
FINANCIAL STATEMENTS 2016

Assuranceforeningen Gard - gjensidig-

for the year to 20 February 2016



Assuranceforeningen Gard - gjensidig -

Table of content

The Board of Directors	1
Board of Directors' Report	2
Statement of comprehensive income	10
Balance sheet	11
Cash flow	13
Comments and notes to the accounts	14
Auditor's report	55

Assuranceforeningen Gard - gjensidig-

The Board of Directors

Trond Eilertsen, Chairman, Oslo

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

Yngvil 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 2016 financial year, covering the 12-month period to 20 February 2016. This is the Association's 108th year of business.

In the opinion of the Board of Directors this report and accounts for the year to 20 February 2016 gives a true and fair view of the Association's assets, liabilities, financial position and result.

Statutory minimum requirements with regard to technical reserves and solvency margins 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

Preparations for the Solvency II legislation has been prioritised in 2015. Solvency II means new rules for calculating capital requirements and eligible capital, requirements for risk management as well as reporting requirements for risk- and capital situation. The regulations came into force from 1 January 2016 through the new Norwegian Finance Institutions Act of 2015 no. 17

Following the implementation of Solvency II, the accounting regulations for insurance companies in Norway will be changed. This will affect the tax treatment of the capital buffer currently 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 Club'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, has 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 expected to be determined during 2016.

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 ships.

Traditional P&I insurance is currently offered by 13 global insurers 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 most important functions of IG is to co-ordinate the clubs collective purchase of market reinsurances. This is done within the framework of the so-called 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 as a consequence of the Association being 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 or from Hong Kong.

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 service 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 13 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 to 20 February 2016 the level of absence due to sickness has been slightly below the corresponding average in the insurance industry. 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, 2016 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 all risk carriers in the Gard group consisting of Assuranceforeningen Gard - gjensidig -, Gard P. & I. (Bermuda) Ltd, Gard Marine & Energy Limited, Gard Marine & Energy Insurance (Europe) AS, Gard Reinsurance Co Ltd and Safeguard Guarantee Company 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 2016, the number of entered vessels and other units was 2,871. The total tonnage of the direct business amounted to 61.4 million GT of which owner's entries amounted to 49.1 million GT.

Reinsurance

In the financial year to 20 February 2016, the Association's retention level for insurance liabilities, arising out of any one event any one vessel, was USD 9 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 9 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 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 2013 policy year

Over the last 12 months the value of reported claims for the policy year 2013 has shown an improvement. The year is expected to produce a surplus.

The year can at the earliest be closed in October 2016. Further calls are not expected.

The 2014 policy year

Over the last 12 months, the value of reported claims for the policy year 2014 has shown a good 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

The Board of Directors have decided that a deferred call of [15] per cent shall be levied, being a [10] per cent reduction compared to the original forecast. The decision reflects the Association's and the group's sound financial position.

Closed policy years

All closed years up to and including the 2013 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 has been identified and the realistic possible loss to the Association has been calculated.

Market risk

The currency composition of the Association's portfolio of assets covering the technical reserves matches the currency exposure with regard to payments of claims to the extent possible. Thus, the exposure as to changes in the currency exchange rates is minimized. Otherwise, the assets are managed in accordance with governing rules and regulations determined by Norwegian authorities with regard to management of assets covering the technical provisions. Any mismatch between assets and liabilities in currency exposure is managed through a rolling forward programme.

Association has a diversified investment portfolio invested through the Common Contractual Fund. The Association takes relative to its investable assets less market risk than Gard group overall and the equity portfolio is tilted towards European equities.

Counterparty default risk

The main sources of counterparty default risk was intra-group reinsurers and cash deposits at banks. As of 20 February 2016, the main counterparty exposures was National Indemnity Company, Sumitomo Bank and Nordea. Exposure to reinsurers was relatively higher than for the group overall as a result of two large losses 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

Given the pay-out profile of liabilities and the liquidity of assets, 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.

Capital and solvency position

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

ACCOUNTS FOR THE YEAR 2016

The Association has been granted dispensation by the Norwegian Financial Supervisory Authority and the Tax Authority of 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 2015 are included in brackets.

Result

The contingency reserve has decreased by USD 15.3 million (decrease of USD 11.7 million). This includes a suggested 10 percentage points reduction in deferred call amounting to USD 10.2 million (10 percentage points reduction in deferred call amounting to USD 8.1 million).

Technical result before change in contingency reserve was a deficit of USD 9.7 million (deficit of USD 9.5 million).

Premiums

The gross written premium in the year ending 20 February 2016 was USD 160.9 million (USD 134.8 million). Earned premium for own account was USD 86.5 million (USD 78.1 million). The premium volume of The Association has increased in the year to 20 February 2016 mainly due to more business being written by EU/EEA insurance entities in the Group following changes to applicable EU regulations. 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 paid during the period was USD 130.2 million (USD 116.9 million). Gross claims cost incurred during the period amounted to USD 316.8 million (USD 66.4 million). Net claims incurred for own account was USD 88.7 million (USD 75.3 million). The Association has had three claims above own retention in the year to 20 February 2016, one fixed and two mutual. The substantial increase in gross technical provisions and reinsurers' share is to a large extent due to one large claim.

Non-technical result

The net income derived from investments of assets was a deficit of USD 5.4 million in the year to 20 February 2016 (deficit of USD 0.6 million).

Technical provisions

As at 20 February 2016 the Association's technical provisions to cover reported and unreported claims for own account amounted to USD 147.3 million (USD 124.8 million). In addition, the contingency reserve amounted to USD 101.4 million (USD 116.7 million). The contingency reserve is retained to meet unforeseen fluctuations in claims exposure, possible catastrophes, and extraordinary claims patterns that fall within the Association's liabilities.

The Board of Directors is of the opinion that the technical provisions are sufficient to cover all technical liabilities for the 2015 policy year and earlier policy years.

Cash Flow Analysis

The Association's bank deposit as of 20 February, 2016 amounted to USD 30.9 million (USD 23.3 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 growth and volume to increase for the year to 20 February 2017, mainly due to an increase in the business written through the Hong Kong branch. The cost base would continue to increase moderately and the expense ratio is expected to remain stable for the financial year ending 20 February 2017 as well as manageable expenses. The non-technical result is expected to give a return in the area of four to five 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

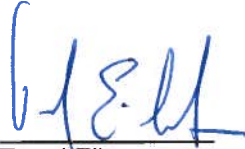
Trond Eilertsen and Jane Sy shall retire by rotation at the forthcoming Annual General Meeting but can be re-elected.

* * *

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, 25 April 2016

Board of Directors
ASSURANCEFORENINGEN GARD - GJENSIDIG -



Trond Eilertsen
Chairman



Jane Sy
Deputy-Chairman



Yngvil Åsheim



Morten W. Høegh



Ian Beveridge

Assuranceforeningen Gard - gjensidig -

Statement of comprehensive income

Amounts in USD 000's	Notes	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Technical account			
Gross written premium	4, 5	160,884	134,818
Ceded reinsurance		(74,420)	(56,673)
Earned premium for own account		86,464	78,144
Other insurance related income		29	98
Gross settled claims		130,174	116,901
Reinsurers' share of gross settled claims		(63,979)	(44,384)
Change in gross claims reserve		219,092	(50,497)
Reinsurers' share of change in claims reserve		(196,549)	53,302
Claims incurred for own account	3, 6	88,737	75,322
Aquisition costs		4,358	5,587
Agents' commission		9,189	9,362
Commission received		(8,001)	(7,700)
Insurance related expenses for own account	3, 7	5,546	7,248
Other insurance related expenses	7	1,950	5,190
Technical result before change in contingency reserve	6	(9,740)	(9,519)
Change in contingency reserve	18	(15,308)	(11,687)
Technical result		5,568	2,168
Non-technical account			
Interest and similar income	8	5,562	5,715
Change in unrealised gain /(loss) on investments		(12,305)	(7,781)
Gains on realisation of investments		921	2,787
Investment management expenses		381	(1,352)
Non-technical result		(5,442)	(631)
Profit before tax		126	1,537
Taxation	9	661	1,252
Net result		(535)	285
Other comprehensive income/(loss)			
Remeasurement due to change in pension assumptions		535	(285)
Total comprehensive income/(loss)		0	0

Assuranceforeningen Gard - gjensidig -

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.16	As at 20.02.15
Assets			
Investments			
<i>Financial investments at fair value through profit or loss</i>			
Equities and investments funds	11, 12, 13	27,255	31,447
Bonds	11, 12, 13	188,003	168,976
Financial derivative assets	11, 12, 13	1,333	2,487
Other financial investments	11, 12	11,682	8,766
Total investments		228,272	211,675
Reinsurers' share of technical provisions			
Reinsurers' share of gross claims reserve	3, 6, 12	395,405	198,857
Total reinsurers' share of technical provisions		395,405	198,857
Receivables			
Policyholders	14	19,490	14,266
<i>Receivables from reinsurance operations</i>			
Receivables from reinsurance operations		-	0
Receivables from group companies		1,855	6,092
Other receivables	13, 15	9	11
Total receivables	12	21,353	20,368
Other assets			
Equipment	10	2,201	2,201
Cash and cash equivalents	12, 16	30,908	23,342
Other financial assets	12	1,778	1,696
Total other assets		34,887	27,239
Prepayments and accrued income			
Accrued income and other prepayments		483	1,209
Total prepayments and accrued income		483	1,209
Total assets	12	680,401	459,348

Assuranceforeningen Gard - gjensidig -

Balance sheet

Amounts in USD 000's	Notes	As at 20.02.16	As at 20.02.15
Equity and liabilities			
Technical provisions			
Gross claims reserve	6, 19	542,721	323,628
Total technical provisions		542,721	323,628
Contingency reserve			
Contingency reserve	18	101,376	116,685
Total contingency reserve		101,376	116,685
Provision for other liabilities			
Pension obligations	17	2,122	3,050
Total provisions for other liabilities		2,122	3,050
Payables			
Payables arising out of direct insurance operations		2,436	1,300
Payables arising out of reinsurance operations		5,734	3,083
Payables group companies		35	2,023
Financial derivative liabilities	11, 12, 13	1,549	439
Other payables	11, 12, 13, 15	23,762	8,658
Total payables		33,517	15,503
Accruals and deferred income			
Accruals and deferred income		666	482
Total accruals and deferred income		666	482
Total liabilities	12	680,401	459,348
Total equity and liabilities		680,401	459,348

Assuranceforeningen Gard - gjensidig -

Cash flow analysis

Amounts in USD 000's	Notes	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Cash flow from operating activities			
Profit from ordinary operations before tax		126	1,537
Tax paid	9	(661)	(88)
Change in unrealised gain/(loss) on investments	8	12,305	7,781
Impairment of equipment	10	0	745
Pension cost charged to statement of comprehensive income	17	535	(285)
Change in pension obligation	17	(928)	(137)
Change in receivables and payables		17,029	678
Change in technical provisions and other accruals		8,145	(9,800)
Purchase/sale of other investments		(28,985)	(19,832)
Net cash flow from operating activities		7,566	(19,401)
Cash flow from investment activities			
Disposal of equipment	10	0	0
Net cash flow from investment activities		0	0
Net change in cash and cash equivalents		7,566	(19,401)
Cash and cash equivalents at beginning of year		23,342	42,743
Cash and cash equivalents at end of year		30,908	23,342

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 per cent) 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 in certain countries within the EU/EEA area 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 2015 to 20 February 2016.

The financial statements have been prepared in accordance with regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance, except for the departures from these regulations listed below. The Association fulfils the exemption criteria in paragraphs 1-5 and 1-6 of regulations for annual accounts for insurance companies which require limited use of International Financial Reporting Standards (IFRS). Paragraph 7-3 of the Regulations for annual accounts for insurance companies which allows late adoption of IFRS 13 and certain paragraphs in IFRS 7 have been applied.

Deviations from Regulations for annual accounts for insurance companies:

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

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

2.2 Changes to presentation and classification

The Association has changed its presentation of financial instruments in the balance sheet by changing from a net to a gross presentation of the derivative overlay programme. Short equity index future contracts are no longer presented net of equities, and accordingly the futures offset is no longer presented as bonds. The main effect is a reclassification from "Bonds" into "Equities and investment funds", and a simultaneous adjustment of invested cash from "Bonds" to "Other financial investments". In addition the presentation of accrued income has changed from "Prepayments and accrued income" to "Other financial investments". Comparative information has been changed accordingly (see note 12). The change does not affect the total comprehensive income reported in prior periods.

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.

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 2 - Accounting Policies (cont'd)

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.

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.

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 2 - Accounting Policies (cont'd)

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 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 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. As a practical expedient, 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.

Contingency reserve

The contingency reserve is retained to meet unforeseen fluctuations in claims exposure, possible catastrophes and extraordinary claims patterns that fall within the Association's liabilities.

The minimum requirement set by the FSA for the contingency reserve is 15 per cent of the FSA's minimum requirement for the net claims reserve. The contingency reserve as set by the FSA includes in addition minimum requirements for Reinsurance reserves.

Assuranceforeningen Gard - gjensidig-

Notes to the accounts

Note 2 - Accounting Policies (cont'd)

The reinsurance reserve is retained to meet possible losses if the Association's reinsurers fail to meet their obligations under a reinsurance contract.

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 defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using a straight-line earnings method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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.

There is no provision for contingent liabilities recognised in the balance sheet.

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 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 per cent of Gard P. & I. (Bermuda) Ltd. risks that is not reinsured elsewhere (15 per cent for claim years up to and including 2009). The Association cedes to Gard P. & I. (Bermuda) Ltd. by way of reinsurance 25 per cent of the Association's risks that are not reinsured elsewhere (85 per cent for claim years up to and including 2009). The basis for calculation of Reinsurance agreements has changed in 2015. Premiums are calculated on financial year basis. Claims are calculated with 25 per cent of claims incurred in claim year from and including 2010, else 85 per cent.

	Received from Gard P. & I. (Bermuda) Ltd.		Ceded to Gard P. & I. (Bermuda) Ltd.	
	21.02.15	21.02.14	21.02.15	21.02.14
Amounts in USD 000's	to 20.02.16	to 20.02.15	to 20.02.16	to 20.02.15
Reinsurance	6,408	7,310	27,357	19,960
Reinsurers' share of gross settled claims	4,209	4,850	24,673	43,275
Reinsurance commission	1,666	1,948	6,397	6,316

	Received from Gard P. & I. (Bermuda) Ltd.		Ceded to Gard P. & I. (Bermuda) Ltd.	
	As at	As at	As at	As at
Amounts in USD 000's	20.02.16	20.02.15	20.02.16	20.02.15
Reinsurers' share of gross claims reserve	12,540	12,825	119,969	111,187

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 ration corresponding to 100 per cent subject to a limit of USD 40 million.

	Ceded to Gard Reinsurance Co Ltd	
	21.02.15	21.02.14
Amounts in USD 000's	to 20.02.16	to 20.02.15
Ceded reinsurance	2,000	1,250

	Ceded to Gard Reinsurance Co Ltd	
	As at	As at
Amounts in USD 000's	20.02.16	20.02.15
Reinsurers' share of claims reserve	12,466	13,774

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	
	21.02.15	21.02.14
Amounts in USD 000's	to 20.02.16	to 20.02.15
Reinsurers' share of gross settled claims	308	1,631
Reinsurers' share of gross claims reserve	8,744	13,671

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	
	21.02.15	21.02.14
Amounts in USD 000's	to 20.02.16	to 20.02.15
Insurance services invoiced	16,697	21,644

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 4 - Gross written premium by geographical areas

Amounts in USD 000's	21.02.15 to 20.02.16	21.02.14 to 20.02.15
EEA	82,058	52,509
Norway	6,916	11,022
Other areas	71,910	71,287
Total gross written premium	160,884	134,818

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 a 15 per cent deferred call in respect of the 2015 policy year, payable in 2016. The original estimated deferred call was 25 per cent. The deferred call for the 2014 year was also reduced to 15 per cent from 25 per cent.

The reduction in deferred call amounts to USD 10.2 million (2014 USD 8.1 million).

On estimated total call basis (ETC) the gross written premium for the year to 20.02.16 is USD 171.1 million (2014 USD 142.9 million).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 6 - Technical result and technical provisions

	21.02.15 to 20.02.16
Amounts in USD 000's	Total P&I
Technical result	
Gross premiums	
Gross written premiums	160,884
Change in gross premium reserve	0
Earned premiums, gross	160,884
Claims incurred, gross	
Incurred this year	(338,373)
Incurred previous years	(10,893)
Total claims incurred, gross	(349,266)
Insurance related operating expenses, gross	(15,468)
Technical result, gross	(203,849)
Reinsurers' share of technical result	
Premiums earned	(74,420)
Claims incurred	260,528
Commissions	8,001
Reinsurers' result	194,109
Technical result, net	(9,740)

As at 20.02.16

Amounts in USD 000's	Total P&I
Technical provisions gross	
Provisions, at the beginning of the period	(323,628)
Claims paid	130,173
Claims incurred - gross this year	(338,373)
Claims incurred - gross previous years	(10,893)
Provisions, at the end of the period	(542,721)
Reinsurers' share of claims provision	395,405
Provisions net, at the end of the period	(147,317)
The Association is a member of the International Group of P&I clubs.	
Net technical provision regarding Pooling Agreement	50,663
Provision for outstanding claims	
Technical provision gross	(542,721)
Technical provision net	(147,317)

Gard undertook a review of its classification of gross reserves during the fiscal year in light of the upcoming changes due to Solvency II implementation. Without changing the underlying principles for reserving the equalisation reserve was removed. The net impact of these changes was a decrease in gross claims reserve in the balance sheet.

Provided guarantees outside cover, not recognised in the balance sheet, amount to USD 0.48 million as at 20.02.16

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 range between USD 506.84 million and USD 513.59 million.

Preparation for the Solvency II legislation has been prioritised in 2015. Solvency II means new rules for calculating capital requirements and eligible capital, requirements for risk management and reporting requirements for risk- and capital situation. The regulations came into force 1 January 2016.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 6 - Technical result and technical provisions continues

Following the implementation of Solvency II, the accounting regulations for insurance companies in Norway will change. This will affect the tax treatment of the capital buffer currently referred to as the contingency reserve for a mutual insurer as the Association has been exempted from equity capital requirement. The principal difference is that under the new regulatory regime the capital buffer will no longer be recorded as a liability in the Associations balance sheet and transfers to the capital buffer will no longer be treated as an expense. Going forward the capital buffer required, must be built 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 Gard group together with the other mutual P&I insurer in Norway has 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 expected to be determined during 2016.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 7 - Insurance related expenses and number of staff

Amounts in USD 000's	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Acquisition costs and commissions		
Sales related salaries and wages	5	766
Other acquisition costs	4,353	4,821
Agents' commission	9,189	9,362
Commission received	(8,001)	(7,700)
Insurance related expenses for own account	5,546	7,248
Number of part time staff	12	13

Remuneration to Group Leadership Team, Board of Directors and Committees

Amounts in USD 000's	Salary	Board remuneration	Total remuneration
Group Leadership Team			
Rolf Thore Roppestad (Managing Director)	78		78
Steinar Bye	32		32
Svein A. Andersen	22		22
Bjørnar Andresen	37		37
Kristian Dalene	31		31
Kjetil Eivindstad	39		39
Members of the Board of Directors of the Association			
Trond Eilertsen (Chairman)		20	20
Tadeusz Niszczoła		15	0
Yngvild Åsheim (new member - no payment)		0	0
Morten W. Høegh (Member)		15	15
Jane Sy (Member)		0	21
Members of the Supervisory Committee of the Association*			
Stephen Knudtzon (Member)		15	15
Arne Falkanger Thorsen (Member)		10	10
Claus Theodor Mørch (Member)		10	10
Helge Aamodt (Member)		10	10
Total	239	96	341

*Supervisory Committee is no longer required, and has been closed down as from 01 January 2016.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 7 - Insurance related expenses and number of staff continued

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 per cent of gross salary. A bonus of 20 per cent of gross salary is expected to be paid for the year to 20.02.2016.

Remuneration auditor

Amounts in USD 000's	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Auditing fee	155	274
Tax advising	0	25
Non audit services	3	0
Total auditors' fee	158	299

Net operating expenses

Amounts in USD 000's	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Bad debt	(31)	(109)
Service cost	16,992	21,756
Allocated to claims handling and acquisition costs	(15,798)	(20,691)
Other operating expenses	787	4,234
Other insurance related expenses	1,950	5,190

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

Note 8 - Financial income and expenses

Amounts in USD 000's	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Interest and similar income		
Income from financial instruments held for trading (portfolio investments)	5,650	6,862
Foreign exchange gains/(losses)	(88)	(1,147)
Total interest and similar income	5,562	5,715

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 9 - Tax

	21.02.15 to 20.02.16	21.02.14 to 20.02.15
Amounts in USD 000's		
Basis for income tax expenses, changes in deferred tax and tax payable		
Total result as basis for tax calculation	661	1,164
Permanent differences (equities not exempted)	11,961	5,841
Basis for the tax expenses for the year	12,622	7,005
Change in temporary differences	(323)	1,216
Basis for payable taxes in the income statement	12,299	8,221
Use of tax losses from previous years	12,299	8,221
Taxable income (basis for payable taxes in the balance sheet)	0	0
Income tax expenses		
Tax paid in Hong Kong and Japan branch	661	1,164
Paid foreign withheld tax	0	88
Tax expenses ordinary result	661	1,252
Deferred tax asset		
Specification of tax effect resulting from temporary differences		
Pension obligations	2,122	3,050
Portfolio investments	(8,340)	(3,015)
Tax loss carried forward	54,119	79,731
Other temporary differences	1,731	951
Total temporary differences	49,632	80,717
Deferred tax asset, 25 per cent of total temporary differences	12,408	21,794
Deferred tax asset is not recorded in the balance sheet as it is not likely that the tax asset will be utilised in the future.		

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 10 - Equipment

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

	Art
	As at
Amounts in USD 000's	20.02.15
Acquisition costs at beginning of year	2,946
Net additions/(disposals)	0
Exchange adjustments	0
Cost at end of year	2,946
Impairment	(745)
Exchange adjustments	0
Depreciation at end of year	(745)
Net book value at end of year	2,201

Art is not a subject to depreciation.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - 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.

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 20.02.16				As at 20.02.15			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments								
Equities and investment funds	27,172	83	0	27,255	31,366	81	0	31,447
Bonds	93,270	85,781	8,951	188,003	56,694	105,847	6,435	168,976
Financial derivative assets	0	1,333	0	1,333	0	2,487	0	2,487
Cash incl. In other financial investments	7,983	0	0	7,983	6,084	38	0	6,122
Pending transactions for settlement	3,699	0	0	3,699	2,644	0	0	2,644
Total financial investments	132,124	87,197	8,951	228,272	96,788	108,453	6,435	211,675
Financial liabilities								
Financial derivative liabilities	0	1,549	0	1,549	0	439	0	439
Financial liabilities incl. in other payables	16,237	302	0	16,539	4,956	0	0	4,956
Total financial liabilities	16,237	1,851	0	18,088	4,956	439	0	5,396

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - 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 11.3 per cent of its total investments which is a little lower than the year before. Expected standard deviation (risk) in European equities is estimated to be 20 per cent.

As at 20.02.16
Equities at market Value

AGL Energy Limited	13,768
AMP Limited	14,687
Amtcor Ltd.	12,183
Aurizon Holdings Limited	7,767
Australia and New Zealand Banking Group	55,391
BHP Billiton Limited	53,665
Bendigo and Adelaide Bank Limited	4,016
Brambles Limited	8,502
CSL Limited	13,861
CYBG PLC	2,115
Coca-Cola Amatil Limited	7,825
Commonwealth Bank of Australia	86,233
Insurance Australia Group Limited	9,371
Macquarie Group Limited	14,093
National Australia Bank Limited	58,430
Newcrest Mining Limited	12,516
Orica Limited	3,743
Origin Energy Limited	7,732
QBE Insurance Group Limited	15,717
Rio Tinto Limited	15,142
Santos Limited	7,279
Scentre Group Limited	14,936
South32 Limited	7,074
Suncorp Group Limited	19,384
Tatts Group Limited	6,651
Telstra Corporation Limited	20,639
Wesfarmers Limited	39,176
Westfield Corporation Limited	12,518
Westpac Banking Corporation	70,979
Woodside Petroleum Ltd.	20,545
Woolworths Ltd.	28,921
Australia Total	664,856
Erste Group Bank AG	19,067
OMV Aktiengesellschaft	8,032
Raiffeisen-Landesbanken-Holding GmbH	7,394
Voestalpine AG	8,063
Austria Total	42,556
Ageas N.V.	13,937
Anheuser-Busch InBev	45,860
Etat Belge	9,020
Gebroeders Delhaize En Cie De Leeuw	18,173
KBC Groep	15,370
Solvay	7,198
Umicore	5,230
Belgium Total	114,787

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

ARC Resources Ltd	3,069
Agrium Inc.	8,572
Alimentation Couche-Tard Inc.	9,016
BCE Inc.	12,294
Bank of Montreal	52,099
Barrick Gold Corporation	19,922
Blackberry Limited	11,630
Bombardier Inc.	4,812
Brookfield Asset Management Inc	17,811
Canadian Imperial Bank of Commerce	39,376
Canadian National Railway Company	23,766
Canadian Natural Resources Limited	22,332
Canadian Pacific Railway Limited	3,258
Canadian Tire Corporation, Limited	9,853
Cenovus Energy Inc.	17,601
Crescent Point Energy Corp.	5,633
Enbridge Inc.	20,423
Encana Corporation	4,580
Enerplus Corporation	771
Exxon Mobil Corporation	4,818
FIRST QUANTUM MINERALS LTD	2,512
Fairfax Financial Holdings Limited	14,545
Fortis Inc.	5,062
George Weston Limited	21,359
Goldcorp Inc.	10,459
Husky Energy Inc.	2,818
Intact Financial Corporation	9,705
Magna International Inc.	10,691
Manulife Financial Corporation	28,235
Metro Inc.	7,072
National Bank of Canada	15,272
Pacific Exploration and Production Corpo	1,162
Pembina Pipeline Corporation	8,790
Pengrowth Energy Corporation	1,740
Penn West Petroleum Ltd.	4,810
Potash Corporation of Saskatchewan Inc.	8,769
Power Corporation of Canada	31,861
RioCan Real Estate Investment Trust	12,015
Rogers Communications Inc.	22,404
Royal Bank of Canada	82,274
Shaw Communications Inc.	3,115
Sun Life Financial Inc.	26,019
Suncor Energy Inc.	60,775
TELUS Corporation	4,470
Teck Resources Ltd.	6,479
The Bank of Nova Scotia	59,386
The Thomson Company Inc.	14,060
The Toronto-Dominion Bank	73,424
TransAlta Corporation	6,706
TransCanada Corporation	31,210
Yamana Gold Inc.	3,371
Valeant Pharmaceuticals International	2,199
Canada Total	884,405
A.P. Moller - Maersk A/S	21,914
Carlsberg A/S	11,625
Danske Bank A/S	22,364
Novo Nordisk A/S	27,022
TDC A/S	6,464
Vestas Wind Systems A/S	13,927
Denmark Total	103,316

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

KONE Oy	8,289
Nokia Oy	32,231
Sampo Oy	21,179
Stora Enso Oy	7,735
Suomen Valtio	9,244
UPM-Kymmene OY	15,485
Wartsila Oy	8,242
Finland Total	102,403
ACCOR	5,895
Air France - KLM	11,785
Airbus Group	29,823
Arkema	8,406
ALSTOM	7,241
AXA	97,472
BNP Paribas	101,953
Bouygues	21,017
BPCE	7,135
CGG	3,038
Cap Gemini	14,561
Carrefour	39,758
Casino Guichard-Perrachon	7,969
Compagnie De Saint-Gobain	40,506
Compagnie Generale des Etablissements Mi	28,323
Danone	33,983
Eiffage	6,833
Engie	79,087
Federation Nationale du Credit Agricole	21,644
Financiere Pinault	16,282
Groupe Arnault SAS	7,297
L'Air Liquide societe anonyme pour l'Etu	33,074
Lagardere SCA	7,277
Legrand SA	14,875
L'Oreal	25,077
LVMH Moet Hennessy Louis Vuitton	30,029
Nokia Oyj	12,107
Orange	88,236
Optics East, Inc.	11,295
Pernod Ricard	15,374
Peugeot SA	19,853
Publicis Groupe SA	6,295
Renault	28,001
Republique Francaise Presidence	9,321
Rexel	6,324
Safran	9,587
Sanofi	96,730
Schneider Electric SE	31,926
SCOR SE	9,144
SES S.A.	6,066
Societe Generale	58,503
Sodexo	9,045
STMicroelectronics N.V.	6,168
SUEZ Environnement Company	12,368
Technip	8,624
Thales	6,316
Total SA	221,569
Unibail-Rodamco SE	14,819
Valeo	10,337
Vallourec	1,954
Veolia Environnement-VE	32,527
VINCI	50,850
Vivendi	53,697
France Total	1,537,378

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

ACS Hochtief AG	8,591
Adidas AG	24,604
Allianz SE	131,612
Aurubis AG	4,952
BASF SE	81,554
Bayer Aktiengesellschaft	61,842
Bayerische Motoren Werke Aktiengesellsch	40,016
Brenntag AG	7,368
COMMERZBANK Aktiengesellschaft	29,674
Continental Aktiengesellschaft	18,340
Daimler AG	96,423
Deutsche Bank Aktiengesellschaft	49,548
Deutsche Borse Aktiengesellschaft	14,775
Deutsche Lufthansa Aktiengesellschaft	14,204
Deutsche Post AG	32,793
Deutsche Telekom AG	102,201
E.ON SE	87,270
Fresenius Medical Care AG & Co. KGaA	13,635
Fresenius SE & Co. KGaA	20,611
HDI Haftpflichtverband der Deutschen Ind	11,053
HeidelbergCement AG	12,029
Henkel AG & Co. KGaA	19,809
Infineon Technologies AG	5,613
K+S Aktiengesellschaft	6,217
LANXESS Aktiengesellschaft	7,229
Linde Aktiengesellschaft	22,013
Metro Ag	16,230
Munchener Ruckversicherungs-Gesellschaft	62,851
Porsche Automobil Holding SE	41,544
ProSiebenSat.1 Media SE	14,714
RWE Aktiengesellschaft	29,157
Sap Se	41,731
Siemens Aktiengesellschaft	100,009
ThyssenKrupp AG	15,246
Germany Total	1,245,460
AIA Group Limited	29,958
CK Hutchison Holdings Limited	13,811
CLP Holdings Limited	14,659
Cheung Kong Property Holdings Limited	6,737
Hang Lung Group Limited	458
Henderson Land Development Company Limit	5786
HSBC Holdings PLC	10,204
John Swire & Sons Limited	7,584
Las Vegas Sands Corp.	6,848
Li & Fung Limited	4,235
New World Development Company Limited	8,709
Power Assets Holdings Limited	11,208
Sun Hung Kai Properties Limited	17,999
The Central People's Government of the P	9,894
The Link Real Estate Investment Trust	9,119
Wharf (Holdings) Limited	5,334
Hong Kong Total	162,541
Bank Hapoalim B.M.	8,188
Bezeq The Israel Telecommunication Corp.	11,482
Ofer Group	5,937
Teva Pharmaceutical Industries Limited	38,782
Israel Total	64,389

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Assicurazioni Generali S.P.A.	35,623
Atlantia S.p.A.	10,917
Banca Monte dei Paschi di Siena S.p.A.	2,997
Banca popolare dell'Emilia Romagna, Soci	3,910
Banco Popolare Societa Cooperativa	4,932
CNH Industrial N.V.	15,173
ENEL - SPA	86,438
Eni S.p.A.	102,602
Ferrari N.V.	11,029
Fiat Chrysler Automobiles N.V.	18,264
Finmeccanica S.p.A.	11,120
Intesa Sanpaolo S.p.A.	50,512
Mediaset S.p.A.	5,359
Rocca & Partners Stichting Administratie	10,771
Saipem S.p.A.	8,563
Snam S.p.A.	16,566
Telecom Italia S.p.A.	46,442
Terna - Rete Elettrica Nazionale S.p.A.	9,581
UniCredit S.p.A.	45,034
Unione Di Banche Italiane Societa' Per A	6,000
Unipol Gruppo Finanziario S.p.A.	5,172
Italy Total	507,004
Aeon Co., Ltd.	58,972
Aisin Seiki Co., Ltd.	50,010
Ajinomoto Co., Inc.	19,546
Asahi Glass Co., Ltd.	12,726
Asahi Group Holdings, Ltd.	11,709
Asahi Kasei Corp.	31,475
Astellas Pharma Inc.	62,469
Bandai Namco Holdings Inc.	18,914
Bridgestone Corporation	70,093
Canon Inc.	61,887
Capcom Co., Ltd.	20,916
Central Japan Railway Company	70,108
Chubu Electric Power Co., Inc.	16,318
Dai Nippon Printing Co., Ltd.	11,456
Daiichi Sankyo Company, LTD	22,260
Daikin Industries, Ltd.	12,466
Daito Trust Construction Co., Ltd.	10,511
Daiwa House Industry Co., Ltd.	27,233
Daiwa Securities Group Inc.	12,437
DENSO Corporation	19,287
Dentsu Inc.	14,071
East Japan Railway Company	76,879
Eisai Co., Ltd.	17,754
Electric Power Development Co., Ltd.	43,632
FANUC Corporation	11,699
Fast Retailing Co., Ltd.	7,262
Fuji Heavy Industries, Ltd.	10,218
FUJIFILM Holdings Corporation	24,835
Fujitsu Limited	58,368
Fukuoka Financial Group, Inc.	6,781
Hankyu Hanshin Holdings, Inc.	9,918
Hitachi, Ltd.	76,868
Honda Motor Co., Ltd.	161,582
Hoya Corporation	12,515
Idemitsu Kosan Co., Ltd.	7,233
IHI Corporation	26,940
INPEX Corp.	14,493
Isetan Mitsukoshi Holdings Ltd.	8,194
Isuzu Motors Limited	28,431
ITOCHU Corporation	49,244
J.Front Retailing Co., Ltd.	5,248
Japan Airlines Co., Ltd	30,556
Japan Tobacco Inc.	84,295
JFE Holdings, Inc.	12,738
JSR Corporation	34,580
JTEKT Corporation	47,723
JX Holdings, Inc.	90,843

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Kajima Corporation	13,439
Kaken Pharmaceutical Co., Ltd.	6,964
Kao Corporation	23,773
Kawasaki Heavy Industries, Ltd.	3,540
Kawasaki Kisen Kaisha, Ltd.	7,580
KDDI Corporation	49,769
Kintetsu Group Holdings Co., Ltd.	6,701
Kirin Holdings Company, Limited	24,684
Kobe Steel, Ltd.	5,721
Komatsu Ltd.	18,321
Konica Minolta Holdings, Inc.	7,456
Kubota Corporation	13,420
KYOCERA Corporation	18,224
Kyushu Electric Power Co Inc	15,234
LIXIL Group Corporation	9,982
Marubeni Corporation	33,260
Mazda Motor Corporation	54,341
Meiji Holdings Co., Ltd.	8,398
Mitsubishi Chemical Holdings Corporation	20,406
Mitsubishi Corporation	101,941
Mitsubishi Electric Corporation	23,377
Mitsubishi Estate Co., Ltd	15,051
Mitsubishi Heavy Industries, Ltd.	18,095
Mitsubishi Materials Corporation	9,297
Mitsubishi Motors Corporation	4,739
Mitsubishi UFJ Financial Group, Inc.	186,901
Mitsui & Co., Ltd.	49,024
Mitsui Chemicals, Inc.	15,751
Mitsui Fudosan Co., Ltd.	42,633
Mitsui O.S.K. Lines, Ltd.	5,339
Mizuho Financial Group, Inc.	65,746
MS&AD Insurance Group Holdings, Inc.	26,905
Murata Manufacturing Co., Ltd.	12,402
NEC Corp.	15,791
NH Foods Ltd.	5,799
Nidec Corporation	10,104
Nikon Corporation	17,014
Nintendo Co., Ltd.	74,624
Nippon Express Co., Ltd.	7,174
Nippon Shokubai Co., Ltd.	30,765
Nippon Steel & Sumitomo Metal Corporatio	24,610
Nippon Telegraph and Telephone Corporati	229,159
Nippon Yusen Kabushiki Kaisha	8,736
Nissan Motor Co., Ltd.	87,479
Nitto Denko Corporation	6,906
Nomura Holdings, Inc.	20,614
Nuclear Damage Liability Facilitation Fu	56,678
Obayashi Corporation	11,282
Oji Holdings Corporation	5,990
Olympus Corporation	5,701
OMRON Corporation	3,636
Oracle Corporation	19,595
ORIX Corporation	71,873
Osaka Gas Co., Ltd.	15,291
Otsuka Holdings Co.,Ltd.	45,024
Panasonic Corporation	31,073
Resona Holdings, Inc.	13,838
Ricoh Company, Ltd.	15,964
SCREEN Holdings Co., Ltd.	56,507
SECOM Co., Ltd.	20,348
Sekisui Chemical Co., Ltd.	11,633
Sekisui House, Ltd.	12,375
Seven & I Holdings Co Ltd	42,270
Sharp Corporation	10,083
SHIMAMURA Co., Ltd.	34,000
Shimizu Corporation	9,924
Shin-Etsu Chemical Co., Ltd.	15,801
Shiseido Company, Limited	11,583
Showa Denko K.K.	4,765
Showa Shell Sekiyu K.K.	4,618
SMC Corporation	6,341
Softbank Group Corp.	87,300
Sojitz Corporation	15,691

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Sompo Japan Nipponkoa Holdings, Inc.	20,339
Sony Corporation	41,268
SUMCO Corporation	67,143
Sumitomo Chemical Co., Ltd.	15,183
Sumitomo Corporation	30,535
Sumitomo Electric Industries Ltd.	77,800
Sumitomo Metal Mining Co., Ltd.	5,248
Sumitomo Mitsui Financial Group, Inc.	106,064
Sumitomo Mitsui Trust Holdings, Inc.	13,564
Sumitomo Realty & Development Co., Ltd.	7,135
Suzuki Motor Corporation	14,651
T&D Holdings, Inc.	11,989
Taisei Corporation	7,997
Takeda Pharmaceutical Co Ltd	43,754
TDK Corporation	6,668
Teijin Limited	10,504
Terumo Corporation	10,720
The Bank of Yokohama, Ltd.	4,661
The Dai-ichi Life Insurance Company, Lim	27,379
The Kansai Electric Power Company, Incor	26,426
The Shizuoka Bank, Ltd.	5,841
Tohoku Electric Power Co., Inc.	10,519
Tokio Marine Holdings, Inc.	35,417
Tokyo Electron Limited	55,874
Tokyo Gas Co., Ltd.	13,793
Tokyu Corporation	10,795
Tonengeneral Sekiyu K.K.	6,391
Toppan Printing Co., Ltd.	8,996
Toray Industries, Inc.	50,477
Toshiba Corporation	17,982
Toyota Industries Corporation	6,592
Toyota Motor Corporation	198,858
Toyota Tsusho Corp	9,206
TV Asahi Holdings Corporation	24,264
West Japan Railway Company	15,317
Yamada Denki Co., Ltd.	70,180
Yamaha Motor Co., Ltd.	5,490
Yamato Holdings Co., Ltd.	8,707
Japan Total	4,793,787
Hana Financial Group Inc.	6,381
Hyundai Heavy Industries Co., Ltd.	15,140
Hyundai Mobis Co., Ltd.	18,883
Hyundai Motor Company	44,177
Hyundai Steel Company	8,117
KB Financial Group Inc.	11,757
KIA Motors Corporation	16,671
Korea Electric Power Corp.	17,041
KT Corporation	7,877
KT&G Corporation	11,426
LG Chem, Ltd.	20,160
LG Corp.	12,968
LG Display Co., Ltd.	6,726
LG Electronics Inc.	13,249
POSCO	23,816
Samsung Electronics Co., Ltd.	113,751
Samsung Fire & Marine Insurance Co., Ltd	9,273
Samsung Heavy Industries Co., Ltd.	1,608
Samsung Life Insurance Co., Ltd.	6,416
Shinhan Financial Group Co Ltd	18,032
SK Hynix Inc.	8,608
SK Innovation Co., Ltd.	29,030
Sk Telecom Co Ltd	4,728
The Republic of Korea, Government of	5,376
Woori Bank Ltd	4,464
Korea (South) Total	435,677
Investec PLC	83,067
Luxembourg Total	83,067

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Aegon N.V.	24,860
Akzo Nobel N.V.	19,380
ArcelorMittal	15,377
Asml Holding N.V.	8,773
Delta Lloyd N.V.	2,934
Koninklijke Ahold N.V.	37,438
Koninklijke DSM N.V.	9,795
Koninklijke KPN N.V.	31,391
Koninklijke Philips N.V.	31,457
L'Arche Green N.V.	19,226
RANDSTAD HOLDING nv	6,379
Relx N.V.	13,514
Staat der Nederlanden	1,763
Stichting Administratiekantoor Unilever	49,624
Stichting ING Aandelen	80,084
Wolters Kluwer N.V.	10,925
Netherlands Total	362,921
Spark New Zealand Limited	6,370
New Zealand Total	6,370
DNB ASA	15,747
Norsk Hydro ASA	5,236
Orkla ASA	11,511
Seadrill Limited	2,371
Stortinget	44,290
Telenor ASA	11,706
Yara International ASA	8,921
Norway Total	99,782
EDP- Energias de Portugal, S.A.	18,878
Galp Energia, SGPS, S.A.	8,690
Portugal Total	27,568
CapitaLand Limited	5,340
DBS Group Holdings Ltd	16,006
Government of Singapore	31,546
Jardine Matheson Holdings Limited	5,943
Keppel Corporation Limited	11,821
Noble Group Limited	2,211
Oversea-Chinese Banking Corporation Limi	12,619
United Overseas Bank Limited	13,154
Wilmar International Limited	2,939
Singapore Total	101,578
Abertis Infraestructuras, S.A.	6,859
ACS, Actividades de Construccion y Servi	6,737
Amadeus IT Holding, S.A.	6,403
Banco Bilbao Vizcaya Argentaria, S.A.	63,777
Banco de Sabadell, S.A.	6,876
Banco Popular Espanol, S.A.	8,481
Banco Santander, S.A.	137,990
Caja de Ahorros y Pensiones de Barcelona	10,663
Distribuidora Internacional De Alimentac	5,345
ENEL - SPA	16,192
Ferrovial, S.A.	11,647
Fondo de Reestructuracion Ordenada Banca	7,704
Fundacion Mapfre	6,224
Gas Natural SDG, S.A.	10,979
Iberdrola, S.A.	59,621
Industria de Diseno Textil, S.A.	12,615
Red Electrica Corporacion, S.A.	7,722
Repsol, S.A.	35,195
Telefonica S A	115,167
Spain Total	536,195

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

AB SKF	6,671
Ab Volvo	21,449
Aktiebolaget Electrolux	8,407
Aktiebolaget Industrivarden	6,420
ASSA ABLOY AB	8,146
Atlas Copco Aktiebolag	11,927
Boliden AB	5,443
Ericsson	27,791
H & M Hennes & Mauritz AB	17,550
Nordea Bank AB	38,875
Sandvik AB	14,428
Skandinaviska Enskilda Banken AB	17,019
Skanska AB	15,195
Svenska Cellulosa Aktiebolaget SCA	21,838
Svenska Handelsbanken AB	18,607
Swedbank AB	19,088
Tele2 AB	3,650
TeliaSonera AB	18,162
Sweden Total	280,666
ABB Ltd.	45,009
Adecco S.A.	12,594
Baloise-Holding AG	8,960
Compagnie Financiere Richemont SA	13,243
Credit Suisse Group AG	42,425
Givaudan SA	11,316
LafargeHolcim Ltd	13,525
Nestle S.A.	173,641
Novartis AG	102,399
Roche Holding Ag	108,057
Schweizerische Eidgenossenschaft	11,684
SGS SA	7,980
Swiss Life Holding AG	12,472
Swiss Re AG	54,999
Syngenta AG	30,829
The Swatch Group AG	9,479
Transocean Ltd.	11,769
UBS Group AG	44,586
Zurich Insurance Group AG	57,090
Switzerland Total	772,058
Anglo American PLC	16,995
AstraZeneca PLC	85,479
Aviva PLC	38,359
BAE Systems PLC	29,461
Balfour Beatty PLC	10,911
Barclays PLC	68,863
BHP Billiton PLC	31,755
BP p.l.c.	242,130
British American Tobacco p.l.c.	79,013
BT Group PLC	44,641
Bunzl Public Limited Company	6,003
Capita PLC	5,770
Centrica PLC	33,530
Compass Group PLC	22,058
CRH public limited company	22,563
Diageo PLC	38,766
Direct Line Insurance Group PLC	9,190
E. Abaroa Foundation	6,444
Experian PLC	7,775
G4S PLC	4,507
Garfield Weston Foundation	10,309
GKN PLC	5,624
GlaxoSmithKline PLC	102,620
Glencore PLC	34,107
Hammerson PLC	4,373
HM Treasury	14,004
Home Retail Group PLC	7,988
HSBC Holdings PLC	207,417
Imperial Brands PLC	50,216
International Consolidated Airlines Group	8,133

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

J Sainsbury PLC	16,431
Johnson Matthey PLC	7,701
Kingfisher PLC	17,131
Land Securities Group PLC	10,908
Legal & General Group PLC	24,078
Lloyds Banking Group PLC	71,328
Man Group PLC	9,027
Marks and Spencer Group P.L.C.	13,782
Mondi plc	5,126
National Grid PLC	65,830
NEXT PLC	6,196
Old Mutual Public Limited Company	18,096
Pearson PLC	7,975
Prudential Public Limited Company	36,416
Reckitt Benckiser Group PLC	36,759
Relx PLC	12,196
Rexam PLC	9,511
Rio Tinto PLC	42,962
Rolls-Royce Holdings plc	14,811
Royal Dutch Shell PLC	348,845
RSA Insurance Group PLC	10,763
SABMiller plc	28,356
Severn Trent PLC	9,207
Shire PLC	4,359
Sky PLC	10,602
Smith & Nephew PLC	9,821
Smiths Group PLC	4,234
Smurfit Kappa Group Public Limited Compa	6,120
SSE PLC	38,722
Standard Chartered PLC	30,415
Standard Life PLC	13,820
Tesco PLC	58,543
The British Land Company Public Limited	9,238
The Governor and Company of the Bank of	11,571
Thomas Cook Group PLC	4,220
TUI AG	4,870
Unilever PLC	36,187
United Utilities Group PLC	10,491
Vodafone Group Public Limited Company	153,488
WM Morrison Supermarkets P L C	19,729
Wolseley Limited	13,930
WPP PLC	21,384
United Kingdom Total	2,534,182

Abbott Laboratories	35,332
AbbVie Inc.	24,702
Accenture Public Limited Company	31,070
Activision Blizzard, Inc.	11,080
Adobe Systems Incorporated	8,491
ADT Corp.	8,360
Aetna Inc.	30,518
AFLAC Incorporated	24,855
AGCO Corporation	4,872
Air Products and Chemicals, Inc.	17,230
Alcoa Inc.	8,657
Allergan Public Limited Company	15,166
Alliant Energy Corporation	8,793
Ally Financial Inc.	22,004
Alphabet Inc.	128,815
Altria Group, Inc.	67,222
Amazon.com, Inc.	42,257
Ameren Corporation	16,462
American Capital Agency Corp.	10,374
American Electric Power Company, Inc.	34,051
American Express Company	31,513
American International Group, Inc.	105,224
American Tower Corporation	5,152
American Water Works Company, Inc.	15,522
Ameriprise Financial, Inc.	11,907
AmerisourceBergen Corporation	25,010
Amgen Inc.	39,331
Anadarko Petroleum Corporation	12,973
Analog Devices, Inc.	9,534
Annaly Capital Management, Inc.	15,842
Anthem, Inc.	43,640
Aon PLC	12,165

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Apache Corporation	22,771
Apple Inc.	154,048
Applied Materials, Inc.	13,473
Arch Capital Group Ltd.	7,206
Archer-Daniels-Midland Company	34,119
Armstrong World Industries, Inc.	9,572
Arrow Electronics, Inc.	13,443
Ashland Inc.	9,734
Assurant, Inc.	12,870
AT&T Inc.	323,096
Autoliv, Inc.	8,589
Automatic Data Processing, Inc.	17,882
AutoZone, Inc.	19,758
AvalonBay Communities, Inc.	13,439
Avis Budget Group, Inc.	4,561
Avnet, Inc.	9,742
Avon Products, Inc.	4,499
Baker Hughes Incorporated	14,328
Bank of America Corporation	170,548
Baxalta Incorporated	17,537
Baxter International Inc.	16,754
BB&T Corporation	23,735
Becton, Dickinson and Company	14,055
Bed Bath & Beyond Inc.	7,299
Berkshire Hathaway Inc.	296,567
Best Buy Co., Inc.	16,473
Biogen Inc.	6,796
BlackRock, Inc.	24,829
Boston Properties, Inc.	11,802
Boston Scientific Corporation	4,942
Bristol-Myers Squibb Company	57,611
Bunge Limited	16,595
C.H. Robinson Worldwide, Inc.	5,568
CA, Inc.	6,272
California Resources Corporation	684
Calpine Corporation	5,763
Cameron International Corporation	10,414
Capital One Financial Corporation	36,152
Cardinal Health, Inc.	40,657
Care Capital Properties, Inc.	1,335
CarMax, Inc.	8,301
Carnival Corporation	19,437
Caterpillar Inc.	47,953
Celgene Corporation	10,774
CenterPoint Energy, Inc.	11,580
CenturyLink, Inc.	34,517
CF Industries Holdings, Inc.	4,323
Charter Communications, Inc.	6,075
Chesapeake Energy Corporation	1,624
Chevron Corporation	250,072
Chubb Limited	35,164
Cigna Corporation	17,546
Cincinnati Financial Corporation	14,767
Cisco Systems, Inc.	72,853
CIT Group Inc.	4,432
Citigroup Inc.	151,242
Cliffs Natural Resources Inc.	3,177
CME Group Inc.	24,450
CMS Energy Corporation	11,347
Coach, Inc.	9,385
Coca-Cola Enterprises, Inc.	14,092
Cognizant Technology Solutions Corporati	8,776
Colgate-Palmolive Company	28,266
Columbia Pipeline Group, Inc.	3,570
Comcast Corporation	110,437
Comerica Incorporated	6,281
Communications Sales & Leasing, Inc.	7,127
Community Health Systems, Inc.	2,424
Computer Sciences Corporation	3,459
ConAgra Foods, Inc.	16,443
ConocoPhillips	63,110
CONSOL Energy Inc.	1,440
Consolidated Edison, Inc.	29,695
Corning Incorporated	14,079

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Costco Wholesale Corporation	54,573
Crown Castle International Corp.	6,239
Crown Holdings, Inc.	2,369
CSRA Inc.	3,292
CSX Corporation	17,329
Cummins Inc.	15,165
CVS Health Corporation	80,512
Danaher Corporation	22,702
Darden Restaurants, Inc.	6,425
DaVita HealthCare Partners Inc.	10,017
Deere & Company	26,180
Delphi Automotive PLC	8,862
Denbury Resources Inc.	820
Devon Energy Corporation	7,329
Discover Financial Services	15,691
Discovery Communications, Inc.	7,215
Dish Network Corporation	2,299
Dollar General Corporation	15,048
Dominion Resources, Inc.	29,104
Dover Corporation	6,365
Dr Pepper Snapple Group, Inc.	16,569
DTE Energy Company	14,911
Duke Energy Corporation	54,049
E. I. du Pont de Nemours and Company	37,241
Eastman Chemical Company	9,173
Eaton Corporation Public Limited Company	16,243
eBay Inc.	11,238
Ecolab Inc.	14,118
Edison International	24,716
Eli Lilly and Company	52,279
EMC Corporation	22,277
Emerson Electric Co.	31,479
Enesco PLC	4,200
Entergy Corporation	22,916
EOG Resources, Inc.	14,569
Equity Residential	13,381
Everest Re Group Ltd	14,737
Eversource Energy	11,426
Exelon Corporation	51,202
Express Scripts Holding Company	42,302
Exxon Mobil Corporation	431,888
Facebook, Inc.	19,868
Fedex Corporation	23,746
Fidelity National Financial, Inc.	6,026
Fidelity National Information Services,	13,614
Fifth Third Bancorp	15,601
FirstEnergy Corp.	27,629
Fiserv, Inc.	15,174
Flextronics International Ltd.	17,198
Fluor Corporation	15,429
Ford Motor Company	65,146
Four Corners Property Trust, Inc.	577
Franklin Resources, Inc.	5,351
Freepport-McMoRan Inc.	16,525
Frontier Communications Corporation	5,847
Gannett Co., Inc.	730
General Dynamics Corporation	35,438
General Electric Company	294,640
General Growth Properties, Inc.	4,118
General Mills, Inc.	29,243
General Motors Company	57,272
Genuine Parts Company	14,455
Genworth Financial, Inc.	3,893
Gilead Sciences, Inc.	18,275
Halliburton Company	22,994
Harley-Davidson, Inc.	6,594
HCA Holdings, Inc.	36,718
HCP, Inc.	12,638
Health Net, Inc.	6,413
Henry Schein, Inc.	8,644
Hertz Global Holdings, Inc.	4,781
Hess Corporation	18,828
Hewlett Packard Enterprise Company	31,427
HollyFrontier Corporation	8,244

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Honeywell International Inc.	44,946
Host Hotels & Resorts, Inc.	5,527
HP Inc.	23,726
Humana Inc.	22,156
Huntington Bancshares Incorporated	8,627
Illinois Tool Works Inc.	27,608
Ingersoll-Rand Public Limited Company	6,815
Ingram Micro Inc.	13,326
Intel Corporation	115,787
Intercontinental Exchange, Inc.	7,442
International Business Machines Corporat	114,981
International Paper Company	12,482
Invesco Ltd.	8,258
J. C. Penney Company, Inc.	7,474
Jabil Circuit, Inc.	5,962
Jacobs Engineering Group Inc.	4,977
Johnson & Johnson	190,925
Johnson Controls, Inc.	20,021
JPMorgan Chase & Co.	261,057
Juniper Networks, Inc.	9,656
Kellogg Company	11,857
KeyCorp	5,885
Kimberly-Clark Corporation	34,173
Kinder Morgan, Inc.	12,176
Kohl's Corporation	9,275
L Brands, Inc.	10,073
L-3 Communications Holdings, Inc.	11,638
Laboratory Corporation of America Holdin	5,653
Las Vegas Sands Corp.	7,200
Lear Corporation	10,849
Leucadia National Corporation	4,251
Liberty Global PLC	19,316
Liberty Interactive Corporation	12,176
Liberty Media Corporation	13,693
Lincoln National Corporation	6,581
Lockheed Martin Corporation	44,647
Loews Corporation	24,651
Lowe's Companies, Inc.	39,468
LyondellBasell Industries N.V.	32,741
M&T Bank Corporation	14,024
Macy's, Inc.	13,678
Manpowergroup Inc.	9,470
Marathon Oil Corporation	9,200
Marathon Petroleum Corporation	21,228
Marsh & McLennan Companies, Inc.	17,995
MasterCard Incorporated	13,626
Mattel, Inc.	14,147
Maxim Integrated Products, Inc.	11,217
McDonald's Corporation	85,416
McGraw Hill Financial, Inc.	9,235
McKesson Corporation	36,408
Medtronic Public Limited Company	40,479
Merck Sharp & Dohme Corp.	105,402
MetLife, Inc.	45,055
MGM Resorts International	4,732
Micron Technology, Inc.	6,841
Microsoft Corporation	216,452
Molson Coors Brewing International, Llc,	8,983
Mondelez International, Inc.	55,654
Monsanto Company	20,891
Morgan Stanley	26,400
Motorola Solutions, Inc.	8,382
Murphy Oil Corporation	6,525
Murphy USA Inc.	6,911
Mylan Group B.V.	6,302
Nabors Industries Ltd	2,160
National Amusements, Inc.	22,978
National Oilwell Varco, Inc.	10,753
New York Community Bancorp, Inc.	13,759
Newmont Mining Corporation	20,816
News Corporation	3,846
NextEra Energy, Inc.	36,032
Nielsen Holdings PLC	6,877
NIKE, Inc.	27,994

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

NiSource Inc.	4,571
Noble Corporation PLC	4,616
Noble Energy, Inc.	6,239
Nordstrom, Inc.	5,163
Norfolk Southern Corporation	15,675
Northern Trust Corporation	9,323
Northrop Grumman Corporation	28,411
NRG Energy, Inc.	3,614
Nucor Corporation	13,393
Occidental Petroleum Corporation	62,531
Office Depot, Inc.	3,648
OGE Energy Corp.	4,840
Omnicom Group Inc.	14,003
ONEOK, Inc.	5,413
Oracle Corporation	54,913
O'Reilly Automotive, Inc.	6,704
Owens-Illinois, Inc.	2,207
PACCAR Inc	15,983
Parker-Hannifin Corporation	10,488
PartnerRe Ltd.	11,072
Paychex, Inc.	9,379
PayPal Holdings Inc	16,879
Peabody Energy Corporation	135
Pentair Public Limited Company	4,465
Pepco Holdings, Inc.	6,922
PepsiCo, Inc.	99,082
Pfizer Inc.	157,300
PG&E Corporation	29,286
Philip Morris International Inc.	113,914
Phillips 66	73,443
Pinnacle West Capital Corporation	10,715
Pioneer Natural Resources Company	3,198
Pitney Bowes Inc.	1,848
Ppg Industries, Inc.	11,571
PPL Corporation	26,579
Praxair, Inc.	13,534
Principal Financial Group, Inc.	9,644
Prologis, Inc.	8,661
Prudential Financial, Inc.	39,347
Public Service Enterprise Group Incorpor	28,145
Public Storage	13,102
QUALCOMM Incorporated	37,510
Quest Diagnostics Incorporated	8,687
R. R. Donnelley & Sons Company	9,078
Raytheon Company	32,375
Regions Financial Corporation	13,426
Reinsurance Group of America, Incorporat	9,424
Republic Services, Inc.	9,547
Reynolds American Inc.	21,784
Rite Aid Corporation	12,458
Rockwell Automation, Inc.	8,026
Rockwell Collins, Inc.	11,275
Ross Stores, Inc.	5,742
Royal Caribbean Cruises Ltd	5,597
SanDisk Corporation	10,809
SCANA Corporation	11,965
Schlumberger N.V.	63,470
Seagate Technology Public Limited Compan	4,920
Sears Holdings Corporation	3,058
Sempra Energy	15,268
Simon Property Group, Inc.	24,818
SLM Corporation	7,506
Spectra Energy Corp.	18,753
St. Jude Medical, Inc.	9,774
Stanley Black & Decker, Inc.	7,268
Staples, Inc.	10,428
Starbucks Corporation	21,165
Starwood Hotels & Resorts Worldwide, Inc	6,965
State Street Corporation	14,722
Stryker Corporation	10,261
SunTrust Banks, Inc.	17,895
Supervalu Inc.	4,035
Symantec Corporation	8,869
Sysco Corporation	30,638

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

T. Rowe Price Group, Inc.	12,601
Talen Energy Corporation	712
Target Corporation	55,903
TE Connectivity Ltd.	16,592
Tech Data Corporation	16,769
Tegna Inc.	2,511
Tenet Healthcare Corporation	4,049
Tesoro Corporation	13,205
Texas Instruments Incorporated	27,646
Textron Inc.	7,854
The AES Corporation	13,804
The Allstate Corporation	26,816
The Bank of New York Mellon Corporation	35,664
The Boeing Company	42,264
The Charles Schwab Corporation	10,240
The Chemours Company LLC	512
The Clorox Company	10,162
The Coca-Cola Company	107,762
The Dow Chemical Company	54,236
The Gap, Inc.	8,922
The Goldman Sachs Group, Inc.	65,816
The Goodyear Tire & Rubber Company	8,528
The Hartford Financial Services Group, I	33,925
The Hershey Company	4,734
The Home Depot, Inc.	73,866
The J. M. Smucker Company	10,092
The Kraft Heinz Company	21,835
The Kroger Co.	45,573
The Mosaic Company	10,150
The PNC Financial Services Group, Inc.	43,398
The Priceline Group Inc.	16,689
The Procter & Gamble Company	170,041
The Progressive Corporation	21,731
The Sherwin-Williams Company	13,287
The Southern Company	47,064
The TJX Companies, Inc.	18,757
The Travelers Companies, Inc.	48,100
The Walt Disney Company	59,666
The Western Union Company	7,622
The Williams Companies, Inc.	5,320
Thermo Fisher Scientific Inc.	17,051
Time Warner Cable Inc.	74,214
Time Warner Inc.	47,403
Twenty-First Century Fox, Inc.	19,909
Tyco International Public Limited Compan	8,225
Tyson Foods, Inc.	28,525
U.S. Bancorp	49,601
UGI Corporation	7,570
Union Pacific Corporation	29,323
United Parcel Service, Inc.	43,330
United States Steel Corporation	2,754
United Technologies Corporation	53,114
UnitedHealth Group Incorporated	82,611
Unum Group	13,622
V.F. Corporation	6,148
Valero Energy Corporation	50,775
Ventas, Inc.	10,908
Verizon Communications, Inc.	211,781
Visa Inc.	28,111
Visteon Corporation	5,238
Vornado Realty Trust	8,927
Voya Financial, Inc.	8,534
W. W. Grainger, Inc.	5,649
Walgreens Boots Alliance, Inc.	43,594
Wal-Mart Stores, Inc.	126,992
Waste Management, Inc.	20,369
Weatherford International Ltd.	7,310
WEC Energy Group Inc.	20,181
Wells Fargo & Company	202,363
Welltower Inc.	7,755
Western Digital Corporation	3,485
Westrock Company	2,588
Weyerhaeuser Company	15,689
Whirlpool Corporation	11,290

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 11 - Financial instruments and fair values through profit or loss continued

Whole Foods Market, Inc.	7,408
Windstream Holdings, Inc.	2,318
World Fuel Services Corporation	11,693
Wynn Resorts, Limited	4,013
Xcel Energy Inc.	24,699
Xerox Corporation	13,974
Xi Group Public Limited Company	11,655
Yahoo! Inc.	11,806
Yum! Brands, Inc.	16,643
Zimmer Biomet Holdings, Inc.	2,465
3M Company	57,417
United States Total	11,792,223
Total equities at market value	27,255,173

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - 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, foreign exchange risk, property risk, and active management 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 20.02.2016, 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 12 - Financial risk continued

Credit risk exposure in Balance Sheet

Amounts in USD 000's	As at 20.02.16	As at 20.02.15
Bonds		
AAA	66,122	58,829
AA	26,649	6,647
A	29,521	24,115
BBB	54,835	62,837
BB	7,535	7,798
B	2,947	2,942
CCC/lower	393	365
Not rated	0	5,443
Total bonds	188,003	168,976
Financial derivative assets		
A	1,333	2,487
Total financial derivative assets	1,333	2,487
Cash included in other financial investments		
AA	0	1,145
A	7,985	4,977
Total cash included in other financial investments	7,985	6,122
Other financial investments		
A	3,696	2,644
Total other financial investments	3,696	2,644
Reinsurers` share of gross claim reserve		
AA	59,340	0
A	283,926	181,140
BBB	18,874	17,717
Not rated	766	0
Total reinsurers` share of gross claim reserve	362,905	198,857
Receivables		
AA	36	0
A	1,082	7,367
BBB	269	177
Not rated	19,966	12,824
Total receivables	21,353	20,368
Cash and cash equivalents		
AA	7,026	6,128
A	23,881	15,431
BBB	0	1,189
Not rated	2	594
Total cash and cash equivalents	30,908	23,342
Other financial assets presented in balance sheet		
A	1,778	1,696
Total other financial assets presented in balance sheet	1,778	1,696

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - Financial risk continued

Active management risk

The risk that the actual return of investments due to active management decisions by the asset managers will be lower than expected.

Active asset managers, who are aiming to outperform a given benchmark, manage most of the Associations' investment mandates. The ability to outperform also comes with the risk of significant underperformance versus the benchmark, which is referred to as active management risk.

Through the portable alpha program, most of the active management 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.

Foreign exchange 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 in which 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 20.02.16	As at 20.02.15
Assets		
USD	461,471	303,251
EUR	75,608	51,885
GBP	54,396	40,846
Other	56,425	63,366
Total assets	647,901	459,348
Liabilities		
USD	451,927	296,368
EUR	82,218	61,079
GBP	57,671	39,256
Other	56,085	62,645
Total liabilities	647,901	459,348
Net asset exposure		
USD	9,544	6,883
EUR	(6,609)	(9,194)
GBP	(3,274)	1,590
Other	340	721
Net exposure in %		
USD	1 %	1 %
EUR	-1 %	-2 %
GBP	-1 %	0 %
Other	0 %	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, five 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 12 - 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	As at
	20.02.16	20.02.15
Not due	20,051	19,046
0-60 days	0	670
61-90 days	138	130
Above 90 days	1,164	523
Total	21,353	20,368

Impaired receivables

As at 20.02.16 there are impaired receivables of USD 1.39 million (20.02.15 USD 1.4 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	As at
	20.02.16	20.02.15
Balance as at the beginning of the period	1,400	1,723
Provision for receivables impairment	(47)	110
Receivables written off during the year as uncollectable	78	(382)
Unused amounts reversed	(50)	(76)
Exchange adjustment	12	24
Balance as at the end of the period	1,393	1,400

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 12 - 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	20.02.16
Payables and accruals	8,871	0	0	0	8,871
Other payables	23,762	0	0	0	23,762

Amounts in USD 000's	Within 1	1-5	More than	No maturity	As at
	year	years	5 years	date	20.02.15
Payables and accruals	6,888	0	0	0	6,888
Other payables	8,658	0	0	0	8,658

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
	20.02.16			20.02.16
		Equity	Fixed income	Other
Financial investments				
Equities and investment funds	27,255	27,172	83	0
Bonds	188,003	0	188,003	0
Financial derivative assets	1,333	191	57	1,084
Other financial investments	11,682	19	0	11,663
Total financial investments	228,272	27,382	188,143	12,747
Financial liabilities				
Financial derivative liabilities	1,549	0	604	945
Financial liabilities incl. in other payables	16,539	0	0	16,539
Total financial liabilities	18,088	0	604	17,484
Net financial investments	210,184	27,382	187,539	(4,737)
Net %	100 %	13 %	89 %	-2 %

* The asset allocation for financial derivative assets are stated at their notional values (note 13)

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

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 12 - 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 20.02.16	As at 20.02.15
Amounts in USD 000's		
Impact on fixed income portfolio investments given an increase of 50 basis points	(3,137)	(2,936)
Impact on equity portfolio given a 10% drop in quoted market prices	(2,738)	(3,210)
Impact on total investment portfolio given a change of 10% in foreign exchange rates against USD	(3,926)	(6,865)

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 period.

Impact of changes to presentation

The following table sets out changes to presentation of balance sheet as at 20.02.15, as described in note 2.2.

	Reported As at 20.02.15	Earlier reported As at 20.02.15
Amounts in USD 000's		
Financial investments		
Equities and investment funds	31,447	32,104
Bonds	168,976	169,531
Financial derivative assets	2,487	2,487
Other financial investments *	8,766	6,127
Total financial investments	211,675	210,249
Prepayments and accrued income		
Accrued income and other prepayments	1,209	2,517
Total prepayments and accrued income	1,209	2,517
Financial liabilities		
Financial derivative liabilities	439	439
Financial liabilities incl. in other payables	8,658	8,539
Total financial liabilities	9,098	8,978

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 13 - 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 13 - 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 20.02.16	Notional 20.02.15	Fair value 20.02.16	Fair value 20.02.15
Type of derivatives				
Interest rate related				
Futures	6,966	2,726	0	0
Options	2,371	4,126	(14)	(14)
Swaps	16,187	6,020	(341)	126
Total interest rate related	25,524	12,872	(355)	112
Net interest rate related	25,524	12,872	(355)	112
Equity related contracts				
Futures	191	628	0	0
Net equity related	191	628	0	0
Foreign currency related				
Forward foreign exchange contracts	61,125	97,768	140	1,936
Net foreign currency related	61,125	97,768	140	1,936
Net financial derivative assets/(liabilities)			(216)	2,048
Financial derivative assets			1,333	2,487
Financial derivative liabilities			(1,549)	(439)
Net financial derivative assets/(liabilities)			(216)	2,048

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 14 - Receivables from direct insurance operations

Amounts in USD 000's	As at 20.02.16	As at 20.02.15
Direct and received premium	5,637	4,175
Accrued deferred call	15,245	11,491
Provision for bad debts	(1,393)	(1,400)
Receivables from direct insurance operations	19,490	14,266

Note 15 - Other receivables and other payables

Amounts in USD 000's	As at 20.02.16	As at 20.02.15
Other receivables		
Other receivables	9	11
Total other receivables	9	11
Other payables		
Other payables	7,286	3,702
Investments transactions in progress	16,476	4,957
Total other payables	23,762	8,658

"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 16 - Cash and cash equivalents

Cash and cash equivalents includes bank deposits and cash in hand, of which USD 0.021 million as at 20.02.2016 is restricted cash.

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 17 - Pensions

The Association has defined benefit plans covering two retired employees. These contracts are financed through the Association's operations. Part time employees are included in the pension scheme in Gard AS. This pension scheme covers the required occupational pension in accordance to 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 2016. These calculations show that the Association has pension liabilities amounting to USD 2.1 million.

Pension cost and pension liability are accounted for in accordance with IAS19R.

	As at 20.02.16	As at 20.02.15
Amounts in USD 000's		
Pension cost		
Defined benefit pension plans		
Interest expense on earned pension	62	100
Net pension costs earning related plan	62	100
Total pension cost charged to income statement	62	100
Changes in pension assumptions charged to Other comprehensive Income	(535)	285
Liabilities according to the actuarial calculations:		
Pension obligation gross	2,122	3,050
Net pension obligation at end of year	2,122	3,050
Financial assumptions		
Discount rate	Per cent 2.70	Per cent 2.30
Assumed annual salary regulation	2.50	3.25
Assumed pension increase	1.50	1.50
Assumed regulations of public pensions	2.25	3.25
Assumed yield on funds	2.70	2.30

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 2015. As of 20 February 2016 G equals NOK 90,068 (USD 10,489).

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Note 18 - Changes in contingency reserve

	As at 20.02.16	As at 20.02.15
Amounts in USD 000's		
Contingency reserve as at beginning of year	116,685	128,372
Change in contingency reserve	(15,308)	(11,687)
Contingency reserve as at end of year	101,376	116,685

Note 19 - Technical provisions and solvency margin

Amounts in USD 000's	As at 20.02.16		As at 20.02.15	
	Actual provisions	FSA's minimum requirements	Actual provisions	FSA's minimum requirements
Provision for claims net of reinsurance	147,315	122,527	124,772	121,309
General contingency reserves etc	101,376	36,144	104,998	27,525
Total technical provisions own account	248,692	158,671	229,770	148,834

	20.02.16	20.02.15
Solvency margin		
Required solvency margin	30,677	26,062
Solvency margin capital	89,031	110,379
Solvency margin capital in per cent of required solvency margin	290.2 %	423.5 %

Assuranceforeningen Gard - gjensidig -

Notes to the accounts

Arendal, 25 April 2016

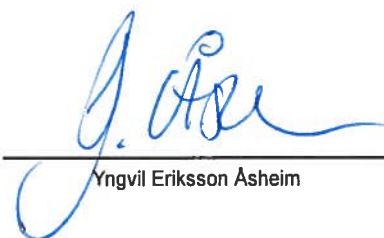
The Board of Directors
Assuranceforeningen Gard -gjensidig-



Trond Eilertsen
Chairman



Jane Sy
Deputy Chairman



Yngvil Eriksson Asheim



Morten W. Høegh



Ian Beveridge



To the Annual General Meeting of Assuranceforeningen Gard - gjensidig -

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Assuranceforeningen Gard - gjensidig -, which comprise the balance sheet as at 20 February 2016, and the statement of comprehensive income, showing a result of USD 0 thousand and cash flow analysis, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Assuranceforeningen Gard - gjensidig - as at 20 February 2016, 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.

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 and 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, 19 May 2016

PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Magne Sem', written in a cursive style.

Magne Sem
State Authorised Public Accountant (Norway)

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