

GARD M&E INSURANCE (EUROPE) AS

Statement of comprehensive income

	Quarterly		YTD	
	Current year	Previous year	Current year	Previous year
	21.05.17- 20.08.17	21.05.16- 20.08.16	21.02.17- 20.08.17	21.02.16- 20.08.16
Amounts in USD 000's				
Technical account				
Gross written premium	19,682	20,202	38,650	42,110
Ceded reinsurance	(14,802)	(18,492)	(28,979)	(38,557)
Earned premium for own account	4,879	1,710	9,671	3,553
Other insurance related income	4	9	12	18
Gross settled claims	28,537	16,127	50,925	25,239
Reinsurers' share of gross settled claims	(23,133)	(14,816)	(41,565)	(22,896)
Claims incurred for own account	5,404	1,311	9,360	2,343
Acquisition costs	1,207	1,317	2,812	2,806
Agents' commission	2,204	2,187	4,437	4,945
Commission received	(3,428)	(3,815)	(5,753)	(7,826)
Insurance related expenses for own account	(17)	(311)	1,496	(75)
Other insurance related expenses	120	99	279	210
Technical result	(623)	621	(1,452)	1,093
Non-technical account				
Interest and similar income/(cost)	2,877	786	3,544	982
Change in unrealised gain/(loss) on investments	(6)	3	100	975
Gain/(loss) on realisation of investments	52	(16)	61	(39)
Investment management expenses	(8)	(11)	(15)	(20)
Non-technical result	2,915	763	3,691	1,897
Profit before tax	2,291	1,384	2,239	2,990
Taxation	1	0	(213)	0
Net result	2,290	1,384	2,452	2,990

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.08.17	As at 20.02.17
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	1,981	1,876
Bonds	17,685	17,408
Financial derivative assets	28	0
Other financial investments	175	259
Total investments	19,868	19,542
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Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	38,026	32,218
Reinsurers' share of gross claims reserve	69,795	50,197
Total reinsurers' share of technical provisions	107,821	82,415
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Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	764	953
Intermediaries	51,649	34,590
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	0	1,705
Receivables from group companies	3,274	16
Other receivables	3	9
Total receivables	55,690	37,273
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Other assets		
Cash and cash equivalents	30,906	18,006
Deferred tax asset	543	275
Total other assets	31,449	18,281
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Prepayments and accrued income		
Accrued income and other prepayments	5,868	4,178
Total prepayments and accrued income	5,868	4,178
Total assets	220,695	161,689

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.08.2017	As at 20.02.17
Equity and liabilities		
Equity		
Statutory reserve	43,449	33,268
Other equity	4,688	2,236
Total equity	48,137	35,504
Technical provisions		
Gross premium reserve	50,636	35,525
Gross claims reserve	82,942	57,336
Total technical provisions	133,578	92,861
Payables		
Payables arising out of direct insurance operations	5,160	832
Payables arising out of reinsurance operations	23,393	24,615
Payables to group companies	1,155	272
Other payables	252	143
Total payables	29,960	25,862
Accruals and deferred income		
Accruals and deferred income	9,021	7,462
Total accruals and deferred income	9,021	7,462
Total liabilities	172,558	126,185
Total equity and liabilities	220,695	161,689

GARD M&E INSURANCE (EUROPE) AS

Statements of changes in equity

Amounts in USD 000's	Statutory reserve	Other equity	Total
Equity as at 20.02.2016	33,268	(310)	32,958
Net result		2,546	2,546
Equity as at 20.02.2017	33,268	2,236	35,503
Equity as at 21.02.2017	33,268	2,236	35,503
Net result		2,290	2,290
Increase of share capital	10,181		10,181
Equity as at 20.08.2017	43,449	4,688	48,137

GARD M&E INSURANCE (EUROPE) AS

Cash flow analysis

Amounts in USD 000's	21.02.17 to 20.08.17	21.02.16 to 20.08.16
Cash flow from operating activities		
Profit from ordinary operations before tax	2,239	2,990
Change in unrealised gain/(loss) on investments	(100)	(975)
Change in receivables and payables	(14,319)	(569)
Change in technical provisions and other accruals	15,180	1,253
Financial investments	(226)	(4,250)
Net cash flow from operating activities	2,775	(1,552)
Cash flow from investment activities		
Investment management expenses	(15)	(20)
Net cash flow from investment activities	(15)	(20)
Cash flow from financial activities		
Increase of share capital	10,181	19,435
Net cash flow from financial activities	10,181	19,435
Net change in cash and cash equivalents	12,900	(1,572)
Cash and cash equivalents at beginning of year	18,006	22,825
Cash and cash equivalents at end of year	30,906	21,253

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

Corporate information

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

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

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

Basis of preparation of the Accounts

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

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

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

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

Contingency reserve was reclassified to other equity. Related deferred tax liability was recognized as applicable depending on tax jurisdiction. As a result, the Statement of comprehensive income no longer includes the line item "change in contingency reserve".

Gross written premium and changes in gross premium reserve is presented net as Gross earned premium, while Gross settled claims and Change in gross claims reserve is presented net as Gross incurred claims.

Comparative information has been restated accordingly.

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

The accounts as at 20.08.2017 has not been audited.

Use of accounting estimates when preparing the accounts

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

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

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 2 – Related party transactions

Reinsurance agreements

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

Insurance agency agreement

The operations and insurance activities of the Company are carried out by the insurance intermediarie Gard AS.

Gard AS is a fully owned daughter company of Gard P. & I. (Bermuda) Ltd.

Note 3 – Capital Requirements

Amounts in USD 000's	As at 20.08.17	As at 20.02.17
Own funds		
Ordinary share capital	32,392	32,392
Share premium account	5,564	877
Reconciliation reserve	(3,554)	589
Net deferred tax assets	543	856
Excess of assets over liabilities	34,946	34,713
Tier 1 - Unrestricted	34,402	33,857
Tier 1 - Restricted	0	856
Tier 3 - Net deferred tax assets	543	
Total basic own funds / (equal to Excess of assets over liabilities)	34,946	34,713
Tier 2 - Supplementary calls	0	0
Total ancillary own funds	0	0
Total available own funds to meet the SCR	34,946	34,713
Total available own funds to meet the MCR	34,402	33,857
Total eligible own funds to meet the SCR	34,946	34,713
Total eligible own funds to meet the MCR	34,402	33,857
SCR	33,307	21,645
MCR	8,327	5,411
Ratio of eligible own funds to SCR	105 %	160%
Ratio of eligible own funds to MCR	413 %	626%

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 3 – Capital Requirements continued

Amounts in USD 000's	As at 20.08.17	As at 20.02.17
Minimum Capital Requirement (MCR)		
Linear MCR	6,046	2,233
SCR	33,307	21,645
MCR cap (45% of SCR)	14,988	9,740
MCR floor (25% of SCR)	8,327	5,411
Combined MCR	8,327	5,411
Absolute floor of the MCR	4,050	4,050
MCR	8,327	5,411
Solvency Capital Requirement (SCR)		
Market risk	2,979	3,590
Counterparty default risk	10,005	7,360
Non-life underwriting risk	22,210	12,853
Diversification	(5,657)	(4,747)
Basic SCR	29,537	19,056
Calculation of SCR		
Operational risk	3,770	2,589
SCR	33,307	21,645

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

22 September 2017

Trond Eilertsen
Chairman

Morten Hoegh

Jane Sy

Yngvil Åsheim

Ian Beveridge