DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year to 20 February

2017

Highlights

83
Combined ratio
PER CENT, ETC BASIS

215
Total comprehensive income
USD MILLIONS, ETC BASIS

824
Gross written premium
USD MILLIONS, ETC BASIS

1135
Equity
USD MILLIONS

3.0
Assets
USD BILLIONS

FIVE YEAR COMPARISON

	2013	2014	2015	2016	2017
Gross written premium USD millions, ETC basis	884	959	991	911	824
Total comprehensive income USD millions, ETC basis	98	89	87	86	215
Combined ratio Per cent, ETC basis	101	97	88	83	83
Equity USD millions	875	919	960	1,010	1,135
Assets USD billions	2.6	2.7	2.7	3.0	3.0

CHAIRMAN'S STATEMENT

It is likely that history will look back on 2016 as an extraordinary year. On the political world stage, the unexpected happened and economically the maritime industries had a record-breaking year – but not in the desired way. Against this background, I am pleased to report that Gard has produced strong results for the year with a USD 215 million total comprehensive income. This allows the association to waive the Deferred Call, reducing the premium cost for mutual members with USD 90 million.

This result has come from a combination of an efficient organisation to provide the required marine insurance products cost effectively and the maintenance of a clear focus on quality of service. The result is also a reflection of the high operational standards and quality of the Gard membership and the related low claims. For the first time in the recent history, the Club's strong capital position allows us to reduce the cost of insurance to our mutual Members by waiving the deferred call in its entirety – this equates to a 25 per cent rebate on the expected costs, all to the benefit of our Members.

A record breaking year

A review of the key events for the maritime and offshore industries in 2016 makes for rather gloomier reading than the Gard results. The Baltic Dry Index fell to an all-time low of 291, the container market had its first major corporate casualty for 30 years in Hanjin, shipyards recorded a historically low level of newbuilds with fewer than 500 orders reported in 2016 and the price of oil briefly dipped below USD 30 a barrel. Fortunately, we are now seeing some signs of improvements in the shipping markets.

While the World Bank predicts a moderate economic recovery for 2017, they also say that weak investments are weighing on the medium-term prospects of many emerging markets and developing economies. With a new US administration with strong views on trade but, as yet, no explicit actions, and the UK embarking on an untrodden path to exit an existing trading bloc, there is heightened policy uncertainty in major economies.

The anti-trade rhetoric is also being accompanied by a growing number of countries introducing protectionist measures. According to the World Trade Organization, between May and October 2016, G20 economies introduced new protectionist trade measures faster than at any time since the financial crisis in 2008. Some economists believe that this creeping protectionism has reached a point where it is contributing to the ongoing slowdown in global trade. It is definitely something that we are also noticing as a global insurance provider – with access to certain markets becoming more challenging.

At times such as these, predicting the future is only for the brave. The role of Gard is to help keep world trade moving – through lulls in activity as well as during busier periods. Everyone in the organisation, from the Board downwards, is alive to the challenges faced by Members and customers in the current cycle and is looking at what support the group can provide – be that in providing cost effective marine insurance solutions or being able to help cashflow in the event of a casualty.

The right scale to respond

Short term developments in the external environment need monitoring and consideration, but Gard takes a long-term view on the business of assuming and managing risk. Our strategy focusses on three key strands of activity; maintaining financial strength, developing our market position and building an efficient global organisation. The CEO's Operational Review outlines Gard's achievements for each of these in the last 12 months.

The insurance industry faces its own challenges and over the last several years has experienced significant change. Market conditions for casualty insurers have deteriorated significantly during the last 12 months and pricing remains under severe pressure. The investment environment is volatile and we must be prepared for periods of negative returns. Some believe that the answer to cope better with these challenges is consolidation.

Despite a few attempts, the P&I market has remained immune to M&A activity, so far. However, the property & casualty market has not and competitors in the marine and energy sectors have been part of this trend. Gard's position is that we have the necessary scale to provide the marine insurance products the market requires cost effectively in locations where customers are active and trade is taking place, as well as having the stability and capabilities that Members and customers rely upon. It enables us to offer a stable rate environment, provide industry leadership and attract the expertise and talent that we need to handle the largest and most challenging claims

Responding to external change

Both government and society increasingly demand that businesses provide greater levels of transparency and a proper knowledge of its customers. As part of this, we wish to ensure that remuneration payments to brokers, and other intermediaries, are wholly transparent and meet best practice standards. We require full clarity among everyone involved. New processes were introduced well in advance

CHAIRMAN'S STATEMENT
continued

of the 2017 renewal, and this policy of knowing our customers better will be something on which we will continue to focus in the coming months.

A year ago, the lack of firm assurance on whether or not the IOPC would step up and meet its share of any liabilities arising from casualties under internationally agreed liability regimes was a matter of grave concern for the clubs. This system – which had worked very well for many years was at risk because of the decision by the IOPC 1971 Fund to wind itself up – despite there being outstanding claims against it. We were very pleased that at the end of 2016, eight years of negotiations between the International Group of P&I Clubs and the IOPC Fund were successfully brought to a close with an agreement on the funding of interim payments. This set out the basis on which individual Group Clubs and the 1992 IOPC Fund will agree to treat interim payments made by the two paying parties in the event of future 1992 CLC/1992 IOPC Fund incidents.

Pulling in the same direction

In what are challenging times for many, being able to report on the continued success and positive developments at Gard, both financially and operationally is good news for everyone involved with the group. Even more encouragingly, there is no sense that the organisation is resting on its achievements but rather continuing to progress through solid team work, a strong business performance, productive financial and human capital and above all, a robust knowledge base and a willingness to adapt to change.

Still we must always be on guard against complacency. We have survived and prospered in a world of turbulence and volatility, and it is important that we preserve and improve upon the characteristics that have made Gard what it is today – and what sets us apart. I would like to thank the management and staff for their dedication and commitment in managing Gard. I would also like to thank the Boards and Committees for their important contributions during the year. A special thanks also to Tadeusz Niszczota, who is leaving our board this summer, for his active contribution to the Board, Committees and subsidiaries for many years. I very much look forward to continuing my work with all of you in the coming year.

Bengt Hermelin
Chairman

CEO'S OPERATIONAL REVIEW

The financial year ending 20 February 2017 has delivered exceptional results for the Gard group – with a combined ratio net of 83 per cent and a total comprehensive income of of USD 215 million on an Estimate Total Call (ETC) basis. Although the group's income declined by nine per cent, primarily due to a continued softening market and lower demand in some segments, the results benefited from a fall both in the frequency and severity in claims activity.

The non-technical result was a profit of USD 104 million, a 4.7 per cent return on the portfolio. This constitutes a return which is commendable, although possibly hard to sustain in the medium term.

The strength of this year's results has a great deal to do with our Members and clients working hard to deliver first class operations – the quality of which is a key driver in preventing accidents and handling critical issues efficiently.

The financial statements have been prepared in accordance with the amended regulations for annual accounts for insurance companies, approved by the Norwegian Ministry of Finance. The change in accounting principles took effect from the start of the current year and the accounts for the previous year have been restated. The opportunity to make provisions to a contingent liability (contingency reserve) has been removed and the contingency reserve is now presented as other equity as well as a deferred tax liability. Although no change to the tax treatment of provisions for risk equalization in Norway has been decided, the difference between the treatment of contingency reserve in the financial statements and in the tax accounts is deemed to be a temporary difference.

Knowing where you stand

Undoubtedly this is a very difficult trading period for those in the marine industries. It is unsurprising that shipowners and operators are looking carefully at their costs – managing their bottom line is vital. More business critical, however, is dealing with the consequences of a catastrophe – both in terms of cashflow and ongoing operations. At times such as these, a proper partnership is critical – working with an insurer who can deliver prompt payment and the capabilities to get the business back on track.

We believe that our strategy of focussing on three key activities – maintaining our financial strength, developing our market position and building an efficient global organisation – is fundamental. It delivers the stability and consistency that protects the assets, incomes, and reputations of our Members and clients. This is demonstrated by our policy of setting clear financial targets for how much capital we feel it is prudent to hold and, when we achieve these targets, returning excess funds to our Members.

We will do this again for the ninth successive year. Our equity now stands at USD 1,135 million – the strength of this capital position means we will waive the 25% deferred call, amounting to USD 90 million, in its entirety. In total, we have returned over USD 300 million to mutual members over the last decade.

We are confident in the strength of our capital position for the next several years. Standard and Poor's concur with this assessment. In their last rating analysis in November 2016 they stated: "Gard has significantly grown its capital base in recent years, making it more stable and less vulnerable to one-off losses, in our view."

On your side

Helping to see the whole risk picture underpins both our product portfolio and our approach to handling claims – we understand your perspective and see the world through your eyes. Buyers tend not to think about products, they think about their overall risk profile. Our objective is to ensure our products and services are client and broker driven, and that we provide the fullest possible service across the group. We achieved another good underwriting performance, with a combined ratio for P&I of 75 per cent and 103 per cent for Marine & Energy. Overall, our gross written premium reduced in the last 12 months, while number of vessels entered and gross tonnage covered have increased. Consequently, we are providing more insurance at a lower cost to our buyers.

For P&I, gross written premium for the year was USD 621 million and net claims to 20 February 2017 totalled USD 326 million. During the 2017 P&I renewal many businesses were taking tough decisions about how much money they had to spend and on what. We believe that there is a right price for each risk and are prepared to stand our ground on pricing decisions when we think that is the right thing to do for the long-term health of the Club.

While tonnage reduced slightly at 20 February, it was in line with our expectations. We gained new Members and our retention rate remained very robust. During the 2016 financial year, there was an increase in tonnage of 1.1m gt.

P&I has seen a lower loss experience with both fewer claims and fewer large claims. While there has been a decline in both the

CEO'S OPERATIONAL REVIEW

continued

severity and frequency of collisions – which may be accounted for by slow steaming – the damages inflicted to quays and port installations does not reflect that. We are seeing a number of other claims' trends including cases of seafarers seeking back pay and repatriation following the introduction of the Maritime Labour Convention in 2017 protecting seafarers' rights in case of abandonment and unpaid wages. It is likely that these will increase in number as shipowners hit hard times. There are also signs that cost cutting is taking place in terms of reducing maintenance and employing less-experienced and cheaper crews – both of which can have expensive consequences.

For Marine & Energy, gross written premium for the year was USD 203 million, and in terms of numbers of vessels insured, this now totals nearly 9000 vessels and we have the claims lead on 47 per cent of these. Energy had a less successful year with this relatively small book of business suffering from a few large claims. This is a volatile class of business and we plan accordingly.

In Marine, the fact that we offer a combined P&I and marine claims service and a global network is one of the fundamentals underpinning our value proposition – one that sets us apart from other providers. When times are tough, having the expertise and capabilities to do the right thing – in the right way – makes for a business that is highly sustainable in the long term.

Both property and loss of hire claims are lower than the norm, possibly reflecting a less active trading environment and more vessels in lay-up, especially in the offshore sector, and we are seeing an increasing need for cashflow support to pay for repairs etc. Where we have the claims lead, we are able to act swiftly to give the right support.

Fit for the future

We continue to refine our strategy based on our three areas of strategic focus:

- Financial strength as a competitive differentiator
- Long term moderate growth to utilise benefits of scale
- A more efficient global organisation with focus on competence development and a strong service offering.

Our foundation and long term goals stay constant – our direction of travel is set. This does not mean however that nothing changes. We absolutely want to look at specific areas where we might need to accelerate or to change emphasis. For example, our core purpose is the management of risk, so we are increasing our focus on new product and business development.

Embracing disruption

Digitalisation will transform our industry. So, our strategy and structure must be nimble enough to help us respond to all of this. The reality is that innovation is not about technology, it is about helping us meet current and future client needs and build a more inclusive, sharing culture in the future.

We want to establish a culture where innovation is something we all do. One strand of our work will be looking into Proof of Concepts – which allow us to test new ideas in a controlled environment. These will be concepts that help us to deliver a better customer experience or improve our business model, and we want everyone in the organisation to feel they can contribute. Once we have established potential value, we will then find the resources we need to take that work forward.

One of our recent initiatives to focus more in this area is by working with Toppindustrisenteret (Digital Norway) – an organisation that brings together businesses and academia to share data, knowledge and experiences of digitalisation with the aim of encouraging innovation. This will be a key input for us in looking at new ways of working.

Closer co-operation

Historically we have tended to look at our organisation as defined functions and in the last year we have taken steps to understand the flow of products and services from the buyers' perspective, with an increasing focus on co-operation between Underwriting and Claims, and also accounting/finance. We have established working groups to look at how we can align, coordinate and develop our operations.

Knowing our customers

As a group built on the foundation of mutuality, with FAIR as our core values, we are 100 per cent committed to running our business in a way that meets the highest standards of transparency and integrity. This is why in the last year we have focussed on knowing our customers better. Part of that is promoting a clear and proper practice for the way we conduct business, so from 20 February 2017, we have led the market by specifying the amount of commission to be paid to brokers or other intermediaries in our debit notes.

Access to knowledge and experience

Key capabilities that set us apart are the expertise and technical know-how that enable us to handle complexity and consequences of claims that create supply chain disruption. Gard makes a serious investment in our intellectual capital. The depth of knowledge across the organisation, combined with the breadth of our involvement in the industry, makes us uniquely placed to share knowledge and experience both before and after an event.

In the last year, there have been several examples that demonstrate this commitment. In September 2016, we announced the winners of the Claes Isacson Scholarship. This was the third year that the scholarship has been awarded. We had 53 applicants from 22 countries, all with first class academic records. We are also the first insurer to become a Green Award Incentive Provider. Green Award certifies ships that are extra clean and safe and ships with this certificate reap various financial and non-financial benefits. Our contribution will focus on an annual seminar to address topics such as market challenges and trends, risk management and loss prevention, as well as innovation and new technology. We will also help to create a benchmark for the performance of Green Award vessels.

CEO'S OPERATIONAL REVIEW
continued

We were delighted when the work on the Hoegh Osaka casualty in January 2015 was recognised at a prestigious London Market insurance awards event. Gard won the Insurance Insider Cuthbert Heath Award (Claims and Losses) for working with the owner to rise to the extraordinary challenges of a major claim event.

Building robust relationships with government authorities and other casualty stakeholders in key jurisdictions around the world is a vital part of creating mutual understanding and communication to deliver a more effective and co-ordinated response should serious incidents occur. We fully support the work of the International Group of P&I Clubs in their efforts to sign large casualty Memorandums of Understanding in key jurisdictions. The UK Marine and Coastguard Agency is the latest organisation to sign-up to this collaborative framework following South Africa, Australia and New Zealand.

Being prepared

There is no doubt that 2016 was an exceptional year for the group – with all areas of the business delivering strongly. We remain, however, alive to the shifts that are taking place within the maritime industries; technological development, increased specialisation, changing business models and increasing internationalisation.

We understand the need to be nimble and to embrace change – while retaining our deep foundations of mutuality and service, and always basing our actions on the needs of our Members and clients. We want to be the preferred partner for insurance solutions and so will continue to focus on having the structures and skills to meet our buyers' needs both today and tomorrow.

Rolf Thore Roppestad
Chief Executive Officer

CORPORATE SOCIAL RESPONSIBILITY

We place Corporate Social Responsibility (CSR) at the heart of our business. Our core values: *Friendliness*, *Adaptability*, *Integrity*, and *Result-oriented* (FAIR), are the principles that guide our behaviour in all our business processes. Our strategic objectives are based on three pillars of excellence – knowledge and expertise, financial strength and long-term relationships, with sustainability being a key part of each pillar. We apply the 17 United Nations' Sustainable Development Goals (UN SDGs) as guiding principles and we seek to ensure that our CSR activities are aligned with these global goals.

CSR is also an integral aspect of our investment strategy, and we fully support the UN Principles of Responsible Investment and encourage 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.

Knowledge sharing is a key foundation

We integrate social and environmental concerns into our day-to-day activities. We are committed to making a positive contribution to the industries we serve by offering dedicated resources to share knowledge and expertise. For example, members of the Gard team contribute to the work of the International Group (IG), by providing a wide range of expertise in legal, insurance and technical matters to the IG's subcommittees and working groups which helps both the industry and society. We also support other important industry stakeholders such as Cefor where our Chief Claims Officer has chaired the organisation for the past two years.

We are involved in various global industry initiatives with other maritime organisations. Our Gard Updates are widely distributed and shared across the industry. We believe that, by sharing our insight, we can help to improve industry standards and promote collaboration among industry participants for mutual value creation. We look to build long-term relationships with external stakeholders and maintain a network of partners to enhance knowledge sharing on corporate responsibility issues.

We form strategic alliances with educational bodies to build competence and capabilities internally and externally:

- We have strengthened our cooperation with the Agder University (UiA) in Norway and joined their circle of business partners to collaborate to support the university's research. We have set up made-to-measure MBAs for Gard's leadership programme participants, joined the project developing the future UiA strategy and become one of their partners in the first dedicated centre for research on Artificial Intelligence (AI) in Norway.
- We continue to support the World Maritime University (WMU). It was founded in 1983 by the International Maritime Organization (IMO), a specialised agency of the United Nations and a centre of excellence for maritime post-graduate education and research. The WMU aims to further enhance the objectives and goals of the IMO and its member states around the world through education, research, and capacity building to ensure safe, secure and efficient shipping on clean oceans. Since 2011, we have funded seven students at the university. Gard's Chief External Affairs Officer also serves on the Executive Board.
- For the past four years, we have supported the Institute of Maritime Law (IML) at the University of Southampton, England. The institute is recognised as one of the world's leading research and educational institutions within the field of maritime law. Included in our support to IML is the Gard Best Student Award which is given to the student with the highest mark in the subject of Carriage of Goods. The Award includes a monetary award intended to cover educational costs and a one day introduction to Gard.
- We have supported of the Arendal International School since its launch in 2006. Over the past decade, the school has grown from 20 to 180 students, from over 50 countries by a staff with roots in more than 14 countries. Gard's Chief External Affairs Officer serves on the school's board.

We also develop strong relationships with local communities, and invest in the next generation of maritime professionals:

- We continue to support Agdering, an organisation for major employers based in the southern Norwegian region of Agder. Our employees collaborate and share knowledge on specific topics such as HR, management and accounting. The use of LEAN methodology in Gard has been one of the topics in 2016.
- Furthermore, we have continued the annual Claes Isacson Scholarship for maritime education. The scholarship was set up in 2013 to help finance a university student with a view to its recipients finding work within the shipping and marine insurance sectors. In 2016, two scholarship were awarded to Dionysis-Ioannis Anghelopoulos from Greece and Jonatan Echebarria Fernández from Spain.

Supporting humanitarian work

We have been an official partner of the Norwegian Red Cross for the past two years, and we have supported the organisation and its international societies in its work handling the aftermath of natural disasters for many years. In addition to financial aid at international, national and regional level, we also work to connect the Red Cross with our correspondents to contribute to building resilience in societies that are sporadically struck by natural disasters, civil unrest or similar. In 2016, the Red Cross established contact with several of our global correspondents, including those in Honduras, El Salvador, the Philippines and Colombia. We have also assisted the Red Cross on specific requests in areas where we have network and contacts.

Another important element in the partnership is the mutual exchange of knowledge and expertise. For instance, Gard employees have received lectures on topics such as *International Human Rights* and *Current global conflicts and way forward* from Red Cross employees. In return, several Red Cross team leaders have joined Gard leadership development courses to obtain leadership skills training and organisational management insight.

Finally, The Red Cross has visited our Norwegian offices to introduce the organisation. Gard and its employees have also contributed in specific campaigns such as the annual TV telethon and Network-activity after Imprisonment (ORCN).

GARD P. & I. (BERMUDA) LTD
Statement of comprehensive income

Amounts in USD 000's	Notes	Parent company 21.02.16 to 20.02.17	Parent company Restated* 21.02.15 to 20.02.16	Consolidated accounts 21.02.16 to 20.02.17	Consolidated accounts Restated* 21.02.15 to 20.02.16
Technical account					
Gross earned premium	4, 6	398,945	480,126	767,364	897,286
Ceded reinsurance		(257,105)	(309,799)	(150,181)	(169,760)
Earned premium for own account	3	**141,840**	**170,327**	**617,183**	**727,526**
Other insurance related income		**175**	**126**	**1,395**	**416**
Gross incurred claims	2, 6	277,179	324,980	530,445	791,184
Reinsurers' share of gross incurred claims		(122,324)	(174,034)	(37,400)	(258,925)
Claims incurred for own account	3, 6	**154,856**	**150,946**	**493,045**	**532,259**
Acquisition costs		18,405	19,074	37,959	36,871
Agents' commission		28,551	31,886	58,112	67,542
Commission received		(41,467)	(50,995)	(11,483)	(11,522)
Insurance related expenses for own account	3, 7	**5,489**	**(36)**	**84,588**	**92,891**
Other insurance related expenses	7	**3,306**	**2,938**	**9,804**	**6,559**
Technical result		**(21,636)**	**16,605**	**31,140**	**96,233**
Non-technical account					
Income from investments in group companies		39,514	35,458	0	0
Interest and similar income	8	3,015	3,799	23,751	15,454
Change in unrealised gain/(loss) on investments		25,605	(91,133)	94,744	(170,917)
Gain/(loss) on realisation of investments		(8,899)	70,085	(4,858)	103,854
Investment management expenses		(3,977)	(1,922)	(9,974)	(2,346)
Non-technical result		**55,258**	**16,287**	**103,664**	**(53,955)**
Profit before tax		**33,622**	**32,892**	**134,804**	**42,278**
Taxation	9	2,425	2,922	8,909	8,844
Net result		**31,198**	**29,971**	**125,895**	**33,434**
Other comprehensive income/(loss)					
Exchange differences on subsidiaries		0	0	380	(793)
Remeasurement due to change in pension assumptions	20	(194)	339	(1,527)	16,853
Total comprehensive income		**31,004**	**30,310**	**124,748**	**49,494**

*See note 2.2.

GARD P. & I. (BERMUDA) LTD.
Balance sheet

Amounts in USD 000's	Notes	Parent company As at 20.02.17	Parent company Restated* As at 20.02.16	Consolidated accounts As at 20.02.17	Consolidated accounts Restated* As at 20.02.16
Assets					
Intangible					
Developed software	10	0	0	1,923	2,231
Total intangible assets		**0**	**0**	**1,923**	**2,231**
Investments					
Property and plant used in operations	11	0	0	27,695	25,285
Financial investments in subsidiaries					
Investments in subsidiaries	13	597,289	597,289	0	0
Loan to subsidiaries	3, 15	28,809	27,950	0	0
Financial investments at fair value through profit or loss					
Equities and investment funds	14, 15, 16	250,887	248,422	935,726	892,807
Bonds	14, 15, 16	317,398	331,933	1,053,875	1,101,671
Financial derivative assets	14, 15, 16	3,674	7,596	9,420	15,839
Other financial investments	14, 15	181,928	78,355	309,605	161,211
Total investments		**1,379,985**	**1,291,545**	**2,336,321**	**2,196,813**
Reinsurers' share of technical provisions					
Reinsurers' share of gross premium reserve		14	0	3,423	5,196
Reinsurers' share of gross claims reserve	3, 6, 15	441,512	463,775	293,317	327,249
Total reinsurers' share of technical provisions		**441,526**	**463,775**	**296,740**	**332,446**
Receivables					
Receivables from direct insurance operations					
Policyholders	17	16,550	55,119	130,196	205,321
Receivables from reinsurance operations					
Receivables from reinsurance operations		0	0	1,736	0
Receivables from subsidiaries	3	22,879	2,681	0	0
Other receivables					
Other receivables	18	25,000	0	51,415	29,850
Other receivables from subsidiaries	18	283	5,423	0	0
Total receivables	15	**64,711**	**63,223**	**183,347**	**235,170**
Other assets					
Equipment	12	661	731	6,162	6,333
Cash and cash equivalents	15, 19	38,875	68,665	176,189	174,572
Deferred tax asset	9	0	0	1,181	5,089
Other financial assets	15	9,248	6,005	23,210	20,084
Total other assets		**48,784**	**75,401**	**206,742**	**206,078**
Prepayments and accrued income					
Accrued income and other prepayments		4,133	3,767	22,058	32,619
Total prepayments and accrued income		**4,133**	**3,767**	**22,058**	**32,619**
Total assets		**1,939,139**	**1,897,710**	**3,047,131**	**3,005,357**

*See note 2.2.

GARD P. & I. (BERMUDA) LTD.
Balance sheet

Amounts in USD 000's	Notes	Parent company As at 20.02.17	Restated* As at 20.02.16	Consolidated accounts As at 20.02.17	Restated* As at 20.02.16
Equity and liabilities					
Equity					
Statutory reserve	21	463	463	463	463
Other equity	23	904,083	873,079	1,134,400	1,009,651
Total equity		**904,545**	**873,541**	**1,134,862**	**1,010,114**
Technical provisions					
Gross premium reserve		28	0	100,709	133,512
Gross claims reserve	6	827,679	880,525	1,445,660	1,572,498
Total technical provisions		**827,708**	**880,525**	**1,546,369**	**1,706,010**
Provision for other liabilities					
Pension obligations, net	20	1,093	962	33,533	30,047
Income tax payable	9, 15	4,409	4,853	6,613	10,034
Other provision for liabilities		0	0	95	0
Total provisions for other liabilities		**5,501**	**5,815**	**40,242**	**40,081**
Payables					
Payables arising out of direct insurance operations		15,650	21,932	30,709	29,211
Payables arising out of reinsurance operations		2,793	1,314	6,656	9,741
Payables arising out of reinsurance operations - group companies		2,209	0	0	0
Payables to group companies		29,474	30,236	0	0
Financial derivative liabilities	14, 15, 16	3,186	4,679	8,799	19,297
Other payables	14, 15, 18	135,716	68,469	256,940	168,590
Total payables		**189,027**	**126,631**	**303,104**	**226,839**
Accruals and deferred income					
Accruals and deferred income		12,357	11,199	22,553	22,313
Total accruals and deferred income		**12,357**	**11,199**	**22,553**	**22,313**
Total liabilities		**1,034,593**	**1,024,169**	**1,912,268**	**1,995,243**
Total equity and liabilities		**1,939,139**	**1,897,710**	**3,047,131**	**3,005,357**

*See note 2.2.

GARD P. & I. (BERMUDA) LTD.

Statement of changes in equity

Amounts in USD 000's	Notes	Parent company Statutory reserve	Parent company Other equity	Parent company Total	Consolidated accounts Statutory reserve	Consolidated accounts Other equity	Consolidated accounts Total
Equity as at 20.02.2015		**463**	**0**	**463**	**463**	**0**	**463**
Change in accounting policy related to contingency reserve	23	0	842,768	842,768	0	968,590	968,590
Tax effect on change in accounting policy		0	0	0	0	(8,433)	(8,433)
Equity as at 21.02.2015		**463**	**842,768**	**843,231**	**463**	**960,157**	**960,620**
Net result		0	29,971	29,971	0	33,434	33,434
Remeasurement due to change in pension assumptions		0	339	339	0	(793)	(793)
Exchange differences on subsidiaries		0	0	0	0	16,853	16,853
Equity as at 20.02.2016		**463**	**873,079**	**873,541**	**463**	**1,009,651**	**1,010,114**
Equity as at 20.02.2016		**463**	**873,079**	**873,541**	**463**	**1,009,651**	**1,010,114**
Net result		0	31,198	31,198	0	125,895	125,895
Remeasurement due to change in pension assumptions		0	(194)	(194)	0	(1,527)	(1,527)
Exchange differences on subsidiaries		0	0	0	0	380	380
Equity as at 20.02.2017		**463**	**904,083**	**904,545**	**463**	**1,134,400**	**1,134,862**

GARD P. & I. (BERMUDA) LTD.

Cash flow analysis

Amounts in USD 000's	Notes	Parent company 21.02.16 to 20.02.17	Parent company 21.02.15 to 20.02.16	Consolidated accounts 21.02.16 to 20.02.17	Consolidated accounts 21.02.15 to 20.02.16
Cash flow from operating activities					
Profit from ordinary operations before tax		33,622	32,892	134,804	42,278
Tax paid	9	(3,003)	(3,082)	(7,523)	(9,892)
Dividends received from subsidiaries		(4,000)	(5,000)	0	0
Change in unrealised gain/loss		(25,605)	91,133	(94,744)	170,917
Income/loss from sales of equipment		0	0	(177)	(64)
Depreciation, impairment and amortisation expenses	11, 12	70	0	2,954	3,556
Change in pension obligations	20	131	(384)	3,486	(62,267)
Pension costs charged to statement of comprehensive income	20	73	108	(11,916)	56,574
Financial investments		(63,468)	(134,216)	(52,851)	(191,772)
Change in valuation due to change in exchange rates		453	(254)	(338)	(1,584)
Change in receivables and payables		60,113	94,046	138,587	129,967
Change in technical provisions and other accruals		(29,775)	(46,947)	(108,265)	(63,193)
Net cash flow from operating activities		**(31,390)**	**28,297**	**4,015**	**74,519**
Cash flow from investment activities					
Dividends received from subsidiaries	3	4,000	5,000	0	0
Group contribution paid to/received from subsidiary	3	0	26,074	0	0
Purchase of intangible assets	10	0	0	(10)	(611)
Purchase of equipment	12	0	0	(1,081)	(1,089)
Purchase of property and plant	11	0	0	(2,932)	(372)
Proceeds from disposal of equipment		0	0	1,625	984
Net cash flow from investment activities		**4,000**	**31,074**	**(2,398)**	**(1,088)**
Cash flow from financial activities					
Borrowings		0	9,524	0	0
Repayment of borrowings		(2,400)	(16,077)	0	0
Net cash flow from financial activities		**(2,400)**	**(6,553)**	**0**	**0**
Net change in cash and cash equivalents		(29,790)	52,818	1,617	73,431
Cash and cash equivalents at beginning of year		68,665	15,846	174,572	101,141
Bank overdraft at beginning of year		0	0	0	0
Cash and cash equivalents at end of year		**38,875**	**68,665**	**176,189**	**174,572**

*See note 2.2.

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 1 – Corporate information – the Gard group of companies

Gard P. & I. (Bermuda) Ltd. (the "Company") is a mutual insurance association registered and domiciled in Bermuda. The Company is incorporated as an exempted company and licensed by the Bermuda Monetary Authority as a Class 2 insurer. As a mutual insurance association the Company is owned by its Members being the owners and charterers of the ships from time to time insured by the Company for Protection and Indemnity risks ("P&I"). There are no external capital owners.

The principal activities of the Company and its subsidiaries (the "Gard group") are; the insurance of marine P&I risk on behalf of its Members; the insurance of marine and energy risks through its wholly owned subsidiary Gard Marine & Energy Limited; and management of assets covering the technical provisions.

The Members of the Company are also Members of Assuranceforeningen Gard – gjensidig - and vice versa. The major part of the two associations' combined portfolio of direct business (currently about 80 per cent) is underwritten by the Company through its Norwegian branch as direct insurer. Assuranceforeningen Gard - gjensidig - is primarily used as a vehicle for a smaller proportion of the combined P&I portfolio being primarily direct P&I business where an EU/EEA based insurer is required in order to comply with the governing regulations with regard to cross border activities.

Assuranceforeningen Gard – gjensidig - ("Gard Norway") is a mutual insurance association registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out marine liability and legal costs insurances. The principal activity of Gard Norway is the insurance of marine P&I risk on behalf of its Members, including the reinsurance of a proportion of the P&I risk, underwritten by the Company as direct insurer.

Gard Marine & Energy Limited ("Gard M&E") is a wholly owned subsidiary of the Company. Gard M&E is registered and domiciled in Bermuda and licensed by the Bermuda Monetary Authority as a Class 3B insurer covering, inter alia, marine and energy risks. The principal activity of Gard M&E is direct insurance of marine and energy risks.

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

Hydra Gard Cell ("Hydra"). Hydra Insurance Company Limited is a reinsurance company established by the parties to the International Group of P&I Clubs' Pooling Agreement pursuant to the Bermuda Segregated Accounts Companies Act 2000, as amended for the purpose of reinsuring certain layers of risks retained by the insurers being parties to the said Pooling Agreement. The Hydra Gard Cell is owned 100 per cent by the Company. The assets and liabilities of the segregated account of the Company, the Hydra Gard Cell, are separated from the general accounts of Hydra Insurance Company and from any other cells.

Safeguard Guarantee Company Ltd. ("Safeguard") is a wholly owned subsidiary of the Company and is registered and domiciled in Bermuda. Safeguard is licensed by the Bermuda Monetary Authority as a Class 3A insurer. It has offered insurance and financial security for special risks falling outside the scope of the traditional marine liability cover. Safeguard has suspended underwriting after 20 February 2015.

Gard Reinsurance Co Ltd ("Gard Re") is a wholly owned subsidiary of the Company registered and domiciled in Bermuda. Gard Re is licensed by the Bermuda Monetary Authority as a Class 3A insurer. Its principal activity is the reinsurance of an agreed proportion of the risks retained by the Company, Gard M&E and Gard Norway.

Lingard Limited ("Lingard") is an insurance management company registered and domiciled in Bermuda and a wholly owned subsidiary of the Company. Lingard offers insurance management and insurance intermediary services to the Company and its Bermuda based subsidiaries Gard M&E, Gard Re and Safeguard.

Gard AS is a wholly owned subsidiary of the Company. Gard AS is registered and domiciled in Norway. Its principal activity is to provide insurance agent and intermediary services to Lingard and Gard Norway.

AS Assuransegården is a wholly owned subsidiary of the Company. AS Assuransegården is a Norwegian registered and domiciled company and the owner of various fixed properties in Norway used by the companies in the Gard group.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts

Gard P. & I. (Bermuda) Ltd. is incorporated under Bermudian Law. The operations and insurance activities of the Company are carried out by Lingard. This year's accounts include the activity from 21 February 2016 to 20 February 2017.

The financial statements have been prepared in accordance with regulations for annual accounts for general insurance companies approved by the Norwegian Ministry of Finance, except for the departures from these regulations listed below.

Deviation from Regulations for annual accounts for insurance companies:

1. Detailed portfolio of equities at fair value through profit or loss is not disclosed as this is a Norwegian requirement, but not required for a Bermuda based and regulated company.

2.2 Changes to presentation and classification

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

1 Contingency reserve has been reclassified to other equity. Related deferred tax liability has been 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". See Notes 9 and 23 for further details.

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 2 - Accounting policies continued

2 Gross written premium and Change 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.

2.3 Basis for consolidation
The consolidated financial statements comprise Gard P. & I. (Bermuda) Ltd. and the companies over which the Company has a controlling interest. A controlling interest is normally obtained when ownership is more than 50 per cent of the shares in the company and can exercise control over the company. In as much as the Company has the right to exercise membership rights in Gard Norway, the Company controls all voting rights in Gard Norway, being the legal basis for consolidating the two associations' accounts pursuant to the International Accounting Standard 27 Consolidated and Separate Financial Statements.

Transactions between consolidated companies have been eliminated in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with the same accounting principles for both parent and subsidiaries.

The acquisition method is applied when accounting for business combinations.

2.4 Use of accounting estimates when preparing the accounts
The preparation of the accounts requires the management to make estimates and assumptions that affect valuation of assets, liabilities, revenues, expenses and contingent liabilities. Due to circumstances in the future these estimates may 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.

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

Transactions in foreign currency
Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are 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 expressed in foreign currency are translated into USD using the exchange rate applicable on the transaction date. Translation differences are recognised in the income statement 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' and 'Change in unrealised gain/loss on investments' respectively. All foreign exchange gains and losses relating to technical operations are presented in the income statement as part of the technical result.

The assets and liabilities of group companies that have a functional currency different from USD are converted into USD at the rate of exchange at the closing date. Income and expenses are translated at an average rate of exchange. All resulting exchange differences are recognised in 'Other comprehensive income'.

2.6 Revenue and expense recognition
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. A deferred call 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.

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 in which they are incurred. Paid claims include an allocated portion of both direct and indirect claims handling cost.

Insurance related expenses for own account
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.

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 2 - Accounting policies continued

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

2.7 Income tax
The tax expense consists of tax payable and changes in deferred tax. Deferred tax/tax asset of the subsidiaries 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.

The Norwegian branches are liable to pay income tax based on gross earned premiums. Income tax is calculated as 25 per cent of 3 per cent of gross earned premiums irrespective of whether the branches created any profit or suffered any loss in the reporting period.

2.8 Shares in subsidiaries
Investments in the subsidiaries are valued at the lower of cost and fair value in the parent company accounts. The investments are valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivative financial instruments 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 that the group's management has the positive intention and ability to hold to maturity, other than:

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

Unrealised gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the income statement 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 income statement as part of 'Interest and similar income' when the right to receive payments is established. Dividend from investments is recognised when the Company has an unconditional right to receive the dividend.

Dividend paid is recognised as a liability at the time when the General Meeting approves the payment of the dividend.

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

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

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

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 2 - Accounting policies continued

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 consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.10 Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Company does not practice hedge accounting.

2.11 Cash and cash equivalents
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'.

2.12 Property and plant used in operation and equipment
Property, plant and equipment is capitalised and depreciated linearly over its estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and are depreciated with the related asset. If the carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount.

2.13 Technical provisions
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 income statement.

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

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

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

2.14 Employee benefits
Group companies operate various pension schemes and employees are covered by pension plans, which comply with local laws and regulations in each country in which the group operates. The group has a defined contribution plan and a closed defined benefit plan.

Pension obligations
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. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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 technical result.

For defined contribution plans, the group pays contributions to privately administered pension insurance plans on a contractual basis. The group has 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 an asset to the extent that a cash refund or a reduction in the future payments is available.

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 2 - Accounting policies continued

2.15 Provisions, contingent liabilities and assets
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 not remote or 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 Company.

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

Note 3 - Intra-group transactions

Reinsurance agreements
Gard P. & I. (Bermuda) Ltd. and Gard Norway have entered into mutual reinsurance agreements. The Company reinsures a proportion amounting to 25 per cent of Gard Norway's insurance portfolio after taking the external reinsurance into account. The Company cedes to Gard Norway by way of reinsurance 2 per cent of the Company's insurance portion after taking the external reinsurance into account.

	Received from Gard Norway		Ceded to Gard Norway	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Reinsurance	27,101	27,357	5,237	6,394
Reinsurers' share of gross settled claims	32,096	24,673	4,516	4,209
Reinsurance commission	6,480	6,396	1,275	1,662

	Received from Gard Norway		Ceded to Gard Norway	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Reinsurers' share of gross claims reserve	114,087	119,969	11,324	12,540

Both the Company and Gard M&E have entered into reinsurance agreements with Gard Re, where the two direct insurers are ceding 50 per cent of their insurance portfolio after taking the external reinsurance into account.

	Ceded to Gard Re	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Reinsurance	141,854	170,327
Reinsurers' share of gross settled claims	110,988	110,751
Reinsurance commission	34,525	44,036

	Received from Gard Re	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Reinsurers' share of gross claims reserve	293,709	313,335

The Company and Gard Norway have entered into a reinsurance agreement with Hydra, which is a segregated accounts company. The Company's segregated account (cell) in Hydra is covering the former companies' liability to layers of the International Group (IG) Pool and retention in the 1st market excess layer.

	Ceded to Hydra	
Amounts in USD million	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Ceded reinsurance	32,756	47,605

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 3 - Intra-group transactions continued

Insurance management agreement

The Company, Gard M&E, Gard Re and Safeguard have appointed Lingard as their insurance manager and principal representative in Bermuda. The services provided by Lingard are governed by individual insurance management agreements entered into between each of the above four companies and Lingard. The Company and Gard M&E have entered into an insurance services agreement with Gard (Singapore) Pte. Ltd. where Gard (Singapore) Pte. Ltd. is performing certain day-to-day operational functions for the companies' branches in Singapore.

	Insurance services invoiced	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Lingard	57,879	57,774
Gard (Singapore) Pte. Ltd.	4,052	2,704

Insurance agency agreements

Lingard in its capacity as insurance manager of the Company and Gard M&E has entered into insurance agency agreements with Gard AS and its subsidiaries. Gard AS is the general agent of the Norwegian branches of the Company and Gard M&E, whereby Gard AS is delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the two Bermuda based risk carriers. A similar agency agreement has been entered into between Gard Norway as the principal and Gard AS as the agent.

Insurance agency agreements have been concluded between Lingard and each of the subsidiaries of Gard AS for the purpose of sub-delegating certain insurance intermediary functions to regional offices in Finland, Greece, Hong Kong, Singapore, Japan, the United Kingdom and the United States of America.

Loan agreement

The Company has entered into loan agreements with AS Assuransegården and Gard AS.

	Loan balance	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16
AS Assuransegården (borrower)	14,405	13,975
Gard AS (borrower)	14,405	13,975
Gard AS (lender)	0	(2,329)

	Interest received	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
AS Assuransegården	231	299
Gard AS	288	255

	Interest paid	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Gard AS	5	96

Dividends and capital contributions

	Dividends received	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Gard M&E	0	30,000
Gard Re	35,000	0
Lingard	4,000	5,000

	Repayment of capital contribution	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Safeguard	0	26,074

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 4 - Gross written premium by geographical areas

	Parent company		Consolidated accounts	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16	21.02.16 to 20.02.17	21.02.15 to 20.02.16
EEA	185,243	218,456	375,159	415,427
Norway	98,558	113,060	109,732	143,608
Other areas	115,173	148,610	249,670	314,905
Total gross written premium	**398,974**	**480,126**	**734,561**	**873,941**

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

Note 5 - Estimated deferred call

These accounts are prepared on the basis of a Board of Directors' resolution of nil per cent deferred call in respect of the 2016 policy year (financial year ending 20 February 2017). The original estimated deferred call was 25 per cent. The deferred call for the 2015 policy year (financial year ending 20 February 2016) was reduced to 15 per cent from 25 per cent.

The reduction in deferred call amounts to USD 89.9 million (financial year ending 20 February 2016 USD 36.9 million).

On an estimated total call basis (ETC) the gross written premium for the financial year ending 20 February 2017 is USD 824.4 million (financial year ending 20 February 2016 USD 910.9 million).

Note 6 - Technical result and technical provisions

			Parent company 21.02.16 to 20.02.17			Consolidated accounts 21.02.16 to 20.02.17
Amounts in USD 000's	P&I	M&E	Total	P&I	M&E	Total
Technical result						
Gross written premium	398,974	0	398,974	531,601	202,959	734,561
Gross earned premium	398,945	0	398,945	531,474	235,890	767,364
Ceded reinsurance	(257,105)	0	(257,105)	(117,371)	(32,810)	(150,181)
Earned premium for own account	**141,840**	**0**	**141,840**	**414,103**	**203,080**	**617,183**
Claims incurred, gross						
Incurred this year	299,766	0	299,766	397,158	94,579	491,737
Incurred previous years	(22,587)	0	(22,587)	(84,713)	123,421	38,708
Total claims incurred, gross	**277,179**	**0**	**277,179**	**312,444**	**218,001**	**530,445**
Reinsurers' share of gross incurred claims	(122,324)	0	(122,324)	13,141	(50,541)	(37,400)
Claims incurred for own account	**154,856**	**0**	**154,856**	**325,585**	**167,460**	**493,045**

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 6 - Technical result and technical provisions continued

Amounts in USD 000's	P&I	M&E	Parent company As at 20.02.17 Total	P&I	M&E	Consolidated accounts As at 20.02.17 Total
Technical provisions gross						
Provisions, at the beginning of the year	(880,525)	0	(880,525)	(1,252,748)	(319,750)	(1,572,498)
Claims paid	330,024	0	330,024	437,152	220,127	657,279
Claims incurred - gross this year	(299,766)	0	(299,766)	(397,158)	(94,579)	(491,737)
Claims incurred - gross previous years	22,587	0	22,587	84,713	(123,421)	(38,708)
Foreign currency adjustment	0	0	0	0	4	4
Provisions, at the end of the year	**(827,679)**	**0**	**(827,679)**	**(1,128,040)**	**(317,619)**	**(1,445,660)**
Reinsurers' share of claims provision	441,512	0	441,512	242,142	51,175	293,317
Provisions net, at the end of the year	**(386,167)**	**0**	**(386,167)**	**(885,898)**	**(266,445)**	**(1,152,343)**
Provision for unearned premiums, gross	(28)	0	(28)	(128)	(100,582)	(100,709)
Reinsurers' share of premium provision	14	0	14	14	3,408	3,423
Provision for unearned premiums, net	**(14)**	**0**	**(14)**	**(113)**	**(97,173)**	**(97,287)**
The Company is a member of the International Group of P&I Clubs.						
Net technical provision regarding Pooling Agreement	61,733	0	61,733	148,348	0	148,348
Provision for outstanding claims						
Technical provision gross	(827,679)	0	(827,679)	(1,128,040)	(317,619)	(1,445,660)
Technical provision net	(386,167)	0	(386,167)	(885,898)	(266,445)	(1,152,343)

Provided guarantees outside cover, not recognised in the balance sheet, amount to USD 2.8 million as at 20 February 2017 (USD 3.9 million as at 20 February 2016).

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied. The Company applied the following methods: Development factor method, Bornhuetter Ferguson, a priori reduced method and Benktander. Based on these methodologies the gross claim reserve for the group ranges between USD 1,435 million and USD 1,456 million. The claim reserves for the parent ranges between USD 820 million and 834 million.

Note 7 - Insurance related expenses and number of staff

Amounts in USD 000's	Parent company 21.02.16 to 20.02.17	Parent company 21.02.15 to 20.02.16	Consolidated accounts 21.02.16 to 20.02.17	Consolidated accounts 21.02.15 to 20.02.16
Acquisition costs and commissions				
Sales related salaries and wages	0	0	22,815	19,123
Other acquisition costs	0	0	15,144	17,747
Insurance intermediary	18,405	19,074	0	0
Agents' commission	28,551	31,886	58,112	67,542
Commission received	(41,467)	(50,995)	(11,483)	(11,522)
Insurance related expenses for own account	**5,489**	**(36)**	**84,588**	**92,891**
Number of staff	**0**	**0**	**484**	**465**

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 7 - Insurance related expenses and number of staff continued

Remuneration to Group Leadership Team, Board of Directors and Committees

Amounts in USD 000's	Salary incl. Bonus *	Benefits in kind *	Total	Loan balance
Group Leadership Team				
Rolf Thore Roppestad (CEO)	828	74	902	109
Svein Buvik	402	41	443	0
Bjørnar Andresen	459	33	493	384
Steinar Bye	445	34	479	0
Kristian Dalene	296	20	316	103
Kjetil Eivindstad	367	38	405	102
Christen Guddal	337	30	367	0
Ole Rikard Rønning	222	17	239	0
Total	**3,356**	**287**	**3,404**	**697**

* All figures are excluding social security costs.

The table below provides information regarding payments made in the financial year 2017 to members of the Board of Directors within the group. Remuneration relating to the financial year 2017, but not yet paid, is accrued for in the accounts.

				Consolidated accounts
Amounts in USD 000's	Board remuneration	Board committee remuneration	Board remuneration, other group companies	Total remuneration
Members of the Board of Directors				
Bengt Hermelin (Chairman)	30	8	20	58
Kenneth Hvid (Deputy Chairman)	25	5	5	35
Salah M. Al-Hareky (Member)	20			20
Ian Beveridge (Member)	20	30	30	80
K. C. Chang (Member)	20			20
Trond Eilertsen	20	30	78	128
Herbjørn Hansson (Member)	20	5		25
Morten W. Høegh (Member)	20	15	51	86
Hans Peter Jebsen (Member)	20	5		25
Robert E. Johnston (Member)	20			20
Timothy C. Faries	20		5	25
Carl-Johan Hagman (Member)	20	15		35
Tadeusz Niszczota (Member)	20	15	10	45
Halvor Ribe (Member)	20	10		30
Jane Sy (Member)	20	15	42	77
Kazuya Uchida (Member)	20			20
Jan-Eyvin Wang (Member)	20	5		25
Konstaninos Gerapetritis (Member)	20			20
Yngvild Asheim (Member)	20	15	30	65
Nils Aden (Member)	20	5		25
Andreas Brachel (Employee representative)			12	12
Anne Glestad Lech (Employee representative)			12	12
Tom Bent Opsal Nielsen (Employee representative)			12	12
Stephen Knudtzon	20	10		30
Total	**435**	**188**	**307**	**929**

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 7 - Insurance related expenses and number of staff continued

Some of the insurance intermediaries offer their employees (minimum 50 per cent position) mortgage loans, secured by real estate. The loans have a rate of interest according to the interest set by the Tax Ministry in Norway and the repayment period is before retirement age.

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.

A 5 per cent Finance tax has been implemented from 1 January 2017. This tax will apply for earned holiday allowance for 2016 to be paid in 2017, on pensions and on wage cost for January and February 2017. This has been accrued for in the accounts.

The majority 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 20 for definition of base amount). The full pension requires a thirty year accrual period in Gard, or it will be reduced accordingly. The accounting expense for the pension benefits earned in the period are for Roppestad (USD 0.4 million), Buvik (USD 0.3 million), Andresen (USD 0.2 million), Bye (USD 0.2 million), Dalene (USD 60 thousand), Eivindstad (USD 0.3 million), Guddal (USD 0.2 million) and Rønning (USD 21 thousand).

The Company has given a bonus promise to all employees within the group including the CEO. A bonus will be paid if predefined targets are met. The bonus will be paid through the companies where the employees work and refunded by the Company. The maximum possible bonus is 20 per cent of gross salary. A bonus of 20 per cent of gross salary will be paid for the year to 20 February 2017.

Remuneration auditor

	Parent company		Consolidated accounts	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Auditing fee	264	283	894	1,144
Tax advising	22	51	80	133
Non audit services	3	11	155	84
Total auditors' fee	**289**	**345**	**1,129**	**1,362**

Net operating expenses

	Parent company		Consolidated accounts	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Bad debt	331	194	1,029	3,234
Service cost	61,931	60,478	0	0
Allocated to claims handling and acquisition costs	(61,750)	(60,634)	0	0
Other operating expenses	2,796	2,901	8,775	3,326
Pension cost, effect of change in assumptions	0	0	0	0
Other insurance related expenses	**3,306**	**2,938**	**9,804**	**6,559**

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

Note 8 - Financial income and expenses

	Parent company		Consolidated accounts	
Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Interest and similar income				
Interest income	0	17	902	76
Income from financial instruments held for trading (portfolio investments)	15,703	15,590	45,141	45,392
Foreign exchange gains/(losses)	(12,688)	(11,808)	(22,292)	(30,014)
Total interest and similar income	**3,015**	**3,799**	**23,751**	**15,454**

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 9 - Tax

Amounts in USD 000's	Parent company 21.02.16 to 20.02.17	Parent company 21.02.15 to 20.02.16	Consolidated accounts 21.02.16 to 20.02.17	Consolidated accounts Restated* 21.02.15 to 20.02.16
Basis for income tax expense, changes in deferred tax and tax payable				
Gross earned premiums as basis for taxable income (3 per cent of revenue) *	9,669	12,442	14,096	18,903
Total result as basis for tax calculation	1,767	411	8,043	9,678
Basis for calculating tax	**11,436**	**12,853**	**22,139**	**28,581**
Permanent differences	0	0	(6,564)	14,542
Pension charged directly to equity	0	0	(1,652)	22,348
Basis for the tax expense for the year	**11,436**	**12,853**	**13,923**	**65,471**
Change in temporary differences	0	0	715	(51,743)
Basis for payable taxes in the income statement	**11,436**	**12,853**	**14,638**	**13,728**
Tax losses carried forward	0	0	3,187	9,139
Taxable income (basis for payable taxes in the balance sheet)	**11,436**	**12,853**	**17,825**	**22,867**
Income tax expenses				
Tax payable	2,425	2,922	4,295	5,908
Tax correction earlier year	0	0	709	249
Change in deferred tax	0	0	4,963	2,042
Paid foreign withheld tax	0	0	(1,058)	645
Tax expenses ordinary result	**2,425**	**2,922**	**8,909**	**8,844**
Income tax payable				
Tax at the beginning of the year	4,853	5,267	10,083	14,610
Tax payable related to the year	2,425	2,922	3,990	5,877
Tax paid during the year	(3,003)	(3,082)	(7,523)	(9,230)
Tax correction earlier year	0	0	591	(148)
Exchange adjustments	135	(254)	(528)	(1,075)
Tax payable at the end of the year	**4,409**	**4,853**	**6,613**	**10,034**
Deferred tax/tax asset				
Specification of tax effect resulting from temporary differences				
Pension obligations	0	0	31,579	28,250
Equipment	0	0	(783)	(704)
Tax loss carried forward	0	0	84,675	78,216
Deferred tax carried forward from earlier years	0	0	956	3,721
Contingency reserve **	0	0	(117,097)	(101,376)
Other temporary differences	0	0	5,298	12,251
Total temporary differences	**0**	**0**	**4,628**	**20,358**
Net deferred tax asset of total temporary differences ***	0	0	1,181	5,089

* The Norwegian branches are liable to pay income tax based on three per cent of gross earned premiums; see note 2.7.
** As a result of changes to the Norwegian accounting regulations for insurance companies, contingency reserve has been reclassified to other equity. Related deferred tax asset has been recognized as applicable depending on tax jurisdiction. Deferred tax has been calculated as the difference between the treatment of contingency reserve in the financial statements and in the tax accounts, and is deemed to be a temporary difference. No change in the tax treatment of contingency reserves has been decided, nor has there been any change in the equity capital requirements for Assuranceforeningen Gard - gjensidig -.

As a company organised under the laws of Bermuda, the Company is not subject to taxation in Bermuda, as Bermuda does not impose taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until 28 March 2035.

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 9 - Tax continued

Amounts in USD 000's	Parent company 21.02.16 to 20.02.17	Parent company 21.02.15 to 20.02.16	Consolidated accounts 21.02.16 to 20.02.17	Consolidated accounts 21.02.15 to 20.02.16
Reconciliation of the tax expense				
Basis for calculating tax	11,436	12,853	17,825	22,867
Calculated tax 25 per cent * **	**2,859**	**3,213**	**4,456**	**5,717**
Tax expense	2,425	2,922	8,909	8,844
Difference	**434**	**292**	**(4,452)**	**(3,127)**
The difference consists of:				
Change in deferred tax due to change in tax rate *	0	0	124	(1,609)
Differences related to different basis of calculation	167	3	325	95
Changes in temporary differences not subject to deferred tax	0	0	(1,754)	(303)
Differences related to different tax rates within the group	267	99	(1,916)	(7,643)
Other differences	0	0	(1,231)	6,333
Sum explained differences	**434**	**102**	**(4,452)**	**(3,127)**

*** Reduction in Norwegian tax rate from 27 per cent to 25 per cent as of 01.01.2016. For one company the tax rate was further reduced to 24 per cent as of 01.01.2017.

Tax audit

A subsidiary had a tax audit in 2013 and the Norwegian tax authorities made some observations and remarks some of which have subsequently been accepted. Necessary adjustments have been made in the 2014 and 2015 tax and financial accounts to reflect the cost and correct the errors made.

A subsidiary has a potential tax dispute relating to a write down of intangible assets. The tax effect could be USD 3.8 million plus interest and any penalty tax. Gard has disputed the claim and has not recognised any provisions in the account.

Note 10 - Intangible assets

Amounts in USD 000's	Consolidated accounts As at 20.02.17	Consolidated accounts As at 20.02.16
Developed software at cost		
Costs at the beginning of the year	7,965	8,422
Net additions/(disposals)	10	611
Exchange adjustments	245	(1,068)
Costs at the end of the year	**8,220**	**7,965**
Depreciation and impairment at the beginning of the year	5,733	6,084
Depreciation	385	421
Exchange adjustments	178	(772)
Depreciation at the end of the year	**6,296**	**5,733**
Net book value at the end of the year	**1,923**	**2,231**
Amortisation period		3-5 years
Amortisation type		linear

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 11 - Property and plant used in operation

Amounts in USD 000's	Real estate As at 20.02.17	Property, plant As at 20.02.17	Consolidated accounts Total As at 20.02.17
Costs at the beginning of the year	19,883	14,489	34,373
Net additions/(disposals)	1,271	1,661	2,932
Exchange adjustments	(170)	412	242
Costs at the end of the year	**20,984**	**16,562**	**37,547**
Depreciation at the beginning of the year	5,891	3,197	9,087
Depreciation charge for the year	345	274	619
Exchange adjustments	75	70	146
Depreciation at the end of the year	**6,311**	**3,541**	**9,852**
Net book value at the end of the year	**14,674**	**13,021**	**27,695**

Amounts in USD 000's	Real estate As at 20.02.16	Property, plant As at 20.02.16	Consolidated accounts Total As at 20.02.16
Costs at the beginning of the year	22,507	16,109	38,616
Net additions/(disposals)	0	372	372
Exchange adjustments	(2,623)	(1,992)	(4,615)
Costs at the end of the year	**19,883**	**14,489**	**34,373**
Depreciation at the beginning of the year	6,117	3,452	9,569
Depreciation charge for the year	363	251	614
Exchange adjustments	(590)	(506)	(1,096)
Depreciation at the end of the year	**5,891**	**3,197**	**9,087**
Net book value at the end of the year	**13,993**	**11,292**	**25,285**
Amortisation period	67 years	5-20 years	
Amortisation type	linear	linear	

Rent included in the consolidated accounts is charged to Comprehensive income in the period the offices are used. Any remaining rental liabilities are not included in the balance sheet. Rental liabilities amount to USD 8.2 million as at the balance sheet date (USD 11.9 million last year). Total costs regarding rent in the consolidated account amount to USD 4.8 million (USD 4.1 million last year).

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 12 - Equipment

Amounts in USD 000's	Parent company Art As at 20.02.17	Art	Equipment	Consolidated accounts Total As at 20.02.17
Acquisition costs at the beginning of the year	1,356	4,383	14,009	18,392
Net additions/(disposals)	0	0	(544)	(544)
Exchange adjustments	0	0	204	204
Costs at the end of the year	**1,356**	**4,383**	**13,669**	**18,052**
Depreciation at the beginning of the year	625	1,377	10,682	12,059
Depreciation charge for the year	0	0	(472)	(472)
Impairment	70	70	0	70
Exchange adjustments	0	(8)	241	233
Depreciation at the end of the year	**695**	**1,439**	**10,451**	**11,889**
Net book value at the end of the year	**661**	**2,944**	**3,218**	**6,162**

Amounts in USD 000's	Parent company Art As at 20.02.16	Art	Equipment	Consolidated accounts Total As at 20.02.16
Acquisition costs at the beginning of the year	1,356	4,383	14,348	18,731
Net additions/(disposals)	0	0	1,089	1,089
Exchange adjustments	0	0	(1,428)	(1,428)
Costs at the end of the year	**1,356**	**4,383**	**14,009**	**18,392**
Depreciation at the beginning of the year	625	1,370	9,743	11,113
Depreciation charge for the year	0	0	2,073	2,073
Exchange adjustments	0	7	(1,134)	(1,127)
Depreciation at the end of the year	**625**	**1,377**	**10,682**	**12,059**
Net book value at the end of the year	**731**	**3,006**	**3,327**	**6,333**
Amortisation period			3-5 years	
Amortisation type			linear	

Note 13 - Investments in subsidiaries

Amounts in USD 000's	Ownership	Voting share	Place of office		Share capital	Cost price USD As at 20.02.17
AS Assuransegården	100%	100%	Norway	NOK	22,220	21,095
Gard AS	100%	100%	Norway	NOK	30,000	70,932
Gard Marine & Energy Limited	100%	100%	Bermuda	USD	190,000	197,737
Gard Reinsurance Co Ltd	100%	100%	Bermuda	USD	150,000	295,000
Hydra Insurance Company Ltd. (Gard's cell)	100%	100%	Bermuda	USD	7,698	7,698
Lingard Limited	100%	100%	Bermuda	USD	900	900
Safeguard Guarantee Company Ltd.	100%	100%	Bermuda	USD	300	3,926
Total						**597,289**

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 14 - Financial instruments and fair values through profit or loss

Determination of fair value

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

Financial instruments at fair value through profit or loss

The fair value of financial assets classified as financial instruments at fair value through profit or loss and the fair value of bonds 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 Gard group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last trade price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity common stocks, futures, US, UK and Germany listed government bonds.

Financial instruments in Level 2

The fair value of financial instruments 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 of an instrument are observable, the instrument is included in Level 2.

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

Specific valuation techniques used to value financial instruments include:
* Quoted market prices or dealer quotes for similar instruments;
* 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 instruments.

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

Financial instruments in Level 3

Level 3 includes securitised debt instruments and investments in less liquid fund structures.

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 14 - Financial instruments and fair values through profit or loss continued

Amounts in USD 000's	Level 1	Level 2	Level 3	Parent company As at 20.02.17 Total	Level 1	Level 2	Level 3	Parent company As at 20.02.16 Total
Financial investments								
Equities and investment funds	198,617	47,620	4,649	250,887	198,771	34,384	15,267	248,422
Bonds	168,724	136,068	12,606	317,398	183,221	134,059	14,653	331,933
Financial derivative assets	0	3,674	0	3,674	0	7,596	0	7,596
Cash incl. in other financial investments	112,897	0	0	112,897	22,562	0	0	22,562
Other financial investments	68,753	278	0	69,031	55,366	428	0	55,793
Total financial investments	**548,991**	**187,641**	**17,254**	**753,887**	**459,919**	**176,467**	**29,921**	**666,306**
Financial liabilities								
Financial derivative liabilities	0	3,186	0	3,186	0	4,679	0	4,679
Financial liabilities incl. in other payables	125,949	0	0	125,949	43,447	796	0	44,243
Total financial liabilities	**125,949**	**3,187**	**0**	**129,135**	**43,447**	**5,475**	**0**	**48,922**

Amounts in USD 000's	Level 1	Level 2	Level 3	Consolidated accounts As at 20.02.17 Total	Level 1	Level 2	Level 3	Consolidated accounts As at 20.02.16 Total
Financial investments								
Equities and investment funds	503,473	382,021	50,232	935,726	481,262	368,018	43,527	892,807
Bonds	570,937	444,225	38,713	1,053,875	651,606	406,180	43,885	1,101,671
Financial derivative assets	0	9,420	0	9,420	0	15,839	0	15,839
Cash incl. in other financial investments	177,946	0	0	177,946	57,826	0	0	57,826
Other financial investments	131,286	373	0	131,659	102,956	429	0	103,385
Total financial investments	**1,383,642**	**836,039**	**88,944**	**2,308,626**	**1,293,650**	**790,466**	**87,412**	**2,171,528**
Financial liabilities								
Financial derivative liabilities	0	8,799	0	8,799	0	19,297	0	19,297
Financial liabilities incl. in other payables	236,888	0	0	236,888	117,387	2,212	0	119,599
Total financial liabilities	**236,888**	**8,799**	**0**	**245,687**	**117,387**	**21,510**	**0**	**138,896**

Note 15 - Financial risk

Risk management framework

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

Risk appetite and limits: Overall Risk Appetite and Comfort Zone (target range for capitalisation) are defined in accordance with risk 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 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 regulary and reported to relevant responsible body.

Main financial risks

Insurance risk

Insurance risk arises from the underwriting activities ("premium risk") and existing insurance liabilities ("reserve risk"). Gard is a high capacity provider of risk mitigation products and services to industrial customers. While parts of Gard's portfolio are high frequency and low severity, many of the covers provided by Gard are "catastrophic" in their nature: High exposures and therefore potentially very high severity. A small number of claims represent a large share of the claims cost in any year. The insurance risk profile is managed by having limits on the risks written and mitigated through reinsurance.

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 15 - Financial risk continued

Market risk

Market risk consists of equity risk, interest rate risk, credit risk, currency risk, real estate risk, and alternatives risk.

Equity beta risk

The risk of economic losses resulting from deviations in the value of market indices from their expected values. The equity portfolio is broadly diversified. Compared to a global benchmark portfolio based on market capitalizations, the equity portfolio is skewed towards emerging markets and smaller companies, which is expected to have a higher volatility than the global market as a whole. Through a portable alpha program, parts of the equity market exposure are hedged into fixed income exposure through a rolling equity futures program.

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 in the Gard group is matched to the expected duration of the liabilities. The sensitivity analysis of the bond assets of the Gard group has been modelled by reference to a reasonable approximation of the weighted average interest rate sensitivity of the investments held.

Credit risk

The risk of economic losses resulting from the default of third parties.

The following table shows information regarding credit risk exposure as at 20.02.2017, by classifying assets according to the median rating amongst the three market leading providers, Standard & Poor's, Moody's and Fitch. This principle is in line with new Solvency II requirements. AAA is the highest possible rating. The US long-term sovereign credit rating is considered to be AAA due to an applied median approach.

Credit risk exposure in balance sheet

	Parent company		Consolidated accounts	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Bonds				
AAA	141,705	103,477	505,496	423,925
AA	19,015	65,032	57,672	180,838
A	65,279	59,864	196,943	173,338
BBB	74,689	81,294	243,824	256,377
BB	12,136	15,280	36,702	47,261
B	3,394	5,973	9,985	17,140
CCC/lower	1,179	1,013	3,252	2,793
Not rated	0	0	0	0
Total bonds	**317,398**	**331,933**	**1,053,875**	**1,101,671**
Financial derivative assets				
A	3,674	7,596	9,420	15,839
Total financial derivative assets	**3,674**	**7,596**	**9,420**	**15,839**
Cash included in other financial investments				
AAA	0	0	0	0
AA	0	0	0	0
A	112,897	22,562	177,946	57,825
Total cash included in other financial investments	**112,897**	**22,562**	**177,946**	**57,825**
Other financial investments				
A	69,031	55,793	131,659	103,386
Total other financial investments	**69,031**	**55,793**	**131,659**	**103,386**
Reinsurers' share of gross claim reserve				
AA	18,900	17,068	80,325	79,070
A	411,857	433,660	178,015	205,852
BBB	10,756	13,047	32,062	41,491
Not rated	0	0	2,916	836
Total reinsurers' share of gross claim reserve	**441,512**	**463,775**	**293,317**	**327,249**

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 15 - Financial risk continued

Amounts in USD 000's	Parent company As at 20.02.17	Parent company As at 20.02.16	Consolidated accounts As at 20.02.17	Consolidated accounts As at 20.02.16
Receivables				
A	49,691	21,992	25,000	7,158
BBB	1,449	3,615	1,768	4,474
Not rated	13,571	37,615	156,579	223,539
Total receivables	**64,711**	**63,223**	**183,347**	**235,170**
Cash and cash equivalents				
AA	38,852	68,642	137,187	171,725
A	0	0	35,157	932
BB	0	0	154	0
BBB	23	23	3,672	1,894
Not rated	0	0	18	21
Total cash and cash equivalents	**38,875**	**68,665**	**176,189**	**174,572**
Other financial assets presented in balance sheet*				
AAA	0	0	0	0
A	9,248	6,005	23,210	20,084
Not rated	28,809	27,950	0	0
Total other financial assets presented in balance sheet	**38,057**	**33,955**	**23,210**	**20,084**

* Includes loan to subsidiaries and other financial assets.

Alternatives risk

The risk that the actual return of investments due to active management decisions by the asset managers will be lower than expected. Active asset managers, who are aiming to outperform a given benchmark, manage most of Gard's investment mandates. The ability to outperform also comes with the risk of significant underperformance versus the benchmark, which is referred to as alternatives risk. Through the portable alpha programme, most of the alternatives risk is skewed towards active equity managers, but also include a global tactical allocation fund, which is exposed to different types of asset classes with a macro-based approach.

Real estate risk

The risk of economic losses resulting from deviations in the value of real estate investments from their expected values. The global real estate exposure includes own buildings and both indirect and direct investments in real estates. The indirect investment is through purchasing equities of listed real estate companies whereas through the direct exposure the Company own real estate properties through a pool together with other investors.

Currency risk

The risk of economic losses resulting from actual currency rates differing from expected currency rates. The currency exposure on the asset side is matched to the assumed currency exposure of liabilities. The assumed currency exposure to liabilities differs from the accounting exposure to currencies because the reserving currency is not always the actual currency of the future cash flow. There is an acceptable mismatch between the currency exposure on assets and on liabilities. The currency exposure is managed through a rolling forward program.

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 15 - Financial risk continued

Currency split balance sheet

	Parent company		Consolidated accounts	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Assets				
USD	1,550,568	1,510,371	2,388,877	2,420,525
EUR	102,238	100,116	135,191	138,117
GBP	68,768	65,696	86,662	84,828
Other	217,565	221,529	436,401	361,887
Total assets	**1,939,139**	**1,897,710**	**3,047,131**	**3,005,357**
Equity and liabilities				
USD	1,737,084	1,645,804	2,697,272	2,420,230
EUR	95,990	100,052	143,196	138,117
GBP	91,134	95,616	86,799	84,819
Other	14,931	56,238	119,864	362,190
Total equity and liabilities	**1,939,139**	**1,897,710**	**3,047,131**	**3,005,357**
Net asset exposure				
USD	(186,516)	(135,434)	(308,395)	294
EUR	6,248	64	(8,005)	0
GBP	(22,366)	(29,920)	(137)	9
Other	202,634	165,291	316,537	(303)
Net exposure in %				
USD	-10%	-7%	-10%	0%
EUR	0%	0%	0%	0%
GBP	-1%	-2%	0%	0%
Other	10%	9%	10%	0%

Counterparty default risk

The risk that actual credit losses will be higher than expected due to the failure of counterparties to meet their contractual debt obligations. The main sources of counterparty default risk are reinsurers, cash deposits at banks, derivative counterparties, and receivables from policyholders.

The credit exposure on the Gard group`s reinsurance programme is in line with the guidelines of only accepting reinsurers with an A- or higher rating. The Gard group is, however, faced with BBB rating exposure through the IG Pooling Agreement. Among the thirteen clubs, four have ratings of BBB.

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

The Gard group also has counterparty risk towards counterparties through the financial derivative overlay programme used to manage market risk exposures. Common risk mitigation techniques are exercised in order to minimise the counterparty risk in relation to the holding of derivative contracts. The credit risk in respect of receivables is handled by group policies and by close follow up. Outstanding receivables can be netted off against outstanding claims payments to reduce the risk of doubtful debts.

Operational risk

The risk that actual economic losses arising from inadequate or failed internal processes, personnel and systems, or external events exceed expected losses. The most important internal processes concerning operational risk are underwriting including pricing, claims handling, reserving, reinsurance, and investments.

Liquidity risk

The risk that cash and other liquid assets 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

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 15 - Financial risk continued

insufficient to absorb the required volumes of assets to be sold, resulting in asset sale at a discount. The risk is mitigated through a credit facility with Nordea Bank AB (publ), filial i Norge and a cash pool agreement between Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard AS and AS Assuransegården improves access to liquidity across the legal entities.

Age analysis of receivables after provision for bad debt

	Parent company		Consolidated accounts	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Not due	58,385	59,411	155,317	207,783
0-60 days	3,063	1,020	19,398	13,940
61-90 days	185	1,668	1,630	5,482
Above 90 days	3,079	1,123	7,003	7,965
Total	**64,711**	**63,223**	**183,347**	**235,170**

Impaired receivables

As at 20 February 2017 there are impaired receivables in the parent company of USD 1.7 million (20 February 2016 USD 1.7 million) and there are impaired receivables in the consolidated accounts of USD 7.3 million (20.02.16 USD 6.7 million), 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 net operating expenses.

Analysis of provision for bad debt

	Parent company		Consolidated accounts	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Balance as at the beginning of the period	1,691	1,703	6,719	6,837
Provision for receivables impairment	461	13	899	64
Receivables written off during the year as uncollectable	(261)	(252)	(205)	(3,297)
Unused amounts reversed	(133)	169	(161)	3,045
Exchange adjustment	2	58	17	70
Balance as at the end of the period	**1,760**	**1,691**	**7,269**	**6,719**

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

Maturity profile

The following tables set out the maturity profile of liabilities combining amounts expected to be recovered within one year, between one and five years and more than five years. Liabilities not covered by IFRS 7 are classified as other liabilities in the tables.

The Gard group maintains highly marketable financial instruments and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. This, combined with the credit facility and cash pool to meet liquidity needs, gives a presentation of how assets and liabilities have been matched.

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company As at 20.02.17 Total
Income tax payable	4,409	0	0	0	4,409
Payables and accruals	62,482	0	0	0	62,482
Other payables	135,716	0	0	0	135,716

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 15 - Financial risk continued

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Parent company As at 20.02.16 Total
Income tax payable	4,853	0	0	0	4,853
Payables and accruals	64,681	0	0	0	64,681
Other payables	68,469	0	0	0	68,469

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts As at 20.02.17 Total
Income tax payable	6,613	0	0	0	6,613
Payables and accruals	59,918	0	0	0	59,918
Other payables	256,940	0	0	0	256,940

Amounts in USD 000's	Within 1 year	1-5 years	More than 5 years	No maturity date	Consolidated accounts As at 20.02.16 Total
Income tax payable	10,034	0	0	0	10,034
Payables and accruals	61,265	0	0	0	61,265
Other payables	168,590	0	0	0	168,590

Portfolio asset allocation

The table below sets out the portfolio allocation by exposure to asset classes and the balance sheet categories. Equities and investment funds are divided among the asset classes in the interest of two important assumptions; Investment funds include mutual funds in asset classes such as real estate, corporate bonds and absolute return. Equities include common stocks and an adjustment for a derivative overlay programme. Equity market exposure is sold out through equity index future derivaties in order to maintain total equity market exposure within the desired range, and simultaneously bond exposure is gained through buying interest rate swap contracts.

Amounts in USD 000's	Fair value 20.02.17				Parent company As at 20.02.17
Financial investments		Equity	Fixed income	Real estate	Other
Equities and investment funds	250,887	218,938	16,088	15,860	0
Bonds	317,398	0	317,398	0	0
Financial derivative assets *	3,674	(89,845)	91,298	0	2,221
Other financial investments **	181,928	294	352	0	181,282
Total financial investments	**753,887**	**129,387**	**425,137**	**15,860**	**183,503**
Financial liabilities					
Financial derivative liabilities	3,186	0	777	0	2,409
Financial liabilities incl. in other payables ***	125,949	0	0	0	125,949
Total financial liabilities	**129,135**	**0**	**777**	**0**	**128,358**
Net financial investments	**624,753**	**129,387**	**424,360**	**15,860**	**55,145**
Net per cent	**100%**	**21%**	**68%**	**3%**	**9%**

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 15 - Financial risk continued

Amounts in USD 000's	Fair value 20.02.17				Consolidated accounts As at 20.02.17
Financial investments		Equity	Fixed income	Real estate	Other
Equities and investment funds	935,726	523,912	350,371	61,443	0
Bonds	1,053,875	0	1,053,875	0	0
Financial derivative assets	9,420	(177,628)	180,624	0	6,424
Other financial investments	309,605	458	1,063	0	308,084
Total financial investments	**2,308,626**	**346,743**	**1,585,933**	**61,443**	**314,508**
Financial liabilities					
Financial derivative liabilities	8,799	0	2,611	0	6,188
Financial liabilities incl. in other payables ***	236,888	0	0	0	236,888
Total financial liabilities	**245,687**	**0**	**2,611**	**0**	**243,076**
Net financial investments	**2,062,939**	**346,743**	**1,583,322**	**61,443**	**71,432**
Net per cent	**100%**	**17%**	**77%**	**3%**	**3%**

* The asset allocations for financial deriviative assets are stated at their notional values (note 16).
** 'Other financial investments' includes cash and cash equivalents, accrued income/expense.
*** See note 18 for spesification of 'Financial liabilities incl. in other payables'.

Financial instruments - 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	Parent company As at 20.02.17	Parent company As at 20.02.16	Consolidated accounts As at 20.02.17	Consolidated accounts As at 20.02.16
Impact on fixed income portfolio investments given an increase of 50 basis points	(6,110)	(9,657)	(18,956)	(26,705)
Impact on equity portfolio given a 10 per cent drop in quoted market prices	(12,939)	(12,059)	(34,674)	(36,576)
Impact on total investment portfolio given a change of 10 per cent in foreign exchange rates against USD	(24,939)	(7,031)	(62,947)	(29,193)

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 Gard group has no significant risk concentrations which are not in line with the overall investment guidelines set by the Company's Board of Directors. Any impact from risk tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

The methods used above for deriving sensitivity information and significant variables have not changed from the previous year.

Note 16 - Financial derivatives at fair value through profit or loss

Financial derivatives
Financial derivatives are integrated components in the investment philosophies and startegies of the Gard group's fund management. They are used for risk management, liquidity improvement, cost reduction and to optimise return within the guidelines set for the Gard group's fund management. The Gard group has implemented derivative overlay programme whereby regional equity specialists are employed with mandates which have historically provided value creation from active management. The market exposure is then hedged out through equity futures contracts in order to maintain total equity market exposure within the allowed range, and simultaneously fixed income exposure is gained through interest rate swap contracts.

Investment guidelines
The key features of the Gard group's derivative guidelines are as follows:
The aggregate economic exposure of the group's investment portfolio may not exceed 100 per cent of the portfolio's market value, i.e., there must be no leverage or gearing of the portfolio.

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Notes to the accounts

Note 16 - Financial derivatives at fair value through profit or loss continued

Compliance monitoring

Compliance with the guidelines is monitored on an ongoing basis through the use of both internal and external resources. Even though the investment managers have internal risk analysis and compliance monitoring processes there is independent verification based on alternative sources of data. The global custodian is responsible for compliance monitoring and reporting both at the overall fund level and the individual portfolio level. The investment managers are also subject to a bi-annual independent assessment of investment processes and skills to ensure that, inter alia, risk management and compliance monitoring routines are satisfactory.

Valuation and reporting

All derivative instruments are carried at independently sourced market values in accordance with principles described under note 2. Underlying contract values represent the value of the underlying gross commitments of all open contracts.

Types of financial derivatives used during the financial year

Forward exchange contracts

A forward exchange contract is a contract between two parties whereby one party contracts to sell and the other party contracts to buy one currency for another, at an agreed future date, at a rate of exchange which is fixed at the time the contract is entered into.

Interest rate options

An option is a contract in which the writer of the option grants the buyer of the option the right to purchase from or sell to the writer a designated instrument at a specific price within a specified period of time. An interest rate option can be written on cash instruments or futures, and is used to manage the interest rate and volatility exposure of the portfolio. Written options generate gains in stable rate environments, but may create obligations to buy or sell underlying securities under greater rate movements. Purchased options are used to generate gains based on interest rate forecasts.

Interest rate futures

An interest rate futures contract is a standardised agreement between a buyer (seller) and an established exchange or its clearing house in which the buyer (seller) agrees to take (make) delivery of a financial rate instrument at a specified price at the end of a designated period of time.

Interest rate swaps

An interest rate swap is an agreement between two parties to exchange periodic interest payments. In the most common type of swap, one party agrees to pay the other party fixed-interest payments at designated dates for the life of the contract. This instrument is used to change interest rate risk by changing the cash flow of fixed rate bonds to adjustable rate bonds or vice versa.

Equity index future

An equity index future contract is a standardised agreement between a buyer (seller) and an established exchange or its clearing house in which the buyer (seller) agrees to take (make) delivery of an amount based on an equity index at designated point in time.

				Parent company
Amounts in USD 000's	Notional 20.02.17	Notional 20.02.16	Fair value 20.02.17	Fair value 20.02.16
Type of derivatives				
Interest rate related				
Futures	24,824	39,565	0	0
Options	5,400	6,106	(13)	(37)
Swaps	209,542	252,281	689	1,785
Net interest rate related	**239,766**	**297,953**	**675**	**1,748**
Equity related contracts				
Futures	142,927	117,657	0	0
Rights/warrants	1	0	1	0
Net equity related	**142,928**	**117,657**	**1**	**0**
Foreign currency related				
Forward foreign exchange contracts	361,578	496,514	(188)	1,169
Net foreign currency related	**361,578**	**496,514**	**(188)**	**1,169**
Net financial derivative assets/(liabilities)			**488**	**2,917**
Financial derivative assets			3,674	7,596
Financial derivative liabilities			(3,186)	(4,679)
Net financial derivative assets/(liabilities)			**488**	**2,917**

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Notes to the accounts

Note 16 - Financial derivatives at fair value through profit or loss continued

Amounts in USD 000's	Notional 20.02.17	Notional 20.02.16	Consolidated accounts Fair value 20.02.17	Fair value 20.02.16
Type of derivatives				
Interest rate related				
Futures	84,149	92,565	0	0
Options	15,000	16,837	(36)	(103)
Swaps	559,698	623,810	421	3,250
Net interest rate related	**658,847**	**733,213**	**384**	**3,147**
Equity related contracts				
Futures	231,886	196,575	0	0
Rights/warrants	1	0	1	0
Net equity related	**231,886**	**196,575**	**1**	**0**
Foreign currency related				
Forward foreign exchange contracts	806,834	997,052	235	(6,606)
Net foreign currency related	**806,834**	**997,052**	**235**	**(6,606)**
Net financial derivative assets/(liabilities)			**621**	**(3,459)**
Financial derivative assets			9,420	15,839
Financial derivative liabilities			(8,799)	(19,297)
Net financial derivative assets/(liabilities)			**621**	**(3,459)**

Note 17 - Receivables from direct insurance operations

Amounts in USD 000's	As at 20.02.17	Parent company As at 20.02.16	As at 20.02.17	Consolidated accounts As at 20.02.16
Direct and received premium	17,621	16,660	35,703	27,862
Direct and received premium through broker	0	0	58,648	78,609
Accrued deferred call	689	40,149	735	55,394
Not closed premium	0	0	18,672	21,390
Claims related debtors, co-insurers	0	0	20,735	28,784
Provision for bad debts	(1,760)	(1,691)	(4,296)	(6,719)
Receivables from direct insurance operations	**16,550**	**55,119**	**130,196**	**205,321**

Note 18 - Other receivables and other payables

Amounts in USD 000's	As at 20.02.17	Parent company As at 20.02.16	As at 20.02.17	Consolidated accounts As at 20.02.16
Other receivables				
Other receivables	25,283	5,423	26,424	1,211
Loan to employees	0	0	24,991	28,639
Total other receivables	**25,283**	**5,423**	**51,415**	**29,850**
Other payables				
Other payables	9,795	24,304	20,181	49,831
Investment transactions in progress *	125,921	44,166	236,759	118,758
Total other payables	**135,716**	**68,469**	**256,940**	**168,590**

* Investment transactions in progress refers to sales and purchases of investments at the balance sheet date, where settlements are executed after the balance sheet date.

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 19 - Cash and cash equivalents

Cash and cash equivalents include restricted cash amounting to USD 29.6 million as at 20.02.2017 (USD 43.6 million as at 20.02.2016). The Company has a group account agreement and participates in a cash pool agreement. Both agreements are made with the Company's main bank, Nordea Bank AB (publ), filial i Norge. The group account agreement implies that the Company can make overdrafts on individual bank accounts as long as the Company's total bank deposit is positive.

The Company has an overdraft facility with Nordea Bank Norge ASA for an amount of USD 40 million (USD 40 million as at 20.02.2016). Through the cash pool agreement all the participating companies can make use of this overdraft facility. The cash pool agreement secures efficient use of the operating bank deposits through the companies' opportunities to make use of the overdraft facility on individual bank accounts accumulating up to USD 40 million in aggregate for the companies participating in the agreement. Each company participating in the cash pool agreement is jointly liable for the overdraft facility through unsecured guarantees.

Note 20 - Pensions

The Company has entered into pension contracts with some former and current employees. These contracts are mainly financed directly through the Company's operations. The subsidiaries have entered into various pension plans with both former and present employees.

The Company has collective pension agreements in place in accordance with the Norwegian Pension Act. As of 31 December 2015 the defined benefit plan was terminated for active employees, with the option for employees born in or before 1954 to remain in the previous defined benefit plan. All other active employees have been transferred to a defined contribution plan with effect of 1 January 2016, with contribution levels of 7 per cent from 0 – 12 G, and an additional 18.1 per cent from 7.1 – 12 G. G is a base rate used as the basis for calculating benefits. G is adjusted annually and is approved each year by the Norwegian parliament. The last time G was updated was in May 2016. As of 20 February 2017 G equals NOK 92,576 (USD 11,113). Retired and disabled employees were not subject to change and remain in the defined benefit plan. All employees hired after February 2009 are covered by the new levels in the defined contribution scheme.

The contribution plan as of 1 January covers a total of 319 employees, including four of the employees who made the active choice to be transferred. In the defined contribution plan one employee is disabled.

In relation to the defined benefit plan, 19 employees born in 1954 or earlier remain active members, 14 are partly or wholly disabled and 72 are retired.

In addition to the collective agreement, all employees can apply for a tariff based lifelong retirement pension (AFP) which the employee may start to draw from the age of 62. The AFP pension is partially financed by the Company.

The closed pension scheme for part of the Group Leadership Team, which provides coverage for an amount above 12 G as well as early retirement, is secured by an agreement with Norsk Tillitsmann Pensjon/Nordic Trustee. The obligation is secured through a pledge deposit on a bank account owned by Gard AS. The same solution is in place with respect to a compensation agreement for GLT members being transferred from the defined benefit plan to the defined contribution plan with effect from 1 January 2016.

For the defined benefit pension plan actuarial calculations are made with regard to pension commitments and funds at year end and resulting changes in pension obligations are charged to the income statement and other comprehensive income. Pension costs and pension liabilities have been accounted for in accordance with IAS19.

	Parent company		Consolidated accounts	
Amounts in USD 000's	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Pension cost				
Defined benefit pension plans				
Pension benefits earned during the year	64	68	1,976	7,605
Interest expense on earned pension	9	40	1,520	3,193
Settlement/curtailment	0	0	0	(9,328)
Yield on pension funds	0	0	(736)	(1,339)
Past service cost	0	0	(13)	(26,453)
Net pension cost earning related plan	**73**	**108**	**2,747**	**(26,322)**
Defined contribution pension plan	**0**	**0**	**7,468**	**49,190**
Total pension cost charged to the Statement of comprehensive income	**73**	**108**	**10,215**	**22,868**
Changes in pension assumptions charged to				
Other comprehensive income	**194**	**(339)**	**1,527**	**(16,853)**

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 20 - Pensions continued

Amounts in USD 000's	Parent company As at 20.02.17	Parent company As at 20.02.16	Consolidated accounts As at 20.02.17	Consolidated accounts As at 20.02.16
Liabilities according to the actuarial calculations				
Pension obligation gross	(1,093)	(1,686)	(61,819)	(58,159)
Pension funds at market value	0	724	28,286	28,112
Net pension obligation at the end of the year	**(1,093)**	**(962)**	**(33,533)**	**(30,047)**
Changes in pension funds at market value				
Fair value of assets at the beginning of the year	724	660	28,112	65,648
Exchange differences	(104)	(8)	(110)	(8,022)
Expected return on plan assets	0	17	736	1,293
Settlement	(619)	0	(764)	(31,107)
Actuarial gains or losses	0	(4)	(160)	(1,249)
Employer contribution	0	60	1,921	2,880
Benefits paid	0	(2)	(1,450)	(1,331)
Fair value of assets at the end of the year	**0**	**724**	**28,286**	**28,112**
Financial assumptions	Per cent	Per cent	Per cent	Per cent
Discount rate	2.60	2.70	2.60	2.70
Assumed annual salary regulation	2.50	2.50	2.50	2.50
Assumed pension increase	1.50	1.50	1.50	1.50
Assumed regulations of public pensions	2.25	2.25	2.25	2.25
Assumed yield on funds	2.60	2.70	2.60	2.70
Actual yield on funds	5.00	3.90	5.00	3.90

Note 21 - Statutory reserve

Gard P. & I. (Bermuda) Ltd. is registered under and regulated by the Insurance Act 1978 and the regulations. Under these regulations the Company is required to maintain USD 250,000 in statutory capital and surplus. The Company is under the supervision of the Bermuda Monetary Authority (BMA) and has to be in compliance with a set of regulatory requirements. Gard P. & I. (Bermuda) Ltd. maintained a statutory reserve of USD 462,500 and all regulatory requirements are complied with as at 20 February 2017.

Note 22 - Statutory and regulatory requirement

Gard P. &. I. (Bermuda) Ltd. including subsidiaries have operations which are subject to laws and regulations in the jurisdictions in which they operate, of which the most significant ones are Bermuda and Norway. The statutory capital and surplus in Bermuda and Norway as at 20 February 2017 and 2016 was as follows:

Amounts in USD 000's	Parent Bermuda (a) As at 20.02.17	Parent Bermuda (a) As at 20.02.16	Regulated by Bermuda (b) As at 20.02.17	Regulated by Bermuda (b) As at 20.02.16	Regulated by Norway (c) As at 20.02.17	Regulated by Norway (c) As at 20.02.16
Required statutory capital and surplus	250	250	83,892	288,405	349,411	400,506
Actual capital and surplus	904,545	886,943	684,858	600,764	418,537	449,490

(a) As a Class 2 company, Gard P. & I. (Bermuda) Ltd. is required to maintain minimum statutory capital and surplus equal to the Minimum Solvency Margin ("MSM").

(b) The Company's Bermuda based insurance subsidiaries are required to maintain minimum statutory capital and surplus equal to the greater of a Minimum Solvency Margin ("MSM") and the Enchanced Capital Requirement ("ECR"). The ECR is equal to the higher of each insurers' MSM or the Bermuda Solvency Capital Requirement ("BSCR") model or approved internal capital model. The BSCR for the relevant insurers for the year ended 20 February 2017 will not be filed with the BMA until June 2017. As a result, the required statutory capital and surplus as at 20 February 2017, as set out above, is based on the MSM of all relevant insurers, whereas the required statutory capital and surplus as at 20 February 2016 is based on the MSM and ECR where applicable for all relevant insurers.

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 22 - Statutory and regulatory requirement

Required statutory capital and surplus includes Gard P. & I. (Bermuda) Ltd., Gard Marine & Energy Limited, Gard Reinsurance Co. Ltd., Safeguard Guarantee Company Ltd and Hydra Gard Cell.

(c) Gard P. & I. (Bermuda) Ltd., Norwegian branch, Gard Marine & Energy Limited, Norwegian branch, Assuranceforeningen Gard -gjensidig- and Gard Marine & Energy Insurance (Europe) AS are required to maintain minimum capital and surplus equal to the Solvency Capital Requirement ("SCR") under Solvency II. The statutory capital and surplus for Gard P. & I. (Bermuda) Ltd., Norwegian branch and 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 July 2017. As a result, preliminary figures as at 20 February 2017 are included.

Statutory capital and surplus and actual capital and surplus for Gard P. & I. (Bermuda) Ltd., Norwegian branch and Gard Marine & Energy Limited, Norwegian branch are included in both (a) and (c).

Note 23 - Change in accounting policy

As a result of a change in Norwegian accounting regulations for insurance companies the contingency reserve has been reclassified to other equity. Related deferred tax asset has been 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".

Impact of change in accounting policy on parent balance sheet

Amounts in USD 000's	As at 20.02.16 as previously stated	Change in accounting policy	As at 20.02.16 Restated	As at 20.02.15 as previously stated	Change in accounting policy	As at 20.02.15 Restated
Equity and liabilities						
Equity						
Statutory reserve	463	0	463	463	0	463
Other equity	0	873,079	873,079	0	842,768	842,768
Total equity	**463**	**873,079**	**873,541**	**463**	**842,768**	**843,231**
Contingency reserve						
Contingency reserve	873,079	(873,079)	0	842,768	(842,768)	0
Total contingency reserve	**873,079**	**(873,079)**	**0**	**842,768**	**(842,768)**	**0**
Total liabilities	**1,897,248**	**(873,079)**	**1,024,169**	**1,788,702**	**(842,768)**	**945,934**
Total equity and liabilities	**1,897,710**	**0**	**1,897,710**	**1,789,165**	**0**	**1,789,165**

GARD P. & I. (BERMUDA) LTD.
Notes to the accounts

Note 23 - Change in accounting policy continued

Impact of change in accounting policy on parent statement of comprehensive income

Amounts in USD 000's	As at 20.02.16 as previously stated	Change in accounting policy	As at 20.02.16 Restated
Technical result before change in contingency reserve	**16,479**	**0**	**16,479**
Change in contingency reserve	30,310	(30,310)	0
Technical result	**(13,832)**	**30,310**	**16,479**
Profit before tax	**2,582**	**30,310**	**32,892**
Taxation	2,922	0	2,922
Net result	**(339)**	**30,310**	**29,971**
Other comprehensive income/(loss)			
Exchange differences on subsidiaries	0	0	0
Remeasurement due to change in pension assumptions	339	0	339
Total comprehensive income	**0**	**30,310**	**30,310**

Impact of change in accounting policy on consolidated balance sheet

Amounts in USD 000's	As at 20.02.16 as previously stated	Change in accounting policy	As at 20.02.16 Restated	As at 20.02.15 as previously stated	Change in accounting policy	As at 20.02.15 Restated
Assets						
Other assets						
Deferred tax asset	12,135	(7,046)	5,089	23,993	(8,432)	15,561
Total other assets	**12,135**	**(7,046)**	**5,089**	**23,993**	**(8,432)**	**15,561**
Total assets	**3,012,403**	**(7,046)**	**3,005,357**	**2,747,286**	**(8,432)**	**2,738,854**
Equity and liabilities						
Equity						
Statutory reserve	463	0	463	463	0	463
Other equity	0	1,009,651	1,009,651	0	960,157	960,157
Total equity	**463**	**1,009,651**	**1,010,114**	**463**	**960,157**	**960,620**
Contingency reserve						
Contingency reserve	1,016,697	(1,016,697)	0	968,590	(968,590)	0
Total contingency reserve	**1,016,697**	**(1,016,697)**	**0**	**968,590**	**(968,590)**	**0**
Total liabilities	**3,011,940**	**(1,016,697)**	**1,995,244**	**2,746,824**	**(968,590)**	**1,778,234**
Total equity and liabilities	**3,012,403**	**(7,046)**	**3,005,357**	**2,747,287**	**(8,432)**	**2,738,854**

GARD P. & I. (BERMUDA) LTD.

Notes to the accounts

Note 23 - Change in accounting policy continued

Impact of change in accounting policy on consolidated statement of comprehensive income

Amounts in USD 000's	As at 20.02.16 as previously stated	Change in accounting policy	As at 20.02.16 Restated
Technical result before change in contingency reserve	**96,161**	**0**	**96,161**
Change in contingency reserve	48,107	(48,107)	0
Technical result	**48,054**	**48,107**	**96,161**
Profit before tax	**(5,901)**	**0**	**42,206**
Taxation	10,230	(1,386)	8,844
Net result	**(16,131)**	**49,493**	**33,363**
Other comprehensive income/(loss)			
Exchange differences on subsidiaries	(793)	0	(793)
Remeasurement due to change in pension assumptions	16,853	0	16,853
Total comprehensive income	**(72)**	**49,493**	**49,422**

KEY FINANCIALS GARD GROUP
2007 - 2016

Amounts in USD millions, ETC basis	2008	2009	2010	2011	2012	2013	2014	2015	2016	20 February 2017
Gross written premium	721	796	812	792	855	884	959	991	911	824
Earned premium for own account	623	701	701	678	700	712	764	842	764	707
Claims incurred for own account	-580	-436	-527	-533	-595	-600	-643	-631	-532	-493
Operating expenses net	-98	-108	-121	-101	-92	-122	-97	-110	-99	-94
Result on technical account	**-55**	**157**	**54**	**44**	**13**	**-10**	**24**	**101**	**133**	**120**
Result on non-technical account	**125**	**-293**	**195**	**141**	**49**	**113**	**76**	**23**	**-54**	**104**
Net result before tax	71	-136	249	185	62	103	100	124	79	224
Tax	-2	-14	-9	-9	-11	-5	-11	-6	-8	-8
Total comprehensive income	**69**	**-150**	**240**	**176**	**51**	**98**	**89**	**87**	**86**	**215**
Changes in deferred call	-	-	-41	-28	-14	-31	-35	-37	-37	-89
Combined ratio (ETC-basis)	109%	78%	92%	94%	98%	101%	97%	88%	83%	83%
Equity	580	430	638	790	826	875	919	960	1,010	1,135

AUDITOR'S REPORT

To the Shareholders of Gard P. & I. (Bermuda) Ltd.

Independent Auditor's Report

Opinion
We have audited the accompanying financial statements of Gard P. & I. (Bermuda) Ltd., which comprise:

- the financial statements of the parent company (the "Company") which comprise the balance sheet as at February 20, 2017 and the statement of comprehensive income, cash flow analysis and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.
- the consolidated financial statements of the group (together the "Group") which comprise the balance sheet as at February 20, 2017 and the statement of comprehensive income, cash flow analysis and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion:

- the accompanying financial statements of the Company present fairly, in all material respects, the financial position of the Company as at February 20, 2017, and its financial performance and its cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.
- the accompanying consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial position of the Group as at February 20, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements of the Company and the consolidated financial statements of the Group in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Other information
Management is responsible for the other information. The other information comprises the Chairman's Report, the CEO's Operational Review, Corporate Social Responsibility and Policy Year Accounts, but does not include the financial statements of the Company or the consolidated financial statements of the Group and our auditor's report thereon.

Our opinion on the financial statements of the Company and the consolidated financial statements of the Group 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 of the Company and the consolidated financial statements of the Group, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or the consolidated financial statements of the Group 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.

Responsibility of Board of Directors and the Chief Executive Officer for the Financial Statements
The Board of Directors and the Chief Executive Officer (together "Management'") are responsible for the preparation and fair presentation of the financial statements of the Company and the consolidated financial statements of the Group in accordance with the "Regulations for Annual Accounts for Insurance Companies" approved by the Norwegian Ministry of Finance, and for such internal control as Management determines is necessary to enable the preparation of financial statements of the Company and the consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company and the consolidated financial statements of the Group, Management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and/or Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

AUDITOR'S REPORT CONTINUED

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, both the Company's and the Group's.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company and the consolidated financial statements of the Group, whether due to fraud or error, 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 and Group'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 and Group'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 of the Company and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company and the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Company and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

PricewaterhouseCoopers Ltd
Chartered Professional Accountants

Hamilton, Bermuda
May 8, 2017

GARD P. & I. (BERMUDA) LTD.

Policy year accounts

Amounts in USD 000's		Consolidated accounts	
Policy year	2016	2015	2014
Premiums and calls			
Premiums	528,431	553,444	567,253
Total premiums	**528,431**	**553,444**	**567,253**
Additional calls debited	851	56,071	56,044
Estimated deferred call	0	0	0
Total premiums and deferred calls	**529,282**	**609,515**	**623,297**
Reinsurance premiums	(129,273)	(124,783)	(135,370)
Net premium earned	**400,009**	**484,732**	**487,927**
Incurred claims net			
Claims paid	108,723	257,658	286,029
Estimates on outstanding claims	158,719	156,449	107,523
IBNRs	96,275	10,881	7,294
Unallocated Loss Adjustment Expenses	8,255	7,071	4,588
Incurred claims net	**371,972**	**432,059**	**405,434**
Acquisition cost and net operating expenses	50,752	50,494	53,034
Technical result	**(22,715)**	**2,180**	**29,458**

Notes to the consolidated policy year accounts

1 Premiums, supplementary calls, reinsurances and claims are credited/charged to the policy year to which they relate. Operating expenses are charged/credited to the same policy year as the financial year in which they are brought to account.

2 The annual accounts include 0 per cent deferred call levied for the 2016 policy year. The original estimate for the year was 25 per cent.

3 The approximate yield of a 10 per cent supplementary call on the open policy years would be:
2014 policy year USD 37.3 million
2015 policy year USD 36.9 million
2016 policy year USD 36.0 million

4 Incurred claims net comprises claims paid net of reinsurance recoveries, together with contributions to other P&I associations under the Group Pooling arrangement and net estimates for outstanding and unreported claims. Estimates on outstanding claims refer to those incidents which have been notified to the Association (RBNS) and on which estimates of the expected exposure have been placed. Incurred but not reported claims (IBNRs) have been calculated on a basis approved by the Company's actuary.

Due to the characteristics of P&I claims, both RBNS and IBNR, in particular in respect of the more recent years, may change substantially.

5 Provision for outstanding and unreported claims for closed years before policy year 2014, USD 334.3 million, consists of estimated outstanding claims in the amount of USD 271.6 million and estimates for IBNR claims of USD 62.7 million.

AVERAGE EXPENSE RATIO (AER) P&I

In accordance with Schedule 3 of the International Group Agreement 1999 the group is required to disclose the AER for the group's P&I business for the five years ended 20 February 2017. The ratio of 12.02 per cent (11.83 per cent last year) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant financial statements.

The five year AER for the group's P&I business expresses the operating costs on a consolidated basis as a percentage of the relevant premiums and investment income earned. Operating costs of the P&I business exclude all claims handling costs. Investment income earned is stated after deducting all investment management costs. Internal claims handling and internal investment management costs include a reasonable allocation for general overhead expenses.

NOTICE OF AGM

To: The Members of Gard P. & I. (Bermuda) Ltd.

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of Gard P. & I. (Bermuda) Ltd. (the "Company") will be held on Thursday, 22 June, 2017 at the offices of its Manager, Lingard Limited, Trott & Duncan Building, 17A Brunswick Street, Hamilton HM 10, Bermuda at 12:00 noon or as soon thereafter as possible, for the following purposes:

AGENDA

1. To appoint a Chairman and a Secretary of the Meeting.

2. To read the Notice calling the Meeting and to confirm that a quorum is present.

3. To consider the Minutes of the 2016 Annual General Meeting of the Company held on 22 June, 2016.

4. To receive the Auditor's report and Financial Statements for the year ended 20 February 2017.

5. a) To elect Directors and Alternate Directors;
   b) To authorise the Directors to fill any vacancies on the Board;
   c) To authorise the Directors to appoint Alternate Directors; and
   d) To determine the remuneration of the Directors and the Alternate Directors.

6. To elect members of the Election Committee.

7. To appoint Auditors for the financial year to 20 February, 2018.

8. To ratify and confirm the actions of the Directors and Officers of the company in relation to the Company duties.

By order of the Board of Directors
8 May, 2017

Graham W. Everard
Secretary

MEETING DATES

The Board of Directors and the various Committees of Gard P. & I. (Bermuda) Ltd. held the following meetings during the year:

The Annual General Meeting
Wednesday 22 June 2016, Bermuda

The Board of Directors
Saturday, 7 May 2016, Singapore
Monday, 9 May 2016, Singapore
Wednesday, 22 June, 2016, Bermuda
Tuesday, 25 October 2016, London
Wednesday, 26 October 2016, London

The Executive Committee
Wednesday, 20 and Thursday, 21 and Friday, 22 April 2016, Copenhagen
Saturday, 7 May, 2016, Singapore
Wednesday, 15 June 2016, Telephone
Thursday, 1 September 2016, Arendal
Thursday, 22 September 2016, Hamburg
Tuesday, 25 October 2016, London
Wednesday, 18 January 2017, London
Friday, 3 February 2017, Oslo

The Audit Committee
Friday, 15 April 2016, Telephone
Friday, 6 May 2016, Singapore
Tuesday, 14 June 2016, Telephone
Wednesday, 21 September 2016, Hamburg
Monday, 24 October 2016, London
Monday, 12 December 2016, Telephone
Tuesday, 17 January 2017, London

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors	
Bengt Hermelin, *Chairman*	Bermuda
Kenneth Hvid, *Deputy Chairman*	Teekay Shipping (Canada) Ltd., Vancouver
Nils Aden	E.R. Schiffahrt GmbH & Cie. KG, Hamburg
Yngvil Åsheim	BW Maritime, Singapore/Oslo
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg
Ian Blackley	Overseas Shipholding Group Inc., New York
K. C. Chang	Evergreen Marine Corp. (Taiwan) Ltd., Taipei
Trond Eilertsen	Oslo
Timothy C. Faries	Bermuda
Costas Gerapetritis	Navios Shipmanagement Inc., Piraeus
Carl Johan Hagman	Stena Rederi AB, Gothenburg
Herbjørn Hansson	Nordic American Tanker Limited, Bermuda
Morten W. Høegh	Leif Höegh (UK) Ltd., London
Hans Peter Jebsen	Kristian Gerhard Jebsen Skipsrederi AS, Bergen
Stephen Knudtzon	Oslo
Michael Lykiardopulo	Lykiardopulo & Co., London
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Halvor Ribe	J.J. Ugland Companies, Grimstad
Saleh Al-Shamekh	The National Shipping Company of Saudi Arabia (Bahri)
Rajalingam Subramaniam	AET Group, Singapore
Jane Sy	Stolt Tankers B.V., Rotterdam
Takaya Uchida	Meiji Shipping Co. Ltd., Tokyo
Jan Eyvin Wang	Wilh. Wilhelmsen ASA, Oslo
Rolf Thore Roppestad, President	Arendal

Executive Committee	
Trond Eilertsen, *Chairman*	Oslo
Yngvil Åsheim	BW Maritime, Singapore/Oslo
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Morten W. Høegh	Leif Höegh (UK) Ltd., London
Jane Sy	Stolt Tankers B.V., Rotterdam
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg
Carl Johan Hagman	Stena Rederi AB, Gothenburg
Rolf Thore Roppestad, President	Arendal

Election Committee	
Bengt Hermelin, *Chairman*	Bermuda
Hans Peter Jebsen	Kristian Gerhard Jebsen Skipsrederi AS, Oslo
Herbjørn Hansson	Nordic American Tanker Limited, Bermuda
Kenneth Hvid	Teekay Shipping (Canada) Ltd., Vancouver

Audit Committee	
Ian Beveridge, *Chairman*	Bernhard Schulte GmbH & Co. KG, Hamburg
Halvor Ribe	J.J. Ugland Companies, Grimstad
Stephen Knudtzon	Oslo

Risk Committee	
Morten W. Høegh, *Chairman*	Leif Höegh (UK) Ltd., London
Ian Beveridge,	Bernhard Schulte GmbH & Co. KG, Hamburg
Yngvil Åsheim	BW Maritime, Singapore/Oslo

Remuneration Committee	
Trond Eilertsen, *Chairman*	Oslo
Jan Eyvin Wang	Wilh. Wilhelmsen ASA, Oslo
Nils Aden	E.R. Schiffahrt GmbH & Cie. KG, Hamburg

CONTACT DETAILS FOR GARD'S GLOBAL NETWORK

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

Tel +1 441 292 6766
Email companymail@lingard.bm

Gard AS
Kittelsbuktveien 31
NO-4836 Arendal
Norway

Tel +47 37 01 91 00
Email companymail@gard.no

Gard AS
Skipsbyggerhallen
Solheimsgaten 11
NO-5058 Bergen
Norway

Tel +47 37 01 91 00
Email companymail@gard.no

Gard AS
Dronning Eufemias gate 6
NO-0191 Oslo
Norway

Tel +47 37 01 91 00
Email companymail@gard.no

Oy Gard (Baltic) Ab
Bulevardi 46
FIN-00120 Helsinki
Finland

Tel +358 30 600 3400
Email gardbaltic@gard.no

Gard (Greece) Ltd
2, A. Papanastasiou Avenue
185 34 Kastella, Piraeus
Greece

Tel + 30 210 413 8752
Email gard.greece@gard.no

Gard (HK) Ltd
Room 3003, 30/F
The Centrium, 60 Wyndham Street
Central
Hong Kong

Tel +852 2901 8688
Email gardhk@gard.no

Gard (Japan) K.K.
Shiodome City Center 8F
1-5-2 Higashi Shinbashi
Minato-ku, Tokyo 105-7108
Japan

Tel +81 3 5537 7266
Email gardjapan@gard.no

Gard (Japan) K.K.
Vogue 406,
3-9-36 Higashimura, Imabari-City,
Ehime 799-1506,
Japan

Tel +81 898 35 3901
Email gardjapan@gard.no

Gard (North America) Inc.
40 Fulton Street
New York, NY 10038
USA

Tel +1 212 425 5100
Email gardna@gard.no

Gard (Singapore) Pte. Ltd.
72 Anson Rd
#13-02 Anson House
Singapore 079911
Singapore

Tel +65 6709 8450
Email gardsingapore@gard.no

Gard (UK) Limited
85 Gracechurch Street
London EC3V 0AA
United Kingdom

Tel +44 (0)20 7444 7200
Email garduk@gard.no

Gard Marine & Energy- Escritório de Representação no Brasil Ltda
Rua Lauro Muller 116 – suite 2402
Botafogo, 22290-160,
Rio de Janeiro, RJ,
Brazil

Tel +55 (21) 3037 9764
Email gardbrasil@gard.no

Emergency Telephone Number
+47 90 52 41 00

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