
FINANCIAL STATEMENTS 2017

Assuranceforeningen Gard - gjensidig-

for the year to 20 February 2017



Assuranceforeningen Gard - gjensidig-

Table of content

The Board of Directors	1
Report of the Board of Directors	2
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Cash flow	14
Comments and notes to the accounts	15
Auditor's report	59

Assuranceforeningen Gard - gjensidig-

The Board of Directors

Trond Eilertsen, Chairman, Oslo

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

Yngvil Eriksson Åsheim, BW Maritime, Oslo

Ian Beveridge, Bernhard Shulte GmbH & Co. KG, Hamburg

Morten W. Høegh, Leif Høegh (UK) Ltd., London

Assuranceforeningen Gard - gjensidig -

Board of Directors' Report

INTRODUCTION

The Board of Directors hereby submits the report and accounts of Assuranceforeningen Gard - gjensidig - (the "Association") for the 2017 financial year, covering the 12 month period to 20 February 2017. This is the Association's 109th year of business.

In the opinion of the Board of Directors this report and accounts for the year to 20 February 2017 gives a true and fair view of the Association's assets, liabilities, financial position and result.

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

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

THE ASSOCIATION - MEMBERSHIP RIGHTS

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

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

CHANGES IN EXTERNAL CONDITIONS

The regulations implementing Solvency II came into force from 1 January 2016 through the new Norwegian Finance Institutions Act of 2015 no. 17. Solvency II means harmonized EU regulations for calculating capital requirements and eligible capital, requirements for risk management as well as reporting requirements for risk- and capital situation.

Following the implementation of Solvency II, the accounting regulations for insurance companies in Norway has been changed. This has affected the tax treatment of the capital buffer previously named the contingency reserve for a mutual insurer as the Association having originally been exempted from equity capital requirement. The principal difference is that under the new regulatory regime the capital buffer earlier described as the contingency reserve will no longer be recorded as a liability in the Association's balance sheet and transfers to the contingency reserve will no longer be treated as an expense.

Going forward the capital buffer required, having the same purpose as the contingency reserve, must be build up on the basis of a taxable surplus unless changes are made in the legislation facilitating the

continuation of the special treatment the Norwegian P&I clubs have had in order to ensure that they operate within the same regulatory and fiscal environment as their competitors abroad. The Association, together with the other mutual P&I insurer in Norway, have had a dialogue with and been involved in the consultation process initiated by the Norwegian Ministry of Finance about these issues. The final regulations are still pending and it is not certain when this will be in place. Pending a conclusion a deferred tax has been calculated based on the accumulated contingency reserve as at 20 February 2015 and the profit before tax as at 20 February 2016 and 20 February 2017.

THE OPERATION IN GENERAL

P&I insurance

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

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

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

The Association's branch office in Tokyo

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

The Association's branch office in Hong Kong

The Association has a branch office in Hong Kong. The branch office has been authorized by the Office of Commissioner of Insurance to carry on business in and from Hong Kong.

The Association's branch office in the United Kingdom

With effect from 20 February 2017, the Association has established a branch in the United Kingdom.

Gard AS - the Association's insurance agent

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

Personnel and organisation

As a result of the appointment of Gard AS as the agent of the Association there are at the end of the year only 14 persons directly employed by the Association. These persons include, *inter alia*, the Managing Director, the Legal Director (Company Secretary) and the Accounting Manager. In the period from 21 February, 2016 to 20 February, 2017 the level of absence due to sickness has been below the corresponding average in the insurance industry. The total number of days of absence due to sickness corresponded to a percentage of 2.9 per cent against 4.8 per cent for the insurance

industry in general. The organisation is focusing on preventing occupational injuries as a result of long time use of PCs and other office equipment. There have been no injuries or accidents in connection with the operations.

The Association seeks to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

The working environment in the Association has in the period to 20 February, 2017 been good.

Internal control

Pursuant to regulations determined by the Norwegian Financial Supervisory Authority (Finanstilsynet) the Association has established an internal control system. In accordance with the said regulations, a report about the internal auditor's findings are submitted to the Audit Committee established on a group basis as set out below. In line with the Solvency II regime a Compliance Officer function was established with effect from 1 January, 2015. The Compliance Officer is part of the risk assessment and internal control system and shall ensure compliance with governing laws, regulation and administrative provisions.

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

Safety at sea

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

Research and development

The Association does not carry out research and development activities.

Environmental damage

The Association is a mutual insurance provider and the environmental footprint is therefore limited as the products, in the form of insurance cover, do not have an environmental impact. The Associations impact on climate and the environment is therefore primarily connected to business travel made by the limited number of staff.

Gard fully supports the UN Principles of Responsible Investment and actively encourage the 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.

FUND MANAGEMENT

A major part of the Association's investment portfolio is invested through a "Common Contractual Fund" structure. The investment structure represents a common legal framework for the management of the funds belonging to the following risk carriers in the Gard group: Assuranceforeningen Gard - gjensidig -, Gard P. & .I (Bermuda) Ltd, Gard Marine & Energy Limited, Gard Marine & Energy Insurance (Europe) AS and Gard Reinsurance Co Ltd. The objective of the investment structure is

saving of management costs and optimizing the total returns within the investment guidelines. The portfolio managers in the Common Contractual Fund structure are all specialists within the class of assets the individual manager has been given a mandate to manage.

The general investment guidelines for the management of the funds of the Association are determined by the Board of Directors. The general guidelines determined by the Board of Directors contain, *inter alia*, provisions as to the currency composition of the investments and the types of financial instruments that can be used. The percentage of the investment held in US dollar must be in the range between 30 per cent and 75 per cent. Each portfolio manager employed shall not manage more than 30 per cent of the total fund. The guidelines permit also investments in real estate funds, futures, options and other derivatives for the purpose of improving risk management, efficiency and liquidity of the portfolio. The individual portfolio manager's mandate is composed on the basis of an index enabling the Association to measure the individual manager's performance against a benchmark.

The Administration reports on the performance and composition of the portfolio at each Board of Directors meeting. For each meeting, a compliance report is produced showing whether there are non-conformities in relation to the investment guidelines.

In the view of the Board of Directors the Association's investments can be described as having a medium risk profile.

INSURANCE BUSINESS

Entered tonnage

At the end of the financial year to 20 February 2017, the number of entered vessels and other units was 3,447. The total tonnage of the direct business amounted to 82.2 million GT of which direct owner's entries amounted to 69.1 million GT.

Reinsurance

In the financial year to 20 February 2017, the Association's retention level for insurance liabilities, arising out of any one event any one vessel, was USD 10 million, net of reinsurance, for mutual entries reinsured under the IG Pooling Agreement. For liabilities arising under fixed premium entries reinsured outside the Pool-structure, the retention level was USD 20 million, net of reinsurance, any one event any one vessel. The Association's reinsurance program was structured as outlined below.

According to the P&I Clubs' Pooling Agreement claims in the layer between USD 10 million and USD 80 million were shared between the parties to that agreement pursuant to the agreed formula. Further the reinsurance protection through the Pool was USD 2,000 million, any one event any one vessel, in excess of the USD 80 million being the upper limit of the Pool.

Fixed premium entries covering risks falling outside the scope of the Pooling Agreement was reinsured by the Association in the commercial reinsurance market. The level of retained risk for each claim was USD 20 million.

Internal reinsurance contracts

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

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

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

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

Open policy years

The 2014 policy year

Over the last 12 months the value of reported claims for the policy year 2014 has shown an improvement. The year is expected to produce a surplus.

The year can at the earliest be closed in October 2017. Further calls are not expected.

The 2015 policy year

Over the last 12 months, the value of reported claims for the policy year 2015 has shown a good improvement. The year is expected to produce a surplus.

The year can at the earliest be closed in October 2018. Further calls are not expected.

The 2016 policy year

The Board of Directors have decided that no deferred call shall be levied. The decision reflects the Association's and the group's sound financial position.

The year can at the earliest be closed in October 2019.

Closed policy years

All closed years up to and including the 2014 policy year have developed as anticipated and show an overall surplus.

FINANCIAL RISK

Insurance risk

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

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

A set of extreme events for insurance risk have been identified and the realistic possible loss to the Association has been calculated. The highest insurance loss for own account from the identified extreme events is USD 62 million, which is 57 percent of the company's equity.

Reverse stress testing has been conducted. A net insurance loss of USD 81 million will affect the Association's solvency. This corresponds to six losses in excess of USD 20 million on the Mutual portfolio and five losses on the fixed portfolio respectively. The expected number of claims in the same size order is one.

Market risk

The Association has no exposure to high yield and has a modest underweight to equities. By this, the entity has an overweight to developed market government bonds and investment grade corporates. This is broadly in line with the allocation last year.

The economic capital required for the market risk is up from one year ago. The charge from equity risk is the main contributor.

According to the stress tests, the highest estimated market loss to the Association is USD 11 million due to a 30 percent fall in equity markets which is 10 percent of the company's equity.

A reverse stress test demonstrates that a market loss of USD 87 million will jeopardize the Association's solvency.

Counterparty default risk

The main sources of counterparty default risk was intra-group reinsurers and cash deposits at banks. As of 20 February 2017, the main counterparty exposures was Sumitomo Bank, Nordea and Lloyds. Exposure to reinsurers has been reduced during the last 12 months.

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

Liquidity risk

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

Operational risk

The operational risk of the Gard group is assessed annually through the internal self-assessment. Results of the self-assessment are used to quantify the operational risk of the Gard group. Based on the business volume, a share of the group wide operational risk has been attributed to the Association.

The economic capital charge for operational risk is five percent up from last year due to an increase in the underlying portfolio.

Capital and solvency position

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

ACCOUNTS FOR THE YEAR 2017

The Association has been granted dispensation by the Norwegian Financial Supervisory Authority and the Tax Authority from the requirements to present the annual accounts in Norwegian currency and in the Norwegian language. In accordance with this, the annual accounts are presented in United States Dollar (USD) and in the English language. Comparing figures as per 20 February 2016 are included in brackets.

Result

The net result was a profit of USD 15.8 million (deficit of USD 14.5 million). This includes a suggested 25 percentage points reduction in deferred call amounting to USD 30.7 million (10 percentage points reduction in deferred call amounting to USD 10.2 million).

Technical result was a profit of USD 7.1 million (deficit of USD 9.7 million).

Premiums

The gross earned premium in the year ending 20 February 2017 was USD 164.8 million (USD 160.9 million). Earned premium for own account was USD 84.5 million (USD 86.5 million). The premium volume of the Association has increased in the year to 20 February 2017 mainly due to more business

being written by Hong Kong branch. The market has been softening for fixed P&I premiums, there has been a reduced demand for offshore related covers and increase in lay-ups of mobile offshore units caused by a low activity level in the offshore supply sector.

Claims

Gross claims cost incurred during the period amounted to USD 38.5 million (USD 349.3 million). Net claims incurred for own account was USD 67.9 million (USD 88.7 million). The Association has had a very good year with only one mutual claim above own retention in the year to 20 February 2017. The substantial decrease in gross technical provisions and reinsurers' share is to a large extent due to lack of large claims last year.

Non-technical result

The net income derived from investments of assets was a profit of USD 11.7 million in the year to 20 February 2017 (deficit of USD 5.4 million).

Total equity

Other equity has increased to USD 109.3 million (USD 93.5 million). The equity is retained to meet unforeseen fluctuations in claims exposure, possible catastrophes, and extraordinary claims patterns that fall within the Association's liabilities and to meet capital requirements.

Technical provisions

As at 20 February 2017 the Association's technical provisions to cover reported and unreported claims for own account amounted to USD 152.1 million (USD 147.3 million).

The Board of Directors is of the opinion that other equity and the technical provisions are sufficient to cover all liabilities for the 2016 policy year and earlier policy years.

Cash flow analysis

The Association's bank deposit as of 20 February, 2017 amounted to USD 48.3 million (USD 30.9 million). Net cash flows from operating activities consist primarily of incoming payments in the form of premiums and outgoing payments in the form of claims and operating expenses. Operating liquidity (cash) is balanced by transfers to and from the investment portfolio.

CONTINUED OPERATION AND THE FUTURE DEVELOPMENT

The Board of Directors expects the premium income and volume to decrease for the year to 20 February 2018, mainly due to soft commercial insurance markets, reduced excess surplus in mutual, continuing low interest rates, as well as low growth and even reduced demand in some lines of business. The cost base would continue to increase moderately. The expense ratio and manageable expenses is expected to increase the financial year ending 20 February 2018. The non-technical result is expected to give a return in the area of 2 to 4 per cent over the next years.

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

GOVERNING CORPORATE BODIES

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

Board of Directors

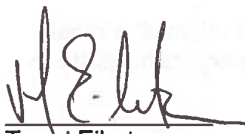
Ian Beveridge and Morten Høegh shall retire by rotation at the forthcoming Annual General Meeting but can be re-elected.

* * *

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

Arendal, 24 April 2017

Board of Directors
ASSURANCEFORENINGEN GARD - GJENSIDIG -



Trond Eilertsen
Chairman



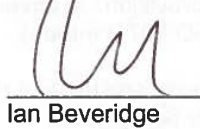
Jane Sy
Deputy Chairman



Yngvil Eriksson Asheim



Morten W. Høegh



Ian Beveridge



Rolf Thore Roppstad
Managing Director

Assuranceforeningen Gard - gjensidig -

Statement of comprehensive income

Amounts in USD 000's	Notes	21.02.16 to 20.02.17	Restated* 21.02.15 to 20.02.16
Technical account			
Gross earned premium	4, 5	164,838	160,884
Ceded reinsurance		(80,384)	(74,420)
Earned premium for own account	3, 6	84,454	86,464
Other insurance related income		153	29
Gross incurred claims	2, 6	38,474	349,266
Reinsurers' share of gross incurred claims		29,450	(260,528)
Claims incurred for own account	3, 6	67,924	88,737
Aquisition costs		7,148	4,358
Agents' commission		9,822	9,189
Commission received		(8,575)	(8,001)
Insurance related expenses for own account	3, 8	8,395	5,546
Other insurance related expenses	8, 18	1,191	1,950
Technical result		7,097	(9,740)
Non-technical account			
Interest and similar income	9	6,384	5,562
Change in unrealised gain/(loss) on investments		8,011	(12,305)
Gain/(loss) on realisation of investments		(2,077)	921
Investment management expenses		(602)	381
Non-technical result		11,716	(5,442)
Profit before tax		18,812	(15,182)
Taxation	10, 20	2,915	(110)
Net result		15,897	(15,072)
Other comprehensive income/(loss)			
Remeasurement due to change in pension assumptions	18	(94)	535
Total comprehensive income/(loss)	20	15,802	(14,537)

*See note 2.2

Assuranceforeningen Gard - gjensidig -

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.17	Restated* As at 20.02.16
Assets			
Investments			
<i>Financial investments at fair value through profit or loss</i>			
Equities and investments funds	12, 13, 14	39,531	27,255
Bonds	12, 13, 14	174,286	188,003
Financial derivative assets	12, 13, 14	953	1,333
Other financial investments	12, 13	24,910	11,682
Total investments		239,680	228,272
Reinsurers' share of technical provisions			
Reinsurers' share of gross premium reserve	6	43	0
Reinsurers' share of gross claims reserve	3, 6, 13	279,217	395,405
Total reinsurers' share of technical provisions		279,259	395,405
Receivables			
Policyholders	15	12,665	19,490
<i>Receivables from reinsurance operations</i>			
Receivables from reinsurance operations - group companies		3,088	0
<i>Other receivables</i>			
Other receivables	16	9	9
Other receivables - group companies		184	1,855
Total receivables	13	15,946	21,353
Other assets			
Equipment	11	2,201	2,201
Cash and cash equivalents	13, 17	48,295	30,908
Other financial assets	13	1,838	1,778
Total other assets		52,333	34,887
Prepayments and accrued income			
Accrued income and other prepayments		1,308	483
Total prepayments and accrued income		1,308	483
Total assets	7, 13	588,527	680,401

*See note 2.2

Assuranceforeningen Gard - gjensidig -

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.17	Restated* As at 20.02.16
Equity and liabilities			
Equity			
Other equity	20	109,313	93,510
Total equity		109,313	93,510
Technical provisions			
Gross premium reserve	6	128	0
Gross claims reserve	3, 6, 19	431,259	542,721
Total technical provisions		431,387	542,721
Provision for other liabilities			
Pension obligations	18	1,842	2,122
Deferred tax	10, 20	10,553	7,866
Total provisions for other liabilities		12,395	9,988
Payables			
Payables arising out of direct insurance operations		6,569	2,436
Payables arising out of reinsurance operations		0	5,734
Payables group companies		1,000	35
Financial derivative liabilities	12, 13, 14	512	1,549
Other payables	12, 13, 16	26,694	23,762
Total payables		34,776	33,517
Accruals and deferred income			
Accruals and deferred income		656	666
Total accruals and deferred income		656	666
Total liabilities	13	479,213	586,891
Total equity and liabilities	7	588,527	680,401

*See note 2.2

Assuranceforeningen Gard - gjensidig - Statement of changes in equity

Amounts in USD 000's	Note	Other equity	Total
Equity as at 20.02.2015		0	0
Change in accounting policy related to contingency reserve		116,685	116,685
Tax effect on change in accounting policy		(8,637)	(8,637)
Equity as at 21.02.2015* Restated		108,048	108,048
Net result		(15,072)	(15,072)
Remeasurement due to change in pension assumptions		535	535
Equity as at 20.02.2016* Restated		93,510	93,510
Equity as at 20.02.2016 * Restated		93,510	93,510
Net result		15,897	15,897
Remeasurement due to change in pension assumptions		(94)	(94)
Equity as at 20.02.2017	20	109,313	109,313

Assuranceforeningen Gard - gjensidig -

Cash flow analysis

Amounts in USD 000's	Notes	21.02.16 to 20.02.17	Restated* 21.02.15 to 20.02.16
Cash flow from operating activities			
Profit before tax		18,812	(15,182)
Tax paid (refunded)	10	309	(661)
Change in unrealised gain/(loss) on investments		(8,011)	12,305
Pension cost charged to statement of comprehensive income	18	(94)	535
Change in pension obligation	18	(280)	(928)
Change in receivables and payables		6,667	17,029
Change in technical provisions and other accruals		3,441	23,453
Purchase/sale of other investments		(3,456)	(28,985)
Net cash flow from operating activities		17,387	7,566
Cash flow from investment activities			
Net cash flow from investment activities		0	0
Net change in cash and cash equivalents		17,387	7,566
Cash and cash equivalents at beginning of year		30,908	23,342
Cash and cash equivalents at end of year		48,295	30,908

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 1 – Corporate information

Assuranceforeningen Gard - gjensidig.

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

The principal activities of the Association are; the insurance of marine Protection and Indemnity risk on behalf of its Members, including the reinsurance of a proportion of the Protection and Indemnity risk underwritten by Gard P. & I. (Bermuda) Ltd. as a direct insurer; and management of assets covering the technical provisions.

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

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

Assuranceforeningen Gard – gjensidig- is consolidated into the accounts of Gard P. & I. (Bermuda) Ltd. and the consolidated accounts are available at the office of Gard P. & I. (Bermuda) Ltd's management company, Lingard Ltd in Bermuda.

Note 2 - Accounting policies

2.1 Basis of preparation of the Accounts

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.

2.2 Changes to presentation and classification

As a result of change in Norwegian accounting regulations for insurance companies, the Association 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 Note 20 for further details.

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 Use of accounting estimates when preparing the accounts

The preparation of the accounts requires the management to make estimates and assumptions that affect 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.

2.4 Foreign currency

Functional currency and presentation currency

The accounts are prepared in USD, which is both the functional currency and presentation currency of the Association.

Transactions in foreign currency

Transactions in foreign currencies are translated at the rate applicable on the transaction date. Monetary items in a foreign currency 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.

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 2 - Accounting policies continued

2.5 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 from the Board of Directors in the following year but is included as revenue in the accounts for the current year. Supplementary calls for P&I business may be charged to members for the three last policy years.

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

Reinsurance premiums

Reinsurance premiums are recognised as an expense over the underlying policy period.

Claims expenses

Expenses regarding incurred claims and other administrative expenses are recognised in the period in which they incur. 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 sales and administrative expenses, less commission received on ceded reinsurance premiums. Sales expenses are recognised in the period in which they incur. The administrative expenses and commission received are expensed over the underlying policy period.

Other

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

2.6 Income tax

The tax expense consists of tax payable and changes in deferred tax.

Deferred tax/tax asset is calculated on all differences between the book value and the tax value of assets and liabilities. Deferred tax is calculated at the nominal tax rate of temporary differences and the tax effect of tax losses carried forward at the tax rate at the end of the accounting year. Changes in tax rates are accounted for when the new rate has been approved and changes are presented as part of the tax expense in the period the change has been made. A deferred tax asset is recorded in the balance sheet, when it is more likely than not that, the tax asset will be utilised.

2.7 Financial instruments

Classification

The Association classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held to maturity

investments. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivative financial instrument 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 Association commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss 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 Association has transferred substantially all risks and rewards of ownership.

Loans and receivables and held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the 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

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 2 - Accounting policies continued

statement as part of interest and similar income when the right to receive payments is established. Dividend from investments is recognised when the Association has an unconditional right to receive the dividend.

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

Interest on held-to-maturity investments is included in the income statement and reported as interest and similar income. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the 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 Association assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the 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 Association may measure impairment on the basis of an instrument's fair value using an observable market price.

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

previously recognised impairment loss is recognised in the income statement.

2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Association does not practice hedge accounting.

2.9 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.

2.10 Equipment

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

2.11 Technical provisions

Technical provisions are calculated in accordance with the regulations for annual accounts for insurance companies.

Gross claims reserve

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

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

In accordance with the Norwegian regulations for insurance companies a provision for Internal Claims Handling Expenses (unallocated loss adjustment expenses, or ULAE) is included in the Gross claims reserve.

2.12 Employee benefits

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

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.

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 2 - Accounting policies continued

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

2.13 Provisions, contingent liabilities and assets

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. For potential obligations whose likelihood is neither remote nor not probable (i.e. not 'more likely than not'), a contingent liability is disclosed.

Contingent assets are not recognised in the financial statements but are disclosed if it is likely that resources embodying economic benefits will flow to the Association.

2.14 Events after the reporting period

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

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 3 - Intra-group transactions

Reinsurance agreements

Gard P. & I. (Bermuda) Ltd. and the Association have entered into mutual reinsurance agreements. The Association reinsures a proportion amounting to 2 percent of Gard P. & I. (Bermuda) Ltd. risks that is not reinsured elsewhere. The Association cedes to Gard P. & I. (Bermuda) Ltd. by way of reinsurance 25 percent of the Association's risks that are not reinsured elsewhere. Premiums are calculated on financial year basis. Claims are calculated with 25 percent of claims incurred.

	Received from Gard P. & I. (Bermuda) Ltd.		Ceded to Gard P. & I. (Bermuda) Ltd.	
	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
Amounts in USD 000's				
Reinsurance	5,237	6,408	27,101	27,357
Reinsurers' share of gross settled claims	4,516	4,209	32,096	24,673
Reinsurance commission	1,275	1,666	6,480	6,397

	Received from Gard P. & I. (Bermuda) Ltd.		Ceded to Gard P. & I. (Bermuda) Ltd.	
	As at 20.02.17	As at 20.02.16	As at 20.02.17	As at 20.02.16
Amounts in USD 000's				
Reinsurers' share of gross claims reserve	11,324	12,540	114,087	119,969

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

	Ceded to Gard Reinsurance Co Ltd	
	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Amounts in USD 000's		
Ceded reinsurance	2,000	2,000

	Ceded to Gard Reinsurance Co Ltd	
	As at 20.02.17	As at 20.02.16
Amounts in USD 000's		
Reinsurers' share of claims reserve	10,090	12,466

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

	Ceded to Hydra	
	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Amounts in USD 000's		
Reinsurance	17,432	0
Reinsurers' share of gross settled claims	306	308
Reinsurers' share of gross claims reserve	11,563	41,244

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 3 - Intra-group transactions continued

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

	Insurance services invoiced	
	21.02.16	21.02.15
Amounts in USD 000's	to 20.02.17	to 20.02.16
Insurance services invoiced	21,112	16,697

Note 4 - Gross written premium by geographical areas

	21.02.16	21.02.15
	to 20.02.17	to 20.02.16
Amounts in USD 000's		
EEA	71,573	82,058
Norway	2,743	6,916
Other areas	90,649	71,910
Total gross written premium	164,965	160,884

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 no deferred call in respect of the 2016 policy year, payable in 2017. The original estimated deferred call was 25 percent. The deferred call for the 2015 policy year was reduced to 15 per cent from 25 percent.

The reduction in deferred call amounts to USD 30.6 million (2015 USD 10.2 million).

On an estimated total call basis (ETC) the gross written premium for the year to 20.02.2017 is USD 195.5 million (2016 USD 171.1 million).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 6 - Technical result and technical provisions

	21.02.16 to 20.02.17
Amounts in USD 000's	Total P&I
Technical result	
Gross premiums	
Gross written premiums	164,965
Gross earned premium	164,838
Ceded reinsurance	(80,384)
Earned premiums for own account	84,454
Claims incurred, gross	
Incurred this year	(103,449)
Incurred previous years	141,922
Total claims incurred, gross	38,474
Reinsurers' share of gross incurred claims	29,450
Claims incurred for own account	67,924
	As at 20.02.17
Amounts in USD 000's	Total P&I
Technical provisions gross	
Provisions for claims reserves, at the beginning of the period	(542,721)
Claims paid	149,934
Claims incurred - gross this year	103,449
Claims incurred - gross previous years	(141,921)
Provisions for claims reserves, at the end of the period	(431,259)
Reinsurers' share of claims provision	279,217
Provisions for claims reserves net, at the end of the period	(152,043)
Provision for unearned premiums, gross	128
Reinsurers' share of premium provision	43
Provision for unearned premiums, net	85
The Association is a member of the International Group of P&I clubs.	
Net technical provision regarding Pooling Agreement	32,394
Provision for outstanding claims	
Technical provision gross	431,387
Technical provision net	152,128

Provided guarantees outside cover, not recognised in the balance sheet, amount to USD 0.171 million as at 20 February 17 (USD 0.48 million as at 20 February 16).

Sensitivity analysis has been performed in order to evaluate how sensitive gross claims reserve is dependent on the actuarial methods applied. The Association applied the following methods: Development factor method, Bornhuetter Ferguson, a priori reduced method and Benktander. Based on these methodologies the gross claim reserve ranges between USD 429.15 million and USD 431.94 million 20 February 17. (ranges between USD 506.84 million and USD 513.59 million 20 February 16).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 7 - Differences between Solvency II and balance valuation

Amounts in USD 000's	Solvency II	Balance Sheet	Differences
As at 20.02.17			
Assets			
Reinsurance recoverables:			
Reinsurers' share of gross premium reserve	0	43	(43)
Reinsurers' share of expected cash flow for unexpired cover net of reinsurer commission provision	33	0	33
Reinsurers' share of gross claims reserves	279,217	279,217	0
Discounting effect of reinsurers' share of gross claims reserves	(8,140)	0	(8,140)
Reinsurers' share of Bound but not incepted (BBNI) - net	(10,817)	0	(10,817)
Losses occurring during - net	0	0	0
Reinsurance recoverables	260,293	279,259	(18,966)
Liabilities			
Technical provisions			
Gross premium reserves	0	128	(128)
Gross expected cash flow for unexpired cover net of commission provision	121	0	121
Gross claims reserves	431,259	431,259	0
Discounting effect of gross claims reserves	(12,445)	0	(12,445)
Bound but not incepted (BBNI) - net	(8,221)	0	(8,221)
Risk Margin	6,466	0	6,466
Other equity	0	109,313	(109,313)
Technical provisions	417,180	540,700	(123,520)

Reinsurance recoverables

Reinsurers' share of expected cash flow for unexpired cover net of reinsurer commission provision claims covers the combined ratio share of reinsurers' share of gross premium reserves less reinsurance commission provisions.

Discounting effect of reinsurers' share of gross claims reserve shows the reduction in reinsurers' share of gross claims reserve, in order to arrive at net present value of the reserves as at balance sheet date.

Reinsurers' share of Bound but not incepted (BBNI) – net, covers the net of reinsurers' share of premiums, claims and commission based on agreements with customers entered into but not incepted as at the balance sheet date.

Losses occurring during is covering expected cash flow of extended reinsurance in order to align the coverage period with the premium reserve period.

Technical provisions

Bound but not incepted (BBNI) – net is covering the net of gross premiums, claims and commission from customer agreements entered into, but not incepted as at the balance sheet date.

Gross expected cash flow for unexpired cover net of commission provision is covering the combined ratio share of gross premium reserve less commission provisions. This represents the expected claims costs related to the gross premiums reserve as at balance sheet date.

Discounting effect of gross claims reserve is showing the reduction in gross claims reserve, in order to arrive at net present value of the reserves as at balance sheet date.

The risk margin is calculated as a 6% charge on future yearly cash flows, which is based on Solvency Capital Requirement in respect of non-hedgeable risks. The risk margin represents cost of capital an insurance company would require to take on the obligations of a given company. Other equity is covering retained reserves to meet unforeseen fluctuations in claims exposure, possible catastrophes and extraordinary claims patterns that fall within the Group's liabilities. For Balance values other equity is included in the Technical provisions – non-life, while other equity is included in Excess of assets over liabilities for Solvency II values.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 8 - Insurance related expenses and number of staff

Amounts in USD 000's	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Acquisition costs and commissions		
Sales related salaries and wages	266	5
Other acquisition costs	6,883	4,353
Agents' commission	9,822	9,189
Commission received	(8,575)	(8,001)
Insurance related expenses for own account	8,395	5,546
Number of part time staff	14	12

Remuneration to Group Leadership Team and Board of Directors

Amounts in USD 000's	Salary	Board remuneration	Total remuneration
Group Leadership Team			
Rolf Thore Roppestad (Managing Director)	67		67
Steinar Bye	36		36
Christen Guddal	22		22
Bjørnar Andresen	37		37
Kristian Dalene	27		27
Kjetil Eivindstad	30		30
Members of the Board of Directors of the Association			
Trond Eilertsen (Chairman)		20	20
Jane Sy (Deputy Chairman)		15	15
Ian Beveridge (Member)		15	15
Yngvild Åsheim (Member)		15	15
Morten W. Høegh (Member)		15	15

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 8 - Insurance related expenses and number of staff continued

A 5 percent 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 CEO has a remuneration guarantee that comes into force if the Board should ask him to leave his position. The remuneration guarantee gives him 12 months' salary in addition to a contractual six months' notice period.

The majority of the Group Leadership Team and certain key personnel have a pension scheme that give them the right to retire at 60 years of age and covers income included and above 12 times the base amount (see note 17 for definition of base amount). The pension requires a thirty year accrual period in Gard, or will be reduced accordingly.

Gard P. & I. (Bermuda) Ltd. 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 Gard P. & I. (Bermuda) Ltd. A maximum possible bonus is 20 percent of gross salary. A bonus of 20 percent of gross salary is expected to be paid for the year to 20 February 2017.

Remuneration auditor

	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Amounts in USD 000's		
Statutory audit	87	155
Non audit services	0	3
Total auditors' fee	87	158

Other insurance related expenses

	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Amounts in USD 000's		
Bad debt	221	(31)
Service cost	21,567	16,992
Allocated to claims handling and acquisition costs	(22,637)	(15,798)
Other operating expenses	2,040	787
Other insurance related expenses	1,191	1,950

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

Note 9 - Financial income and expenses

	21.02.16 to 20.02.17	21.02.15 to 20.02.16
Amounts in USD 000's		
Interest and similar income		
Income from financial instruments held for trading (portfolio investments)	5,211	5,650
Foreign exchange gains/(losses)	1,173	(88)
Total interest and similar income	6,384	5,562

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 10 - Tax

	21.02.16 to 20.02.17	Restated* 21.02.15 to 20.02.16
Amounts in USD 000's		
Basis for income tax expenses, changes in deferred tax and tax payable		
Total result as basis for tax calculation	18,812	(15,182)
Permanent differences	(9,033)	11,467
Basis for the tax expenses for the year	9,779	(3,715)
Change in temporary differences	(18,044)	16,004
Basis for payable taxes in the Statement of comprehensive income	(8,265)	12,289
Change in (utilisation of) tax losses carried forward	8,265	(12,289)
Taxable income (basis for payable taxes in the balance sheet)	0	0
Income tax expenses		
Tax paid/(refunded) in Hong Kong and Japan branch	(309)	661
Change in deferred tax	3,225	(771)
Tax expenses ordinary result	2,915	(110)
Deferred tax		
Specification of tax effect resulting from temporary differences		
Pension obligations	1,842	2,122
Portfolio investments	3,758	8,631
Tax loss carried forward	67,459	57,428
Other temporary differences	1,826	1,731
Contingency reserve*	(117,097)	(101,376)
Total temporary differences	(42,211)	(31,464)
Deferred tax, 25 percent of total temporary differences	(10,553)	(7,866)
Total deferred tax	(10,553)	(7,866)
Reconciliation of the tax expense		
Net result - Basis for calculation tax	18,812	(15,182)
Calculated tax 25%	4,703	0
Tax expense	2,915	(110)
Difference	1,788	110
The difference consist of:		
Permanent differences not subject to tax	1,913	295
Tax in foreign branches	(309)	661
currency effect posted to Non-technical result	184	(1,066)
Sum explained differences	1,788	(110)

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

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Equipment

	Art
	As at
Amounts in USD 000's	20.02.17
<hr/>	
Acquisition costs at the beginning of the year	2,946
Net additions/(disposals)	0
Exchange adjustments	0
Cost at the end of the year	2,946
Depreciation and impairment at the beginning of the year	(745)
Impairment	0
Depreciation and impairment at the end of the year	(745)
Net book value at the end of the year	2,201

	Art
	As at
Amounts in USD 000's	20.02.16
<hr/>	
Acquisition costs at the beginning of the year	2,946
Net additions/(disposals)	0
Exchange adjustments	0
Cost at the end of the year	2,946
Depreciation and impairment at the beginning of the year	0
Impairment	(745)
Depreciation and impairment at the end of the year	(745)
Net book value at the end of the year	2,201

Art is not a subject to depreciation.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - 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 Association 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 Association 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.

Amounts in USD 000's	As at 20.02.17				As at 20.02.16			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments								
Equities and investment funds	39,452	79	0	39,531	27,172	83	0	27,255
Bonds	77,949	88,972	7,365	174,286	93,270	85,781	8,951	188,003
Financial derivative assets	0	953	0	953	0	1,333	0	1,333
Cash incl. in other financial investments	13,205	0	0	13,205	7,983	0	0	7,983
Other financial investments	11,705	0	0	11,705	3,699	0	0	3,699
Total financial investments	142,312	90,004	7,365	239,680	132,124	87,197	8,951	228,272
Financial liabilities								
Financial derivative liabilities	0	512	0	512	0	1,549	0	1,549
Financial liabilities incl. in other payables	23,456	0	0	23,456	16,237	302	0	16,539
Total financial liabilities	23,456	512	0	23,968	16,237	1,851	0	18,088

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

The Association possesses only minority interests in quoted companies. The Association has an equity exposure of 16.5 percent of its total investments which is slightly higher than the year before. Expected standard deviation (risk) in European equities is estimated to be 20 percent.

Equities at market value

Amounts in USD	As at 20.02.17
AGL Energy Limited	28,376
Amcor Limited	20,100
AMP Limited	21,551
Aurizon Holdings Limited	16,384
Australia and New Zealand Banking Group	110,189
Bendigo and Adelaide Bank Limited	9,363
BHP Billiton Limited	176,562
Brambles Limited	11,531
Caltex Australia Ltd.	13,940
Commonwealth Bank of Australia	126,382
CSL Limited	92
Fortescue Metals Group Ltd	41,738
Insurance Australia Group Limited	16,049
Macquarie Group Limited	30,196
National Australia Bank Limited	85,646
Newcrest Mining Limited	7,665
Origin Energy Limited	41,349
QBE Insurance Group Limited	30,123
Rio Tinto Limited	28,631
Santos Limited	13,205
Sccentre Group Limited	23,324
Suncorp Group Limited	35,728
Telstra Corporation Limited	29,611
Wesfarmers Limited	36,299
Westfield Corporation Limited	18,457
Westpac Banking Corporation	111,921
Woodside Petroleum Ltd.	35,987
Woolworths Ltd.	50,305
Australia Total	1,170,702
Erste Group Bank AG	14,601
OMV Aktiengesellschaft	26,814
Raiffeisen-Landesbanken-Holding GmbH	19,869
Voestalpine AG	17,267
Austria Total	78,550
Ageas N.V.	21,127
Anheuser-Busch InBev	42,110
KBC Groep	11,349
Proximus NV	26,832
Solvay	14,322
Umicore	9,365
Belgium Total	125,106

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Agrium Inc.	15,642
Alimentation Couche-Tard Inc.	14,206
ARC Resources Ltd.	5,607
Bank of Montreal	67,379
Barrick Gold Corporation	25,938
BCE Inc.	23,784
Bank of Nova Scotia	108,727
Brookfield Asset Management Inc	23,308
Canadian Pacific Railway Limited	5,685
Canadian Imperial Bank of Commerce	50,443
Canadian Tire Corporation, Limited	18,162
Canadian National Railway Company	29,816
Canadian Natural Resources Limited	64,855
Cenovus Energy Inc.	33,059
Crescent Point Energy Corp.	22,523
Enbridge Inc.	28,589
Encana Corporation	81,916
Fairfax Financial Holdings Limited	8,967
First quantum Minerals Ltd.	42,042
Fortis Inc.	8,743
George Weston Limited	9,545
Goldcorp Inc.	17,104
Great-West Lifeco Inc	16,195
Husky Energy Inc.	20,416
Intact Financial Corporation	16,762
Loblaw Companies Limited	14,373
Magna International Inc.	36,186
Manulife Financial Corporation	50,934
Metro Inc.	10,461
National Bank of Canada	35,354
Pembina Pipeline Corporation	17,348
Potash Corporation of Saskatchewan Inc.	29,732
Power Corporation of Canada	24,221
Power Financial Corporation	13,380
RioCan Real Estate Investment Trust	10,104
Rogers Communications Inc.	26,577
Royal Bank of Canada	143,179
Shaw Communications Inc.	22,670
SNC-Lavalin Group Inc.	18,325
Sun Life Financial Inc.	23,051
Suncor Energy Inc.	81,210
Teck Resources Ltd.	79,235
TELUS Corporation	7,616
Thomson Reuters Corporation	25,492
The Toronto-Dominion Bank	120,382
TransCanada Corporation	32,370
Valeant Pharmaceuticals International	610
Yamana Gold Inc.	5,603
Canada Total	1,587,826
Yum China Holdings Inc.	9,060
China Total	9,060
A.P. Moller - Maersk A/S	63,582
Carlsberg A/S	16,379
Danske Bank A/S	40,084
Novo Nordisk A/S	12,232
TDC A/S	11,224
Denmark Total	143,501

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Fortum Oyj	15,705
KONE Oyj	11,774
Nokia Oyj	28,256
Sampo Oyj	21,431
Stora Enso Oyj	14,339
UPM-Kymmene Oyj	31,108
Finland Total	122,613
ACCOR	9,005
Air France - KLM	12,398
Air Liquide SA	42,672
Airbus Group	37,804
Alstom SA	12,562
ArcelorMittal S.A.	105,853
Arkema	20,974
AXA	111,213
BNP Paribas	159,942
Bouygues	19,266
Capgemini	12,633
Carrefour	33,403
Casino Guichard-Perrachon	28,984
Christian Dior SA	12,299
Compagnie De Saint-Gobain	55,552
Federation Nationale du Credit Agricole	37,717
Danone	33,921
Electricité de France S.A.	8,429
Eiffage	10,515
Engie	62,191
Essilor International SA	9,278
Kering	12,812
Lagardere SCA	8,990
Legrand SA	9,206
L'Oreal	15,587
LVMH Moet Hennessy Louis Vuitton	35,961
Michelin Group	38,491
Natixis SA	11,714
Orange	60,324
Pernod Ricard	23,733
Peugeot SA	20,297
Publicis Groupe SA	9,765
Renault	29,746
Rexel	18,946
Safran	16,006
Sanofi	134,060
Schneider Electric SE	45,946
SCOR SE	6,455
SES S.A.	7,169
Societe Generale	117,086
Sodexo	14,552
STMicroelectronics N.V.	22,249
SUEZ Environnement Company	14,761
Thales	11,969
Total SA	292,009
Unibail-Rodamco SE	19,451
Valeo	20,189
Vallourec	7,380
Veolia Environnement-VE	22,616
VINCI	47,092
Vivendi	53,033
France Total	1,984,206

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Adidas AG	30,105
Allianz SE	179,465
Aurubis AG	9,270
BASF SE	172,038
Bayer Aktiengesellschaft	70,250
Bayerische Motoren Werke Aktiengesellschaft	82,474
Brenntag AG	12,791
COMMERZBANK Aktiengesellschaft	32,021
Continental Aktiengesellschaft	25,574
Daimler AG	135,288
Deutsche Bank Aktiengesellschaft	101,066
Deutsche Borse Aktiengesellschaft	23,307
Deutsche Lufthansa Aktiengesellschaft	19,971
Deutsche Post AG	68,735
Deutsche Telekom AG	95,667
E.ON SE	114,224
Fresenius Medical Care AG & Co. KGaA	9,540
Fresenius SE & Co. KGaA	23,860
HeidelbergCement AG	21,547
Henkel AG & Co. KGaA	17,830
Infineon Technologies AG	11,687
K+S Aktiengesellschaft	10,443
LANXESS Aktiengesellschaft	17,899
Linde Aktiengesellschaft	38,073
Metro Ag	35,322
Munchener Ruckversicherungs-Gesellschaft	51,219
Porsche Automobil Holding SE	10,553
ProSiebenSat.1 Media SE	5,633
RWE Aktiengesellschaft	60,220
Sap Se	49,955
Siemens Aktiengesellschaft	151,628
ThyssenKrupp AG	32,530
TUI AG	6,572
Uniper SE	21,411
Volkswagen AG	121,891
Germany Total	1,870,058
AlA Group Limited	54,090
Bank of Ching (Hong Kong) Limited	23,069
CK Hutchison Holdings Limited	19,394
Cheung Kong Property Holdings Limited	12,327
CLP Holdings Limited	7,549
Hang Seng Bank Limited	19,081
Henderson Land Development Company Limited	9,774
Hongkong Land Holdings Ltd	15,459
Jardine Matheson Holdings Limited	9,643
Link Real Estate Investment Trust	16,120
New World Development Company Limited	20,013
Sands Chine Ltd	11,891
Sun Hung Kai Properties Limited	22,675
Swire Pacific Ltd	11,736
Wharf (Holdings) Limited	32,114
Hong Kong Total	284,934
Bank of Ireland Rg	15,017
CRH PLC	34,553
Smurfit Kappa Group PLC	9,946
Ireland Total	59,515

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Bank Hapoalim B.M.	15,490
Bezeq The Israel Telecommunication Corp.	2,049
Teva Pharmaceutical Industries Limited	20,557
Israel Total	38,095
Assicurazioni Generali S.P.A.	54,988
Atlantia S.p.A.	14,501
Banco BPM	5,188
BCA MPS	4,789
BPER Banca	5,197
CNH Industrial N.V.	21,668
ENEL - SPA	93,877
Eni S.p.A.	140,755
Fiat Chrysler Automobiles N.V.	76,049
Intesa Sanpaolo S.p.A.	53,402
Italgas S.p.A.	3,536
Leonardo S.p.A	4,012
Mediobanca S.p.A	15,863
Snam S.p.A.	17,765
Telecom Italia S.p.A. DI RISIP	16,097
Telecom Italia S.p.A.	32,246
Tenaris	24,929
Terna - Rete Elettrica Nazionale S.p.A.	12,483
UniCredit S.p.A.	62,847
Unione Di Banche Italiane Societa' Per A	18,373
Unipol Gruppo Finanziario S.p.A.	7,983
Italy Total	686,547
Aeon Co., Ltd.	39,293
Air Water Inc	29,299
Aisin Seiki Co., Ltd.	30,271
Ajinomoto Co., Inc.	7,751
Alfresa Holdings Corporation	7,351
Asahi Glass Co., Ltd.	30,700
Asahi Group Holdings, Ltd.	20,601
Asahi Kasei Corp.	77,033
Astellas Pharma Inc.	62,382
Bandai Namco Holdings Inc	32,992
Bridgestone Corporation	112,237
Canon Inc.	41,810
Capcom Ltd	25,724
Central Japan Railway Company	80,656
Chubu Electric Power Co., Inc.	23,816
Chugoku Electric Power Co., Inc	11,449
Concordia Financial Group	8,211
Dai-ichi Life Holdings, Inc.	52,393
Daiichi Sankyo Company, LTD	20,577
Daikin Industries, Ltd.	25,113
Daito Trust Construction Co., Ltd.	15,758
Daiwa House Industry Co., Ltd.	23,911
Daiwa Securities Group Inc.	19,020
DENSO Corporation	34,029
Dentsu Inc.	13,986
East Japan Railway Company	102,914
Eisai Co., Ltd.	10,215
Electric Power Development Co., Ltd.	44,160
FANUC Corporation	22,321
Fast Retailing Co., Ltd.	11,754
Fuji Heavy Industries, Ltd.	17,186
FUJIFILM Holdings Corporation	26,248

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Fujitsu Limited	118,166
Fukuoka Financial Group, Inc.	13,509
Hankyu Hanshin Holdings, Inc.	15,091
Hitachi Capital Corp.	47,148
Hitachi, Ltd.	131,517
Honda Motor Co., Ltd.	250,357
Hoya Corporation	22,008
Idemitsu Kosan Co., Ltd.	20,207
IHI Corporation	92,877
INPEX Corp.	26,934
Isetan Mitsukoshi Holdings Ltd.	12,495
Isuzu Motors Limited	53,275
ITOCHU Corporation	54,478
J.Front Retailing Co., Ltd.	9,777
Japan Airlines	62,122
Japan Post Bank	14,777
Japan Post Holdings	22,152
Japan Tobacco Inc.	72,064
JFE Holdings, Inc.	51,581
JSR Corp.	51,100
Jtekt Corporation	39,731
JX Holdings Inc.	95,440
Kajima Corporation	7,435
KANI Electric Power	18,713
Kao Corporation	17,264
Kawasaki Heavy Industries, Ltd.	5,938
Kawasaki Kisen Kaisha, Ltd.	16,828
KDDI Corporation	42,221
Kintetsu Group Holdings Co., Ltd.	8,428
Kirin Holdings Company, Limited	27,450
Kobe Steel, Ltd.	26,663
Komatsu Ltd.	42,169
Konica Minolta Holdings, Inc.	12,933
Kubota Corporation	24,744
KYOCERA Corporation	33,309
Kyushu Electric Power Co Inc	7,483
Marubeni Corporation	42,015
Mazda Motor Corporation	43,574
Meiji Holdings Co., Ltd.	11,573
Mitsubishi Chemical Holdings Corporation	7,763
Mitsubishi Corporation	139,195
Mitsubishi Electric Corporation	50,599
Mitsubishi Estate Co., Ltd	22,661
Mitsubishi Heavy Industries, Ltd.	17,864
Mitsubishi Materials Corporation	16,702
Mitsubishi Motors Corporation	5,695
Mitsubishi UFJ Financial Group, Inc.	359,893
Mitsui & Co., Ltd.	63,215
Mitsui Chemicals, Inc.	9,249
Mitsui Fudosan Co., Ltd.	63,685
Mitsui O.S.K. Lines, Ltd.	20,694
Mizuho Financial Group, Inc.	103,256
MS&AD Insurance Group Holdings, Inc.	33,447
Murata Manufacturing Co., Ltd.	21,878
NEC Corp.	23,076
NH Foods Ltd.	10,242
Nidec Corporation	21,452
Nikon Corporation	8,556
Nintendo Co., Ltd.	92,486
Nippon Express Co., Ltd.	11,418

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Nippon Shinyaku Co., Ltd.	38,890
Nippon Shokubai Co., LTD.	41,867
Nippon Steel & Sumitomo Metal Corporatio	46,086
Nippon Suin	26,898
Nippon Telegraph and Telephone Corporation	162,632
Nippon Yusen Kabushiki Kaisha	14,870
Nissan Motor Co., Ltd.	94,032
Nitto Denko Corporation	15,919
Nomura Holdings, Inc.	44,899
NTT DoCoMo, Inc.	28,808
Ntt Urban Development Corporation	10,593
Oji Holdings Corporation	10,435
OMRON Corporation	8,112
Oracle Corporation Japan	31,215
ORIX Corporation	93,131
Osaka Gas Co., Ltd.	21,647
Otsuka Holdings Co.,Ltd.	32,857
Panasonic Corporation	119,651
Resona Holdings, Inc.	31,576
Ricoh Company, Ltd.	20,107
Screen Holdings Ltd.	63,892
SECOM Co., Ltd.	8,185
Sekisui Chemical Co., Ltd.	4,392
Sekisui House, Ltd.	18,040
Seven & I Holdings Co Ltd	44,158
Sharp Corporation	28,955
Shimamura Co., Ltd.	36,454
Shin-Etsu Chemical Co., Ltd.	39,593
Shiseido Company, Limited	11,531
Showa Denko K.K.	11,932
Showa Shell Sekiyu K.K.	7,618
SMC Corporation	10,649
Softbank Group Corp.	76,453
Sojitz Corporation	11,817
Sompo Japan Nipponkoa Holdings, Inc.	41,516
Sony Corporation	55,138
Sum Corporation	99,595
Sumitomo Chemical Co., Ltd.	27,738
Sumitomo Corporation	39,978
Sumitomo Electric Industries Ltd.	121,854
Sumitomo Metal Mining Co., Ltd.	10,831
Sumitomo Mitsui Financial Group, Inc.	138,457
Sumitomo Mitsui Trust Holdings, Inc.	87,025
Sumitomo Realty & Development Co., Ltd.	10,847
Suzuken Co., Ltd.	14,103
Suzuki Motor Corporation	32,392
T&D Holdings, Inc.	27,810
Taisei Corporation	13,481
Takeda Pharmaceutical Co Ltd	45,599
TDK Corporation	13,099
Tohoku Electric Power Co., Inc.	14,932
Tokio Marine Holdings, Inc.	57,854
Tokyo Electric Power Co. Holdings Inc.	33,019
Tokyo Electron Limited	41,312
Tokyo Gas Co., Ltd.	18,988
Tonengeneral Sekiyu K.K.	13,214
Toppan Printing Co., Ltd.	15,101
Toray Industries, Inc.	59,010
Toshiba Corporation	44,238
Toyota Industries Corporation	11,137

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Toyota Motor Corporation	254,278
Toyota Tsusho Corp	18,957
Tv Ahi Holdings	24,394
West Japan Railway Company	24,561
Yahoo! Japan Corporation	26,853
Yamada Denki Ltd.	54,129
Yamaha Motor Co., Ltd.	11,252
Yamato Holdings Co., Ltd.	12,026
Japan Total	6,632,341
Hana Financial Group Inc.	16,164
Hyundai Heavy Industries Co., Ltd.	13,588
Hyundai Mobis Co., Ltd.	6,368
Hyundai Motor Company	47,057
Hyundai Steel Company	15,043
Industrial Bank of Korea	8,788
KB Financial Group Inc.	28,553
KIA Motors Corporation	19,994
Korea Electric Power Corp.	20,446
KT Corporation	13,012
LG Chem, Ltd.	14,804
LG Corp.	3,916
LG Display Co., Ltd.	18,537
LG Electronics Inc.	21,017
POSCO	48,592
Samsung Electronics Co., Ltd.	283,474
Samsung Fire & Marine Insurance Co., Ltd	12,815
Samsung Life Insurance Co., Ltd.	9,607
Shinhan Financial Group Co Ltd	15,301
SK Hynix Inc.	48,050
SK Innovation Co., Ltd.	27,154
Sk Telecom Co Ltd	7,303
Korea (South) Total	699,584
Investec PLC	79,293
Luxembourg Total	79,293
Aegon N.V.	58,771
Akzo Nobel N.V.	21,355
Asml Holding N.V.	18,108
Coca-Cola European Partners PLC	6,691

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Delta Lloyd N.V.	10,838
Heineken Holding N.V.	14,183
Heineken N.V.	14,048
ING Groep N.V.	90,874
Koninklijke Ahold N.V.	27,520
Koninklijke DSM N.V.	19,109
Koninklijke KPN N.V.	17,046
Koninklijke Philips N.V.	40,220
NN Group N.V.	30,288
Randstad Holding N.V.	10,443
Relx N.V.	3,596
Stichting Administratiekantoor Unilever	59,802
Netherlands Total	442,892
DNB ASA	33,472
Marine Harvest ASA	8,271
Norsk Hydro ASA	11,623
Orkla ASA	9,150
Seadrill Limited	25,075
Statoil ASA	59,084
Subsea 7 S.A.	28,858
Telenor ASA	18,876
Yara International ASA	13,102
Norway Total	207,511
EDP- Energias de Portugal, S.A.	19,781
Galp Energia, SGPS, S.A.	15,872
Portugal Total	35,653
CapitaLand Limited	9,337
DBS Group Holdings Ltd	27,683
Keppel Corp Ltd.	21,080
Oversea-Chinese Banking Corporation Limited	29,735
Singapore Telecommunications Limited	28,597
United Overseas Bank Limited	29,370
Wilmar International Limited	5,203
Singapore Total	151,005
Abertis Infraestructuras, S.A.	10,419
ACS, Actividades de Construccion y Servi	30,653
Amadeus IT Holding, S.A.	10,788
Banco Popular Espanol, S.A.	9,378
Banco Santander, S.A.	343,198
Bankia SA	13,540
Banco Bilbao Vizcaya Argentaria, S.A.	88,318
Banco de Sabadell, S.A.	22,960
CaixaBank	20,712
Distribuidora Internacional De Alimentac	7,396
Endesa SA	20,707
Ferrovial, S.A.	15,469
Gas Natural SDG, S.A.	17,085
Iberdrola, S.A.	42,638
Industria de Diseno Textil, S.A.	19,069
International Airlines Group S.A.	9,615
Mapfre S.A.	14,252
Red Electrica Corporacion, S.A.	10,296
Repsol, S.A.	83,541
Telefonica S.A.	130,871
Spain Total	920,905

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

ASSA ABLOY AB	11,953
Atlas Copco AB A	15,591
Atlas Copco AB B	8,688
Boliden AB	16,831
Aktiebolaget Electrolux	14,082
Ericsson	25,019
H & M Hennes & Mauritz AB	21,711
Aktiebolaget Industrivarden	11,328
Nordea Bank AB	69,881
Sandvik AB	30,634
Skandinaviska Enskilda Banken AB	29,332
Skanska AB	9,912
SKF AB	10,771
Svenska Cellulosa Aktiebolaget SCA	17,394
Svenska Handelsbanken AB	30,601
Swedbank AB	25,628
Tele2 AB	6,373
TeliaSonera AB	14,444
Volvo AB	40,796
Sweden Total	410,970
ABB Ltd.	63,999
Adecco S.A.	22,009
Baloise-Holding AG	13,600
Credit Suisse Group AG	65,230
Lafargeholcim Ltd	28,957
Nestle S.A.	204,660
Novartis AG	129,804
Compagnie Financiere Richemont SA	39,182
Roche Holding AG	110,538
SGS SA	10,627
Swatch Group AG	13,633
Swiss Life Holding AG	23,627
Swiss Re AG	64,751
Swiss AG	15,783
Syngenta AG	31,097
Transocean Ltd.	26,857
UBS Group AG	45,468
Zurich Insurance Group AG	103,324
Switzerland Total	1,013,146
Amec Foster Wheele PLC	12,275
Anglo American PLC	118,425
Antafagasta PLC	14,542
Associated British Foods PLC	10,246
AstraZeneca PLC	83,682
Aviva PLC	56,061
BAE Systems PLC	31,726
Barclays PLC	136,131
BHP Billiton PLC	92,990
BP p.l.c.	355,966
British American Tobacco p.l.c.	90,738
British Land Company PLC	10,305
BT Group PLC	26,446
Bunzl Public Limited Company	8,710
Capita PLC	3,372
Carnival PLC	16,186
Centrica PLC	49,634

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Compass Group PLC	22,777
DCC PLC	14,419
Diageo PLC	37,072
Direct Line Insurance Group PLC	11,209
Experian PLC	13,579
G4S PLC	7,443
GKN PLC	8,798
GlaxoSmithKline PLC	120,865
Glencore PLC	204,623
Hammerson PLC	5,983
HSBC Holdings PLC	423,684
Imperial Brands PLC	40,740
Intercontinental Hotels Group	15,092
Johnson Matthey PLC	12,031
Kingfisher PLC	20,652
Land Securities Group PLC	14,068
Legal & General Group PLC	25,621
Lloyds Banking Group PLC	76,645
Marks and Spencer Group P.L.C.	13,162
Mondi plc	9,137
National Grid PLC	58,575
NEXT PLC	4,314
Old Mutual Public Limited Company	28,871
Pearson PLC	17,695
Prudential Public Limited Company	66,689
Reckitt Benckiser Group PLC	29,510
Relx PLC	2,960
Rio Tinto PLC	102,508
Rolls-Royce Holdings plc	22,317
Royal Bank of Scotland	37,125
Royal Dutch Shell PLC	562,420
Royal Mail PLC	7,740
RSA Insurance Group PLC	19,340
Sainsbury (J) plc	21,309
Severn Trent PLC	12,530
Shire PLC	6,887
Sky PLC	13,107
Smith & Nephew PLC	5,663
Smiths Group PLC	8,315
SSE PLC	34,833
Standard Chartered PLC	80,985
Standard Life PLC	19,456
TechnipFMC PLC	19,617
Tesco PLC	54,729
Unilever PLC	31,068
United Utilities Group PLC	13,502
Vodafone Group Public Limited Company	137,353
WM Morrison Supermarkets P L C	21,827
Wolseley Limited	24,459
WPP PLC	34,731
United Kingdom Total	3,715,469
3M Company	69,155
5th Third Bancorp	40,622
Abbott Laboratories	42,411
AbbVie Inc.	40,645
Accenture Public Limited Company	32,126
Activision Blizzard, Inc.	24,025
Adient PLC	1,728

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Adobe Systems Incorporated	18,070
AdvanSix Inc	526
AES Corporation	24,284
Aetna Inc.	29,689
AFLAC Incorporated	43,016
AGCO Corporation	9,662
AGNC Investment Corp.	16,216
Air Products and Chemicals, Inc.	26,744
Allergan Public Limited Company	32,403
Alliant Energy Corporation	14,394
Allstate Corp.	48,666
Ally Financial Inc.	43,658
Alphabet Inc. A	74,496
Alphabet Inc. C	68,730
Altria Group, Inc.	78,443
Amazon.com, Inc.	32,113
American Electric Power Company, Inc.	36,350
Ameren Corporation	19,800
American Express Company	60,340
American International Group, Inc.	127,688
American Tower Corporation	9,189
American Water Works Company, Inc.	8,341
Ameriprise Financial, Inc.	26,830
AmerisourceBergen Corporation	37,756
Amgen Inc.	39,337
Anadarko Petroleum Corporation	68,239
Analog Devices, Inc.	21,857
Annaly Capital Management, Inc.	24,973
Anthem, Inc.	49,037
Aon PLC	22,096
Apache Corporation	42,578
Apple Inc.	350,429
Applied Materials, Inc.	37,775
Arch Capital Group Ltd.	14,197
Archer-Daniels-Midland Company	55,639
ARINC Incorporated	32,064
Arrow Electronics, Inc.	25,064
Assurant, Inc.	7,353
AT&T Inc.	319,147
Autoliv, Inc.	11,963
Automatic Data Processing, Inc.	30,203
Avis Budget Group, Inc.	7,664
Avnet, Inc.	15,826
Avon Products, Inc.	8,510
Baker Hughes Incorporated	50,552
Bank of New York Mellon Corporation	48,177
Bank of America Corporation	389,525
Baxter International Inc.	22,577
BB&T Corporation	50,790
Becton, Dickinson and Company	25,326
Bed Bath & Beyond Inc.	9,339
Berkshire Hathaway Inc. A	252,838
Berkshire Hathaway Inc. B	223,187
Best Buy Co., Inc.	35,966
Biogen Inc.	21,959
Bioverativ Inc.	1,803
BlackRock, Inc.	43,930
Boeing Company	78,410
Boston Scientific Corporation	18,255
Bristol-Myers Squibb Company	52,679

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Boston Properties, Inc.	20,716
Bunge Limited	44,101
C.H. Robinson Worldwide, Inc.	8,934
CA, Inc.	9,723
Calpine Corporation	7,811
Capital One Financial Corporation	72,989
Cardinal Health, Inc.	34,221
CarMax, Inc.	17,760
Carnival Corporation	16,786
Caterpillar Inc.	89,756
CBS Corporation	29,823
Celgene Corporation	18,295
CenterPoint Energy, Inc.	24,071
CenturyLink, Inc.	40,718
CF Industries Holdings, Inc.	6,447
Charter Communications, Inc.	45,064
Chesapeake Energy Corporation	44,079
Chevron Corporation	381,521
Chubb Limited	43,036
Cigna Corporation	32,588
Cincinnati Financial Corporation	5,523
Cisco Systems, Inc.	114,615
CIT Group Inc.	9,924
Citigroup Inc.	298,804
Citizens Financial Group Inc.	44,348
CME Group Inc.	46,350
Community Health Systems Inc.	8,177
Coach, Inc.	14,443
Coca-Cola Enterprises, Inc.	95,159
Cognizant Technology Solutions Corporati	13,157
Colgate-Palmolive Company	21,810
Alcoa Inc.	12,927
Comcast Corporation	139,643
Comerica Incorporated	19,178
Conagra Brands, Inc.	22,459
Conduent Inc.	6,474
ConocoPhillips	158,731
Consolidated Edison, Inc.	27,783
CONSOL Energy Inc.	26,274
Corning Incorporated	34,507
Costco Wholesale Corporation	59,968
Crown Castle International Corp.	9,369
CSX Corporation	49,608
Cummins Inc.	34,711
CVS Health Corporation	64,868
Danaher Corporation	12,692
Darden Restaurants, Inc.	11,586
DaVita HealthCare Partners Inc.	15,186
Deere & Company	54,253
Dell Technologies Inc.	9,236
Delphi Automotive PLC	14,790
Devon Energy Corporation	78,534
Discover Financial Services	35,080
Discovery Communications, Inc.	8,511
Dish Network Corporation	4,780
Dollar General Corporation	23,534
Dominion Resources, Inc.	34,893
Donnelley Financial Solutions Inc.	3,034
Donnelley R. R & Sons Company	5,766
Dover Corporation	12,071

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

DOW Chemical Company	83,436
Dr Pepper Snapple Group, Inc.	7,142
DTE Energy Company	24,824
E. I. du Pont de Nemours and Company	69,509
Duke Energy Corporation	61,278
Eastman Chemical Company	17,013
Eaton Corporation Public Limited Company	33,953
eBay Inc.	22,991
Ecolab Inc.	23,427
Edison International	26,032
Eli Lilly and Company	65,357
Emerson Electric Co.	32,802
Enesco PLC	21,600
Entergy Corporation	33,392
EOG Resources, Inc.	48,723
Equity Residential	16,319
Eversource Energy	17,013
Exelon Corporation	66,748
Express Scripts Holding Company	51,218
Exxon Mobil Corporation	457,529
Facebook, Inc.	36,721
Fedex Corporation	51,331
Fidelity National Financial, Inc.	9,975
Fidelity National Information Services,	20,759
FirstEnergy Corp.	16,435
Fiserv, Inc.	4,255
Flextronics International Ltd.	31,713
Fluor Corporation	10,665
Ford Motor Company	89,280
Fortive Corporation	4,384
Freeport-McMoRan Inc.	84,167
Franklin Resources, Inc.	27,347
Frontier Communications Corporation	9,867
Gap Inc.	12,039
General Motors Company	85,904
General Dynamics Corporation	50,101
General Electric Company	263,915
General Mills, Inc.	24,640
Genuine Parts Company	11,376
Genworth Financial, Inc.	33,126
GGP Inc.	5,680
Gilead Sciences, Inc.	31,712
Goldman Sachs Group Inc.	133,453
Goodyear Tire & Rubber Company	15,005
Grainger W. W. Inc.	9,688
Halliburton Company	56,879
Harley-Davidson, Inc.	12,923
Hartford Financial Services Group Inc.	36,609
HCA Holdings, Inc.	41,976
HCP, Inc.	19,978
Helmerich & Payne Inc.	15,495
Henry Schein, Inc.	12,776
Herc Holdings Inc.	7,473
Hershey Company	8,151
Hertz Global Holdings, Inc.	9,080
Hess Corporation	27,428
Hewlett Packard Enterprise Company	95,209
HollyFrontier Corporation	24,086
Home Depot Inc.	76,791
Honeywell International Inc.	56,550

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Host Hotels & Resorts, Inc.	9,747
HP Inc.	56,734
Humana Inc.	39,488
Huntington Bancshares Incorporated	20,319
Illinois Tool Works Inc.	34,532
Ingersoll-Rand Public Limited Company	15,307
Intel Corporation	175,286
Intercontinental Exchange, Inc.	12,790
International Business Machines Corporat	177,779
International Paper Company	47,352
Invesco Ltd.	14,773
Iron Mountain Inc.	9,845
Jabil Circuit, Inc.	10,779
Jacobs Engineering Group Inc.	10,888
Johnson & Johnson	224,883
Johnson Controls, Inc.	11,441
JPMorgan Chase & Co.	407,569
Kellogg Company	16,548
KeyCorp	15,073
Kimberly-Clark Corporation	29,948
Kinder Morgan, Inc.	57,037
Kohl's Corporation	12,717
Kraft Heinz Company	17,880
Kroger Company	46,322
L Brands, Inc.	9,949
L3 Technologies Inc.	24,225
Laboratory Corporation of America Holding	10,609
Lamb Weston Holdings Inc.	7,488
Las Vegas Sands Corp.	11,811
Lear Corporation	21,498
Leucadia National Corporation	10,633
L-3 Communications Holdings, Inc.	16,560
Liberty Global PLC C	26,158
Liberty Interactive Corporation	13,877
Liberty Media SiriusXM Group	2,953
Liberty Media Braves Group	233
Liberty Media Corporation	607
Lincoln National Corporation	46,097
Lockheed Martin Corporation	57,846
Loews Corporation	33,027
Lowe's Companies, Inc.	40,672
LSC Communications Inc.	3,306
LyondellBasell Industries N.V.	56,211
M&T Bank Corporation	31,735
Macy's, Inc.	15,892
Manpowergroup Inc.	17,328
Marathon Oil Corporation	83,633
Marathon Petroleum Corporation	80,382
Marsh & McLennan Companies, Inc.	33,378
MasterCard Incorporated	24,838
Mattel, Inc.	4,933
Maxim Integrated Products, Inc.	3,428
McDonald's Corporation	67,734
McKesson Corporation	62,504
Medtronic Public Limited Company	52,376
Merck Sharp & Dohme Corp.	161,513
MetLife, Inc.	94,181
MGM Resorts International	10,055
Micron Technology, Inc.	52,467

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Microsoft Corporation	233,472
Mondelez International, Inc.	53,168
Monsanto Company	37,169
Morgan Stanley	83,808
Mosaic Company	23,547
Motorola Solutions, Inc.	14,593
Murphy Oil Corporation	34,860
Murphy USA Inc.	10,416
Mylan Group B.V.	8,452
Nabors Industries Ltd	6,951
National Oilwell Varco, Inc.	38,681
Navient Corporation	20,471
New York Community Bancorp, Inc.	5,180
Newmont Mining Corporation	23,797
News Corporation A	4,944
News Corporation B	1,661
NextEra Energy, Inc.	33,618
Nielsen Holdings PLC	9,332
NIKE, Inc.	23,608
Noble Corporation PLC	6,127
Nordstrom, Inc.	6,899
Norfolk Southern Corporation	27,871
Northern Trust Corporation	19,794
Northrop Grumman Corporation	34,101
NRG Energy, Inc.	27,685
Nucor Corporation	31,439
O'Reilly Automotive, Inc.	10,189
Occidental Petroleum Corporation	47,648
Office Depot, Inc.	4,640
Omnicom Group Inc.	22,615
ONEOK, Inc.	20,276
Oracle Corporation	79,578
Owens-Illinois, Inc.	4,422
PACCAR Inc	31,258
Parker-Hannifin Corporation	23,237
Paychex, Inc.	15,669
PayPal Holdings Inc	12,798
Penney (JC) Corporation, Inc.	10,369
Pentair Public Limited Company	7,848
PepsiCo, Inc.	94,091
Pfizer Inc.	201,821
PG&E Corporation	24,162
Philip Morris International Inc.	114,959
Phillips 66	56,399
Pioneer Natural Resources Company	7,296
PNC Financial Services Group	71,930
PPG Industries, Inc.	17,915
PPL Corporation	16,176
Praxair, Inc.	31,116
Principal Financial Group, Inc.	23,481
Procter & Gamble Company	192,564
Progressive Corporation	20,442
Prologis, Inc.	16,814
Prudential Financial, Inc.	71,444
Public Service Enterprise Group Incorpor	26,311
Public Storage	8,579
QUALCOMM Incorporated	68,373
Quality Care Properties Inc.	2,429
Quanta Services Inc.	25,360
Quest Diagnostics Inc.	18,076

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Raytheon Company	40,508
Regions Financial Corporation	38,988
Reinsurance Group of America, Incorporated	19,493
Reliance Steel & Aluminum Co.	19,645
Republic Services, Inc.	18,407
Reynolds American Inc.	20,223
Rockwell Automation, Inc.	17,167
Ross Stores, Inc.	10,351
Royal Caribbean Cruises Ltd	10,759
S&P Global Inc.	19,689
Schlumberger Ltd.	77,989
Charles Schwab Corporation	25,138
Seagate Technology Public Limited Company	30,311
Sempra Energy Inc.	24,028
Sherwin-Williams Company	11,831
Simon Property Group, Inc.	20,463
SLM Corporation	22,674
The J M Smucker company	15,362
Southern Company	52,437
Southwestern Energy Company	17,733
Spectra Energy Corp.	38,871
Stanley Black & Decker, Inc.	14,311
Staples, Inc.	14,794
Starbucks Corporation	15,198
State Street Corporation	30,493
Stryker Corporation	19,077
SunTrust Banks, Inc.	45,110
Supervalu Inc.	4,892
Symantec Corporation	18,518
Synchrony Financial	42,512
Sysco Corporation	33,661
Target Corporation	51,053
TE Connectivity Ltd.	31,287
Tech Data Corporation	9,854
Tenet Healthcare Corporation	4,765
Tesoro Corporation	22,960
Texas Instruments Incorporated	43,341
Textron Inc.	16,487
The Priceline Group Inc.	21,286
Thermo Fisher Scientific Inc.	29,983
Time Warner Inc.	87,604
TJX S INC	29,178
T-MOBILE US INC	25,632
TRAVELERS S INC	59,999
Twenty-First Century Fox, Inc.	22,429
TYSON FOODS INC	18,012
UGI Corporation	14,380
Union Pacific Corporation	66,441
United Parcel Service, Inc.	44,470
United States Steel Corporation	60,217
United Technologies Corporation	89,159
UnitedHealth Group Incorporated	106,078
Unum Group	34,685
U.S. Bancorp	70,576
V.F. Corporation	7,955
Valero Energy Corporation	56,976
Ventas, Inc.	18,834
Verizon Communications, Inc.	191,693
Versum Materials Inc	2,953
Viacom Inc.	20,851

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial instruments and fair values through profit or loss continued

Visa Inc.	23,177
Vornado Realty Trust	16,578
Voya Financial, Inc.	17,849
Walgreens Boots Alliance, Inc.	54,092
Wal-Mart Stores, Inc.	175,853
Walt Disney Co	74,951
Waste Management, Inc.	32,892
Weatherford International Ltd.	21,700
WEC Energy Group Inc.	6,099
Wells Fargo & Company	274,069
Welltower Inc.	17,271
Western Union Company	11,991
Western Digital Corporation	38,054
Westrock Company	6,214
Weyerhaeuser Company	33,252
Whirlpool Corporation	20,022
Whiting Petroleum Corporation	23,120
Whole Foods Market, Inc.	10,540
Williams Companies Inc.	44,923
World Fuel Services Corporation	14,485
Wynn Resorts, Limited	14,482
Xcel Energy Inc.	19,068
Xerox Corporation	16,048
XI Group Public Limited Company	20,147
Yahoo! Inc.	47,761
Yum! Brands, Inc.	23,324
Zimmer Biomet Holdings, Inc.	13,206
United States Total	17,061,864
Total equities at market value	39,531,344

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - Financial risk

Risk management framework

The purpose of the Risk Management System is to ensure that material risks are managed in accordance with the Associations' 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 capitalization) are defined in accordance with risk carrying capacity and corporate objectives. This cascades into limits by risk type and legal entities. This forms the basis for all risk management, monitoring and reporting.

Risk policies: There are group policies describing the processes and procedures for managing 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 regularly, managed proactively, monitored regularly 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 group is a high capacity provider of risk mitigation products and services to industrial customers. While parts of the Associations' portfolio are high frequency and low severity, many of the covers provided by the Association 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.

Market risk

Market risk consists of equity risk, interest rate risk, credit risk, currency risk, property 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 Association is matched to the expected duration of the liabilities. The sensitivity analysis of the bond assets of the Association 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 tables 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.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - Financial risk continued

Credit risk exposure in Balance Sheet

Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Bonds		
AAA	74,420	66,122
AA	10,641	26,649
A	33,120	29,521
BBB	48,431	54,835
BB	5,619	7,535
B	1,596	2,947
CCC/lower	458	393
Total bonds	174,286	188,003
Financial derivative assets		
A	953	1,333
Total financial derivative assets	953	1,333
Cash included in other financial investments		
A	13,205	7,982
Total cash included in other financial investments	13,205	7,982
Other financial investments		
A	11,705	3,699
Total other financial investments	11,705	3,699
Reinsurers` share of gross claim reserve		
AA	16,483	59,340
A	242,731	316,426
BBB	18,456	18,874
Not rated	1,547	766
Total reinsurers` share of gross claim reserve	279,217	395,405
Receivables		
AA	0	36
A	3,753	1,082
BBB	319	269
Not rated	11,873	19,966
Total receivables	15,946	21,353
Cash and cash equivalents		
AA	0	7,026
A	48,294	23,881
Not rated	1	2
Total cash and cash equivalents	48,295	30,908
Other financial assets presented in balance sheet		
A	1,838	1,778
Total other financial assets presented in balance sheet	1,838	1,778

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - Financial risk continued

Alternatives risk

The risk that the actual return of investments due to alternatives decisions by the asset managers will be lower than expected. Active asset managers, who are aiming to outperform a given benchmark, manage most of the Associations' 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 program, 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 on a macro-based approach.

Currency risk

The risk of economic losses resulting from actual foreign exchange rates differing from expected foreign exchange 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 currencies 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.

Currency split balance sheet

Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Assets		
USD	423,356	493,971
EUR	43,383	75,608
GBP	60,434	54,396
Other	61,354	56,425
Total assets	588,527	680,401
Equity and liabilities		
USD	415,180	484,427
EUR	49,480	82,218
GBP	70,761	57,671
Other	53,106	56,085
Total equity and liabilities	588,527	680,401
Net asset exposure		
USD	8,176	9,544
EUR	(6,097)	(6,609)
GBP	(10,327)	(3,274)
Other	8,248	340
Net exposure in %		
USD	1 %	2 %
EUR	-1 %	-1 %
GBP	-2 %	-1 %
Other	1 %	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 reinsurance programme is in line with the guidelines of only accepting reinsurers with an A- or higher rating. The Association is, however, faced with BBB rating exposure through the IG Pooling agreement. Among the thirteen clubs, four have ratings of BBB.

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

The Association 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 policies and by close follow up. Outstanding receivables can be netted off against outstanding claims payments to reduce the risk of doubtful debts.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - Financial risk continued

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 resources are insufficient to meet financial obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. Liquidity risk arises primarily due to the unpredictability of the timing of payment of insurance liabilities and the illiquidity of the assets held or when market depth is insufficient to absorb the required volumes of assets to be sold, resulting in asset sale at a discount.

Age analysis of receivables after provision for bad debt

Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Not due	10,633	20,051
0-60 days	3,415	0
61-90 days	(189)	138
Above 90 days	2,087	1,164
Total	15,946	21,353

Impaired receivables

As at 20 February 17 there are impaired receivables of USD 1.41 million (20 February 16 USD 1.39 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

Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Balance as at the beginning of the year	1,393	1,400
Provision for receivables impairment	35	(47)
Receivables written off during the year as uncollectable	199	78
Unused amounts reversed	(213)	(50)
Exchange adjustment	0	12
Balance as at the end of the year	1,414	1,393

The creation and release of provision for impaired receivables have 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.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - Financial risk continued

Maturity profile

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

The Association maintains highly marketable financial instruments and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. This, 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	1-5	More than	No maturity	As at
	year	years	5 years	date	20.02.17
					Total
Payables and accruals	8,225	0	0	0	8,225
Other payables	26,694	0	0	0	26,694

Amounts in USD 000's	Within 1	1-5	More than	No maturity	As at
	year	years	5 years	date	20.02.16
					Total
Payables and accruals	8,871	0	0	0	8,871
Other payables	23,762	0	0	0	23,762

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 includes common stocks and an adjustment for a derivative overlay programme. Equity market exposure is sold out through equity index future derivatives 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			As at
	20.02.17			20.02.17
	Total	Equity	Fixed income	Other
Equities and investment funds	39,531	39,452	79	0
Bonds	174,286	0	174,286	0
Financial derivative assets*	953	380	(67)	640
Other financial investments**	24,910	34	89	24,788
Total financial investments	239,680	39,866	174,387	25,428
Financial liabilities				
Financial derivative liabilities	512	0	150	362
Financial liabilities incl. in other payables	23,456	0	0	23,456
Total financial liabilities	23,968	0	150	23,818
Net financial investments	215,712	39,866	174,237	1,610
Net %	100 %	18 %	81 %	1 %

* The asset allocations for financial derivative assets are stated at their notional values (note 14)

** "Other financial investments" includes cash and cash equivalents, accrued income/expense.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - Financial risk continued

Financial instruments - sensitivity analysis

The analysis below is performed for reasonably possible movements in key market variables with all other variables held constant.

	As at	As at
Amounts in USD 000's	20.02.17	20.02.16
Impact on fixed income portfolio investments given an increase of 50 basis points	(2,409)	(3,137)
Impact on equity portfolio given a 10% drop in quoted market prices	(3,987)	(2,738)
Impact on total investment portfolio given a change of 10% in foreign exchange rates against USD	(5,898)	(3,926)

The sensitivity analysis assumes no correlation between equity price, property market and foreign currency rate risk. It also assumes that all other receivables and payables remain unchanged and that no management action is taken. The Association has no significant risk concentrations which is not in line with the overall investment guidelines set by the Board of Directors. Any impact from risk tested in the table above is not, due to tax regulations, assumed to have any taxable impact.

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

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 14 - Financial derivatives at fair value through profit or loss

Financial derivatives

Financial derivatives are integrated components in the investment philosophies and processes 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. Financial derivatives contribute to reducing the risk of the assets not being able to cover the Association's liabilities. The Association 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 Associations' investment portfolio may not exceed one hundred per cent of the total portfolio's market value, i.e. there must be no leverage or gearing of any nature whatsoever of the portfolio.

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 it is necessary to have independent verification based on alternative sources of data. The global custodian is therefore responsible for detailed 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.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 14 - Financial derivatives at fair value through profit or loss continued

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.

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	4,888	6,966	0	0
Options	2,200	2,371	(5)	(14)
Swaps	20,104	16,187	168	(341)
Net interest rate related	27,192	25,524	163	(355)
Equity related contracts				
Futures	380	191	0	0
Net equity related	380	191	0	0
Foreign currency related				
Forward foreign exchange contracts	61,125	61,125	278	140
Net foreign currency related	61,125	61,125	278	140
Net financial derivative assets/(liabilities)			441	(216)
Financial derivative assets			953	1,333
Financial derivative liabilities			(512)	(1,549)
Net financial derivative assets/(liabilities)			441	(216)

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 15 - Receivables from direct insurance operations

Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Direct and received premium	14,034	5,637
Accrued deferred call	46	15,245
Provision for bad debts	(1,414)	(1,393)
Receivables from direct insurance operations	12,665	19,490

Note 16 - Other receivables and other payables

Amounts in USD 000's	As at 20.02.17	As at 20.02.16
Other receivables		
Other receivables	9	9
Total other receivables	9	9
Other payables		
Other payables	3,291	7,286
Investments transactions in progress*	23,403	16,476
Total other payables	26,694	23,762

* 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.

Note 17 - Cash and cash equivalents

Cash and cash equivalents includes bank deposits and cash in hand, of which USD 0.021 million as at 20 February 2017 is restricted cash (USD 0.021 million as at 20 February 2016).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 18 - Pensions

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

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

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

Actuarial calculations of pension liabilities have been prepared as at 20 February 2017. These calculations show that the Association has pension liabilities amounting to USD 1.8 million.

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

	As at 20.02.17	As at 20.02.16
Amounts in USD 000's		
Pension cost		
Defined benefit pension plans		
Interest expense on earned pension	47	62
Net pension cost earning related plan	47	62
Total pension cost charged to the Statement of comprehensive income	47	62
Changes in pension assumptions charged to Other comprehensive income	94	(535)
Liabilities according to the actuarial calculations:		
Pension obligation gross	1,842	2,122
Net pension obligation at the end of the year	1,842	2,122
Financial assumptions		
Discount rate	Percent 2.60	Percent 2.70
Assumed annual salary regulation	2.50	2.50
Assumed pension increase	1.50	1.50
Assumed regulations of public pensions	2.25	2.25
Assumed yield on funds	2.60	2.70

G is a base rate used as the basis for calculating benefits. G is adjusted annually and is approved each year by Norwegian parliament. The last time G was updated was May 2016. As of 20 February 2017 G equals NOK 92,576 (USD 11,112).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 19 - Capital requirements

Amounts in USD 000's	As at 20.02.17
Own funds	
Ordinary share capital	
Share premium account	
Reconciliation reserve	105,148
Excess of assets over liabilities	105,148
Tier 1 - Unrestricted	105,148
Total basic own funds / (equal to Excess of assets over liabilities)	105,148
Tier 2 - Supplementary calls	205,509
Total ancillary own funds	205,509
Total available own funds to meet the SCR	310,657
Total available own funds to meet the MCR	310,657
Total eligible own funds to meet the SCR	154,239
Total eligible own funds to meet the MCR	105,148
SCR	98,181
MCR	27,329
Ratio of eligible own funds to SCR	157 %
Ratio of eligible own funds to MCR	385 %
Minimum Capital Requirement (MCR)	
Linear MCR	27,329
SCR	98,181
MCR cap (45% of SCR)	44,181
MCR floor (25% of SCR)	24,545
Combined MCR	27,329
Absolute floor of the MCR	4,050
MCR	27,329
Solvency Capital Requirement (SCR)	
Market risk	30,352
Counterparty default risk	17,286
Non-life underwriting risk	77,260
Diversification	(39,038)
Basic SCR	85,860
Calculation of SCR	
Operational risk	12,321
SCR	98,181

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 20 - Change in accounting policy

As a result of change in 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. 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 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
Equity and liabilities						
Equity						
Other equity	0	93,510	93,510	0	108,048	108,048
Total equity	0	93,510	93,510	0	108,048	108,048
Contingency reserve						
Contingency reserve	101,376	(101,376)	0	116,685	(116,685)	0
Total contingency reserve	101,376	(101,376)	0	116,685	(116,685)	0
Provision for other liabilities						
Deferred Tax	0	7,866	7,866	0	8,637	8,637
Total provisions for other liabilities	0	7,866	7,866	0	8,637	8,637
Total liabilities	680,401	(93,510)	586,891	459,348	(108,048)	351,300
Total equity and liabilities	680,401	0	680,401	459,348	0	459,348

Impact of change in accounting policy on income statement

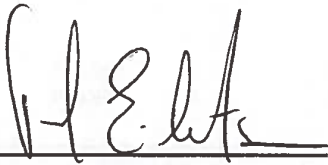
Amounts in USD 000's	As at 20.02.16 as previously stated	Change in accounting policy	As at 20.02.16 Restated
Technical result before change in contingency reserve	(9,740)	0	(9,740)
Change in contingency reserve	(15,308)	15,308	0
Technical result	5,568	(15,308)	(9,740)
Profit before tax	126	0	(15,182)
Taxation	661	(771)	(110)
Net result	(535)	(14,537)	(15,072)
Total comprehensive income	0	(14,537)	(14,537)

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Arendal, 24 April 2017

The Board of Directors
Assuranceforeningen Gard -gjensidig-



Trond Eilertsen
Chairman



Jane Sy
Deputy-Chairman



Yngvil Eriksson Asheim



Morten W. Høegh



Ian Beveridge



Rolf Thore Kopperstad
Managing Director



To the General Meeting of Assuranceforeningen Gard - gjensidig -

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Assuranceforeningen Gard - gjensidig - showing a profit of USD 15 802 thousand. The financial statements comprise the balance sheet as at 20 February 2017, the statement of comprehensive income, statement of changes in equity and cash flow analysis for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 20 February 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

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

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

(2)

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

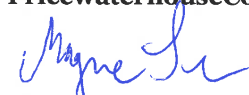
Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 30 May 2017
PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Magne Sem'.

Magne Sem
State Authorised Public Accountant