</b>	<b>93,838</b>
<b>Provision for other liabilities</b>		
Income tax payable	0	645
<b>Total provisions for other liabilities</b>	<b>0</b>	<b>645</b>
<b>Payables</b>		
Payables arising out of direct insurance operations	480	706
Payables arising out of reinsurance operations	25,423	38,391
Other payables	90	108
<b>Total payables</b>	<b>26,183</b>	<b>39,205</b>
<b>Accruals and deferred income</b>		
Accruals and deferred income	7,929	8,839
<b>Total accruals and deferred income</b>	<b>7,929</b>	<b>8,839</b>
<b>Total liabilities</b>	<b>131,619</b>	<b>142,528</b>
<b>Total equity and liabilities</b>	<b>165,406</b>	<b>174,666</b>

# GARD M&E INSURANCE (EUROPE) AS

## Cash flow analysis

Amounts in USD 000's	21.02.16 to 20.11.16	21.02.15 to 20.11.15
<b>Cash flow from operating activities</b>		
Profit from ordinary operations before tax	1,004	(4,781)
Change in unrealised gain/(loss) on investments	(764)	158
Change in receivables and payables	(8,551)	(4,358)
Change in technical provisions and other accruals	597	6,277
Purchase/sale of other investments	0	(7)
Financial investments	140	(10,212)
<b>Net cash flow from operating activities</b>	<b>(7,575)</b>	<b>(12,923)</b>
<b>Cash flow from investment activities</b>		
Investment management expenses	(30)	(20)
<b>Net cash flow from investment activities</b>	<b>(30)</b>	<b>(20)</b>
<b>Cash flow from financial activities</b>		
Increase of share capital	0	19,435
<b>Net cash flow from financial activities</b>	<b>0</b>	<b>19,435</b>
Net change in cash and cash equivalents	(7,605)	6,492
Cash and cash equivalents at beginning of year	22,825	14,422
<b>Cash and cash equivalents at end of year</b>	<b>15,219</b>	<b>20,914</b>

# GARD M&E INSURANCE (EUROPE) AS

## Notes to the accounts

### Note 1 - Corporate information

#### Corporate information

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

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

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

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

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

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

#### Basis of preparation of the Accounts

The quarterly accounts includes activity from 21 February 2016 to 20 November 2016.

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

*Departures from Regulations for annual accounts for insurance companies:*

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

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

The accounts as at 20.11.2016 has not been audited.

#### Use of accounting estimates when preparing the accounts

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

#### Insurance contract liabilities

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

# GARD M&E INSURANCE (EUROPE) AS

## Notes to the accounts

### Note 2 – Related party transactions

#### Reinsurance agreements

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

#### Insurance agency agreement

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

### Note 3 - Changes in total equity

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

Amounts in USD 000's	Share capital	Premium fund	Retained earnings	Total equity
<b>Total equity as at 21.02.16</b>	<b>32,392</b>	<b>877</b>	<b>(1,130)</b>	<b>32,138</b>
Change in total equity for the first quarter	0	0	1,649	1,649
<b>Total equity as at 20.11.16</b>	<b>32,392</b>	<b>877</b>	<b>519</b>	<b>33,787</b>

### Note 4 – Capital Requirements

Amounts in USD 000's	As at 20.11.16
<b>Own funds</b>	
Ordinary share capital	32,392
Share premium account	877
Reconciliation reserve	(570)
<b>Excess of assets over liabilities</b>	<b>32,698</b>
Tier 1 - Unrestricted	32,698
<b>Total basic own funds / (equal to Excess of assets over liabilities)</b>	<b>32,698</b>
<b>Total ancillary own funds</b>	<b>0</b>
Total available own funds to meet the SCR	32,698
Total available own funds to meet the MCR	32,698
Total eligible own funds to meet the SCR	32,698
Total eligible own funds to meet the MCR	32,698
SCR	19,628
MCR	4,907
<b>Ratio of eligible own funds to SCR</b>	<b>166.59 %</b>
<b>Ratio of eligible own funds to MCR</b>	<b>666.36 %</b>

# GARD M&E INSURANCE (EUROPE) AS

## Notes to the accounts

### Note 4 – Capital Requirements continued

	As at
Amounts in USD 000's	20.11.16
<b>Minimum Capital Requirement (MCR)</b>	
Linear MCR	2,256
SCR	19,628
MCR cap (45% of SCR)	8,832
MCR floor (25% of SCR)	4,907
Combined MCR	4,907
Absolute floor of the MCR	4,076
<b>MCR</b>	<b>4,907</b>
<b>Solvency Capital Requirement (SCR)</b>	
Market risk	3,165
Counterparty default risk	7,260
Non-life underwriting risk	10,329
Diversification	(4,254)
<b>Basic SCR</b>	<b>16,499</b>
<b>Calculation of SCR</b>	
Operational risk	3,129
<b>SCR</b>	<b>19,628</b>

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

20 January 2017

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Trond Eilertsen  
Chairman

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Morten Hoegh

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Jane Sy

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Yngvil Åsheim

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Ian Beveridge