

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 20 AUGUST 2019



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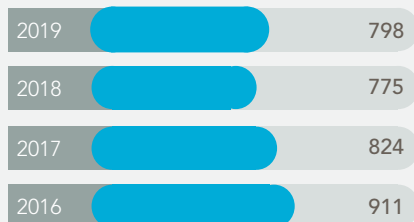
YEAR COMPARISON

GROSS WRITTEN PREMIUM

USD millions, ETC basis,
6 months to 20.08



USD millions, ETC basis,
12 months to 20.02

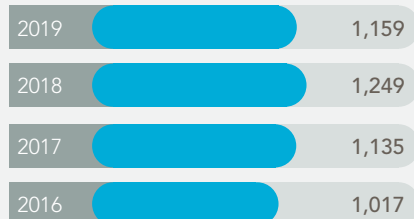


EQUITY

USD millions, as at 20.08



USD millions, as at 20.02

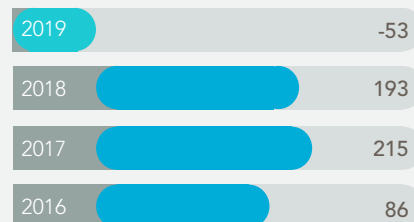


RESULT

USD millions, ETC basis,
6 months to 20.08



USD millions, ETC basis,
12 months to 20.02

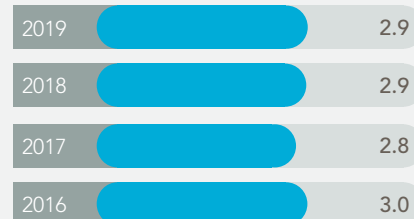


ASSETS

USD billions, as at 20.08



USD billions, as at 20.02

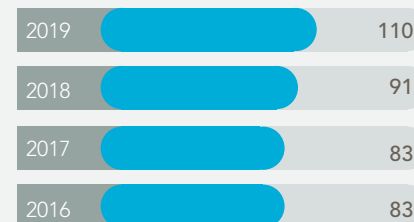


COMBINED RATIO

Per cent, ETC basis,
6 months to 20.08

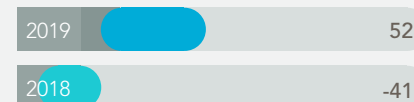


Per cent, ETC basis,
12 months to 20.02



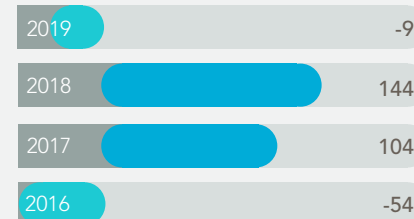
NON-TECHNICAL RESULT

USD millions, 6 months to 20.08



*Incl. taxation and other comprehensive income/(loss)

USD millions, 12 months to 20.02



CEO'S OPERATIONAL REVIEW



I am pleased to announce that the first half of the 2019 financial year has seen steady performance across the group with the following result for the period ending 20 August:

- Result after tax of USD 65 million on an Estimated Total Call (ETC) basis
- Combined ratio net (CRN) of 96 per cent
- Non-technical result, including taxation and other comprehensive income/(loss) of USD 52 million
- Equity of USD 1,211 million

This period has seen a good financial performance for the half year with premium growth despite a competitive pricing environment on P&I, a balanced combined ratio and a strong investment return.

Our operations have demonstrated the steadiness that is a fundamental part of having strong mutual roots and a service-oriented mindset. Our view is always long-term; with an ambition to balance the mutual side of the group, where cost containment and service are key targets, with earning a return on our commercial insurance book that delivers capital benefits to our owners.

STABILITY IS PARTICULARLY IMPORTANT WHEN YOU OPERATE IN AN INDUSTRY AS FUNDAMENTALLY VOLATILE AS MARINE INSURANCE.

This stability is particularly important when you operate in an industry as fundamentally volatile as marine insurance, and the last year has seen a level of claims across the industry that reminds us of its inherent unpredictability. Many marine underwriters across the world have felt the negative effect of this and there has been a significant withdrawal of capacity in the sector.

Our premium policy is an integral part of this strategy of long-term steadiness and sustainability. To support our shipowners, we aim to keep their insurance cost as low as possible. We have reduced the last instalment of premium for 10 consecutive years. As a result the actual cost of insurance to mutual Members has been reduced by USD 429 million in the last decade.

There will be no general increase in the Estimated Total Call for owners' mutual P&I or mutual FD&D for the next year. To ensure fairness over time, individual exposure and performance combined with the existing premium level, will determine the renewal result.

Gard is working every day to manage the risks to people, environment and property before and after accidents occur.

Across all lines of business, it is the long-term partnerships that we build with our Members and clients that form the foundations for strong performance. In turn, the consistency of our offering, in terms of both pricing and service, provides a safe harbour in turbulent times.

BUSINESS REVIEW

Gard group result

The first six months of the 2019 financial year produced a total comprehensive income on an Estimated Total Call (ETC) basis of USD 65 million.

The consolidated equity, which provides security and stability for the membership, was USD 1,211 million as at 20 August 2019 compared to USD 1,159 million at the end of last year. A deferred tax effect of USD 13 million has been deducted from equity due to a waiver of an intercompany loan.

Gross written premium on ETC basis was USD 710 million, an increase from the comparable period last year and better than expected. This is an encouraging development following a period of softening insurance market, and is seen as a consequence of the changes in the hull market, an increase in fronting agreements and some signs of rates hardening in the hull market during the period.

THE FIRST HALF OF THE FINANCIAL YEAR HAS DEMONSTRATED A GOOD TECHNICAL PERFORMANCE.

The first half of the financial year demonstrated a good technical performance with only a few larger own claims and no new own claims above the retention levels for mutual and fixed business.

Claims incurred for own account totalled USD 266 million, which is better than expected but an increase from the comparable period last year. Last year was low due to the positive impact from one Energy claim that developed very favourably. During the first half year there was a higher level of Pool claims from the International Group clubs, which continued the trend from 2018.

CEO'S OPERATIONAL REVIEW

CONTINUED

The technical result was a profit of USD 13 million. The positive result is better than expected but below the very good start in the comparable period last year. The combined ratio net was 96 per cent.

The non-technical result is a positive USD 52 million. The Gard group's investment portfolio returned 3.0 per cent in the first half year, versus -1.2 per cent the comparable period of last year.

THE COMBINED RATIO NET WAS 96 PER CENT, AND THE INVESTMENT RESULT A POSITIVE USD 58 MILLION.

Protection & Indemnity on ETC basis

Gross written premium for P&I on ETC basis was USD 507 million, the same level as in the comparable period last year. Reduced premium rates reflect a more benign claims development and a less growth in the world fleet in recent years. Tonnage development

Development of gross written premium, Gard group in the last five years, as at 20 August

USD millions



Development of gross written premium, P&I, in the last five years, as at 20 August

USD millions



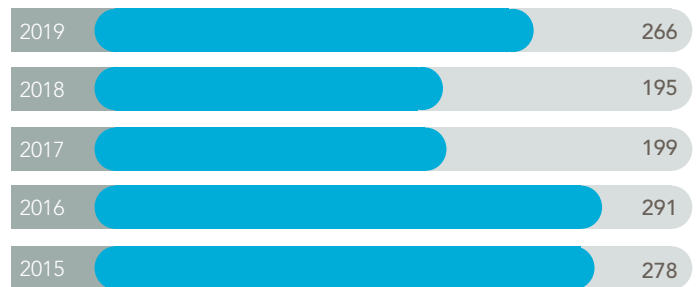
has been positive for Gard and has offset the effect of reduced premium rates.

P&I claims incurred for own account totalled USD 190 million. Although representing an increase from the comparable period last year it was in line with our expectations. There were no new own claims above retention levels for mutual and non-mutual P&I business. During the first half year there was an increase in Pool claims which continued the trend from 2018.

The technical result for P&I was a loss of USD 3 million. The result is better than expected, but below the strong start in the comparable period last year. The combined ratio net for the period was 101 per cent.

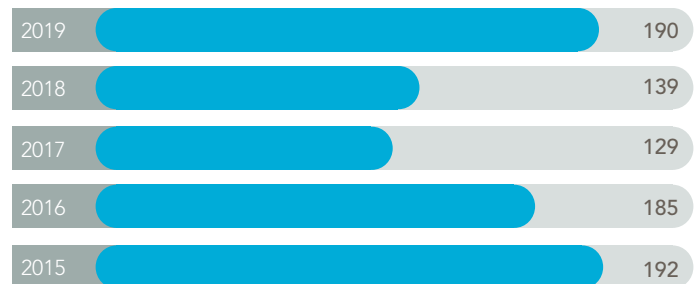
Development of claims incurred for own account, Gard group in the last five years, as at 20 August

USD millions



Development of claims incurred for own account, P&I, in the last five years, as at 20 August

USD millions



CEO'S OPERATIONAL REVIEW

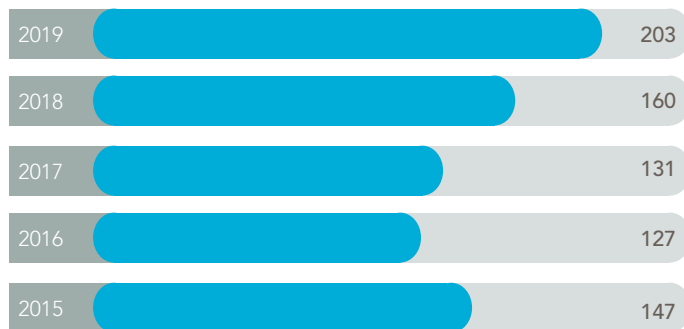
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Marine & Energy

For Marine & Energy, gross written premium was USD 203 million, an increase from the comparable period of last year. Part of the increase is explained by fronting agreements for captives. Volume of business increased and rates firmed both for Marine and Energy.

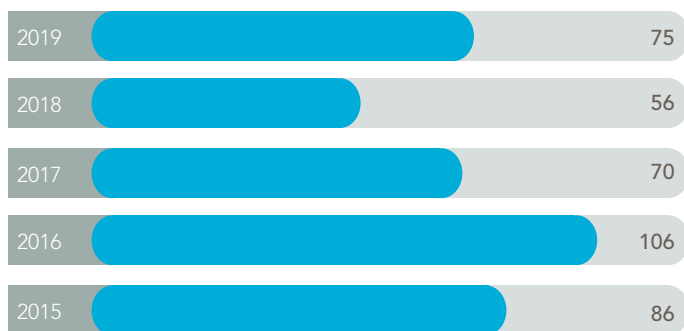
Development of gross written premium, Marine & Energy, in the last five years, as at 20 August

USD millions



Development of claims incurred for own account, Marine & Energy, in the last five years, as at 20 August

USD millions



Claims incurred for own account totalled USD 75 million, an increase from the comparable period of last year. There were no large claims. Claims incurred for the first half of last year were unexpectedly low, with a positive impact from one Energy claim that developed favourably.

VOLUME OF BUSINESS INCREASED AND RATES FIRMED BOTH FOR MARINE AND ENERGY.

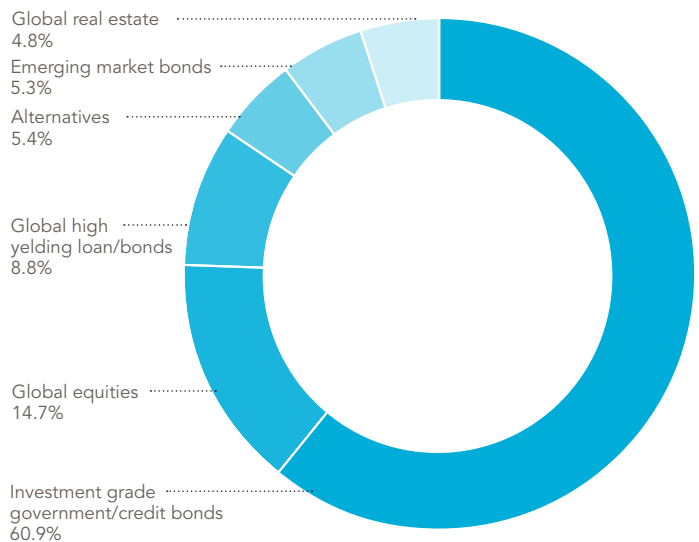
The technical result for Marine & Energy was a profit of USD 16 million. The combined ratio was 86 per cent.

INVESTMENTS

The Gard group's investment portfolio returned 3.0 per cent for the first six months of the 2019 financial year at USD 2,166 million, versus -1.2 per cent and USD 2,185 million in the comparable period last year.

Returns were primarily driven by investments in fixed-income and credit investments which delivered returns of 2.1 per cent and 0.5 per cent respectively. This contribution was the result of a continued fall in global interest rates and corporate bond yields, especially in the US. Conversely, equity investments were marginally negative for the period, mostly due to increasingly volatile equity markets in July and August driven by trade tensions, tweets and traditionally lower volumes over the summer. Emerging market debt investments were a net contributor to the return over the six months despite a rapidly strengthening USD and a significant drop in emerging markets equity indices early in August.

Investment allocation, as at 20 August 2019 (per cent)



CAPITAL AND RISK MANAGEMENT

Over the first six months of the 2019 financial year, the Gard group continued to be very strongly capitalised. The probability that Gard would have to raise additional capital from its mutual Members by way of unbudgeted supplementary calls is low.

Eligible own funds	20 August 2019	20 February 2019
Tier 1 Basic own funds	1,133	1,136
Tier 2 Ancillary own funds	255	244
Tier 3 Other own funds	0	0
Eligible own funds	1,387	1,380

CEO'S OPERATIONAL REVIEW

CONTINUED

Gard has a simple capital structure consisting of Tier 1 capital through equity, which is earned and available, high quality Tier 2 capital in the form of unbudgeted supplementary calls and tax assets included as Tier 3 capital. The eligible own funds are calculated based on a partial internal model approved by the Financial Supervisory Authority of Norway (Finanstilsynet) as from 20 February 2019.

The Gard group manages its capital in such a way that all its regulated entities meet local regulatory capital requirements at all times.

S&P RATING

In September 2019 Standard & Poor's affirmed the A+ financial strength of the Gard group and its direct writing subsidiaries (Gard P. & I. (Bermuda) Ltd., Assuranceforeningen Gard -gjensidig, Gard Marine & Energy Limited and Gard Marine & Energy Insurance (Europe) AS). The rating reflects Gard's strong capital adequacy, strong operating performance and business profile as a leading insurer. The outlook is stable.

IT DEVELOPMENT PROJECT

The IT project which caused an impaired asset value in the accounts for the year to 20.02.2019 continued with a new vendor in the reporting period, and will be capitalised in the balance sheet over a period of two years.

TAX

Changes in the Norwegian Tax Act for insurance companies
On 9 February 2018, the Ministry of Finance (MoF) issued a consultation paper with proposals for changes in the tax legislation for insurance companies.

The proposal from the MoF clarified the rules for the taxation of mutual insurance associations such as Assuranceforeningen Gard -gjensidig-. In short, the MoF proposed that a real mutual shall be taxed based on the non-technical result while, on the other hand, the technical result (premium income) shall be exempted from taxation. Further, conversion of the contingency reserve to equity capital shall be partly exempted from taxation (only 25 per cent of the contingency reserve shall be treated as a taxable surplus subject to special transitional rules). Finally, it was proposed to repeal the special rules for taxation of branches of foreign insurance companies with the effect that they shall be taxed similarly to insurance companies that are resident in Norway.

The repeal of the special rules for taxation of branches was adopted and will have retroactive effect from 20 February 2018 whereas the special rules for real mutual insurance associations are subject to review by the European Free Trade Association Surveillance Authority (ESA). The MoF's application to ESA for an approval of the proposed tax exemption remains unresolved. Based on the feedback the MoF has received from ESA, it may be difficult to get an acceptance for the proposed exemption. As a result, the MoF are looking into other options, including to propose a special timing rule instead of a tax exemption. However, this would require a new public consultation paper. Until a special rule is in place for marine mutual associations, marine mutuals in Norway will be subject to the same tax regime as regular casualty insurers.



FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 20 AUGUST 2019

GARD P. & I. (BERMUDA) LTD.

SUMMARY INCOME STATEMENT

Amounts in USD 000s	Consolidated accounts	
	21.02.19 to 20.08.19	21.02.18 to 20.08.18
Gross written premium	710,023	667,580
Gross earned premium*	399,532	374,060
Earned premium for own account	318,944	305,312
Other insurance related income	1,480	1,291
Claims incurred for own account**	265,876	194,935
Operating expenses	41,670	43,126
Technical result	12,878	68,541
Non-technical result***	51,826	(41,429)
Result	64,704	27,112
Combined Ratio Net (CRN)	96%	78%

* Gross earned premium include one half of estimated total calls for the P&I business and gross earned premium for the marine and energy business.

** Claims handling costs' share of Operating expenses are included in Claims incurred for own account.

*** Taxation and Other comprehensive income/(loss) are included in Non-technical result.

SUMMARY BALANCE SHEET

Amounts in USD 000's	Consolidated accounts	
	As at 20.08.19	As at 20.02.19
Investments at fair value	2,155,559	2,084,949
Reinsurers' share of technical provisions	328,795	272,600
Cash and equivalents	168,933	152,265
Other assets	578,642	348,944
Total assets	3,231,929	2,858,758
Equity	1,211,138	1,158,853
Gross premium reserve	451,330	140,840
Gross claims reserve	1,377,290	1,409,646
Other liabilities	192,171	149,419
Total equity and liabilities	3,231,929	2,858,758

GARD P. & I. (BERMUDA) LTD.

INCOME STATEMENT ON LINES OF BUSINESS

Amounts in USD 000's	P&I	21.02.19 to 20.08.19	
		M&E	Consolidated
Gross written premium	506,979	203,044	710,023
Gross earned premium	255,855	143,678	399,532
Earned premium for own account	208,062	110,882	318,944
Other insurance related income	1,337	143	1,480
Claims incurred for own account*	190,398	75,478	265,876
Operating expenses	21,701	19,968	41,670
Technical result	(2,700)	15,578	12,878
Non-technical result**	51,273	2,856	51,826
Result	48,575	18,432	64,704
Combined ratio net	101%	86%	96%

* Claims handling costs' share of operating expenses are included in Claims incurred for own account

**Taxation and Other comprehensive income/(loss) are included in Non-technical result.



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