

GARD M&E INSURANCE (EUROPE) AS

Statement of comprehensive income

Amounts in USD 000's	Quarterly		YTD	
	Current year	Previous year	Current year	Previous year
	21.02.16- 20.05.16	21.02.15- 20.05.15	21.02.16- 20.05.16	21.02.15- 20.05.15
Technical account				
Gross written premium	19,675	11,118	19,675	11,118
Ceded reinsurance	(18,433)	(10,354)	(18,433)	(10,354)
Change in gross premium reserve	2,233	(871)	2,233	(871)
Change in reinsurers' share of premium reserve	(1,631)	457	(1,631)	457
Earned premium for own account	1,844	350	1,844	350
Gross settled claims	10,992	4,525	10,992	4,525
Reinsurers' share of gross settled claims	(10,004)	(2,859)	(10,004)	(2,859)
Change in gross claims reserve	(1,880)	7,152	(1,880)	7,152
Reinsurers' share of change in claims reserve	1,924	(6,179)	1,924	(6,179)
Claims incurred for own account	1,033	2,641	1,033	2,641
Acquisition costs	1,490	1,550	1,490	1,550
Agents' commission	2,759	1,843	2,759	1,843
Commission received	(4,012)	(3,202)	(4,012)	(3,202)
Insurance related expenses for own account	237	192	237	192
Other insurance related expenses	112	127	112	127
Technical result	463	(2,610)	463	(2,610)
Non-technical account				
Interest and similar income	205	157	205	157
Change in unrealised gain/(loss) on investments	972	(8)	972	(8)
Gain/(loss) on realisation of investments	(24)	0	(24)	0
Investment management expenses	(10)	(6)	(10)	(6)
Non-technical result	1,143	143	1,143	143
Profit before tax	1,606	(2,466)	1,606	(2,466)
Taxation	0	0	0	0
Net result	1,606	(2,466)	1,606	(2,466)

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.05.16	As at 20.02.16
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	1,616	1,512
Bonds	16,982	16,956
Other financial investments	2,216	191
Total investments	20,814	18,659
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	38,440	40,071
Reinsurers' share of gross claims reserve	41,972	43,896
Total reinsurers' share of technical provisions	80,412	83,968
Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	1,390	76
Intermediaries	37,769	40,056
<i>Receivables from reinsurance operations</i>		
Receivables from group companies	2,236	3,772
Other receivables	11	9
Total receivables	41,406	43,913
Other assets		
Cash and cash equivalents	21,826	22,825
Total other assets	21,826	22,825
Prepayments and accrued income		
Accrued income and other prepayments	4,574	5,302
Total prepayments and accrued income	4,574	5,302
Total assets	169,031	174,666

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.05.16	As at 20.02.16
Equity and liabilities		
Paid in equity		
Share capital	32,392	32,392
Premium fund	877	877
Total paid in equity	33,268	33,268
Retained earnings		
Other equity	476	(1,130)
Total retained earnings	476	(1,130)
Total equity	33,744	32,138
Technical provisions		
Gross premium reserve	42,022	44,255
Gross claims reserve	47,702	49,582
Total technical provisions	89,725	93,838
Provision for other liabilities		
Income tax payable	645	645
Total provisions for other liabilities	645	645
Payables		
Payables arising out of direct insurance operations	3,851	706
Payables arising out of reinsurance operations	30,822	38,391
Other payables	2,207	108
Total payables	36,879	39,205
Accruals and deferred income		
Accruals and deferred income	8,039	8,839
Total accruals and deferred income	8,039	8,839
Total liabilities	135,287	142,528
Total equity and liabilities	169,031	174,666

GARD M&E INSURANCE (EUROPE) AS

Cash flow analysis

Amounts in USD 000's	21.02.16 to 20.05.16	21.02.15 to 20.05.15
Cash flow from operating activities		
Profit from ordinary operations before tax	1,606	(2,466)
Change in unrealised gain/(loss) on investments	(972)	8
Change in receivables and payables	181	2,959
Change in technical provisions and other accruals	975	682
Financial investments	(2,789)	(114)
Net cash flow from operating activities	(998)	1,068
Net change in cash and cash equivalents	(998)	1,068
Cash and cash equivalents at beginning of year	22,825	14,422
Cash and cash equivalents at end of year	21,826	15,490

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

Corporate information

Gard Marine & Energy Insurance (Europe) AS ("the Company") is a wholly owned subsidiary of Gard Marine & Energy Ltd ("Gard M&E"). The Company is registered and domiciled in Norway and licensed by the Norwegian Ministry of Finance to carry out direct insurance of Marine and Energy risks. The Company is the result of a merger between Gard Marine & Energy Försäkring AB in Sweden and a new Gard company Varmekrogen AS in Norway, both wholly-owned subsidiaries of Gard M&E. The merger took place with effect as from 31 December 2014.

Cross border merger between Gard Marine & Energy Försäkring AB, a public limited liability company having its business address in Västre Hamngatan 5, SE-411 77 Göteborg, Sweden, registration number 516406-0633 and Varmekrogen AS a limited liability company having its principle business address in Kittelsbuktheien 31, 4836 Arendal, Norway, registration number 913 861 825. Varmekrogen AS was renamed Gard Marine & Energy Insurance (Europe) AS from effective date of the merger, 31 December 2014.

All assets, rights and obligations were transferred to Gard Marine & Energy Insurance (Europe) AS with legal effect from 31 December 2014.

Gard Marine & Energy Insurance (Europe) AS has issued 300 shares, each with a par value at NOK 100. All of the shares are owned by Gard Marine & Energy Limited. The par value of shares in Gard Marine & Energy Insurance (Europe) AS was through the merger increased with NOK 319,936 per share. An increase in share capital was made 29 September 2015 with NOK 546,667 per share, which gives a total share capital of NOK 260,010,900.

The accounting principle for the merger is based on continuity. The value of the assets, rights and obligations transferred to Gard Marine & Energy Insurance (Europe) AS that exceeds the increase in par value has been considered as share premium and free equity.

The merger shall for tax purposes not be based on the principle on continuity for Gard Marine and Energy Insurance (Europe) AS in Norway. The company will have new tax basis on the assets, rights and obligations transferred from Gard Marine & Energy Försäkring AB based on the market values.

Basis of preparation of the Accounts

The quarterly accounts include activity from 21 February 2016 to 20 May 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 Company fulfils the exemption criteria in paragraphs 3-12 of Regulations for annual accounts for insurance companies which require limited use of International Financial Reporting Standards (IFRS).

Departures 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 the Association has been given dispensation to present the financial statements in the English language and in USD currency.

The accounts as at 20.05.2016 has not been audited.

Use of accounting estimates when preparing the accounts

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

Insurance contract liabilities

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

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 2 – Related party transactions

Reinsurance agreements

The Company cedes to Gard M&E by way of reinsurance 90 per cent of the Company's Marine & Energy risk underwritten by the Company that is not reinsured elsewhere.

Insurance agency agreement

The operations and insurance activities of the Company are carried out by the insurance intermediaries Gard AS and Gard (Sweden) AB. The company, Gard (Sweden) AB, is fully owned by Gard AS. Gard AS is a fully owned daughter company of Gard P. & I. (Bermuda) Ltd.

Note 3 - Changes in total equity

Amounts in USD 000's	Share capital	Premium fund	Retained earnings	Total equity
Total equity as at 21.02.15	12,957	877	3,843	17,676
Change in total equity for the year	19,435	0	(4,973)	14,462
Total equity as at 20.02.16	32,392	877	(1,130)	32,138

Amounts in USD 000's	Share capital	Premium fund	Retained earnings	Total equity
Total equity as at 21.02.16	32,392	877	(1,130)	32,138
Change in total equity for the first quarter	0	0	1,606	1,606
Total equity as at 20.05.16	32,392	877	476	33,744

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 4 – Capital Requirements

Amounts in USD 000's	As at 20.05.16
Own funds	
Ordinary share capital	32,392
Share premium account	877
Reconciliation reserve	(1,364)
Excess of assets over liabilities	31,904
Tier 1 - Unrestricted	31,904
Total basic own funds / (equal to Excess of assets over liabilities)	31,904
Total ancillary own funds	0
Total available own funds to meet the SCR	31,904
Total available own funds to meet the MCR	31,904
Total eligible own funds to meet the SCR	31,904
Total eligible own funds to meet the MCR	31,904
SCR	18,676
MCR	4,669
Ratio of eligible own funds to SCR	170.83 %
Ratio of eligible own funds to MCR	683.33 %
Minimum Capital Requirement (MCR)	
Linear MCR	2,471
SCR	18,676
MCR cap (45% of SCR)	8,404
MCR floor (25% of SCR)	4,669
Combined MCR	4,669
Absolute floor of the MCR	4,146
MCR	4,669
Solvency Capital Requirement (SCR)	
Market risk	2,253
Counterparty default risk	7,740
Non-life underwriting risk	9,013
Diversification	(3,681)
Basic SCR	15,325
Calculation of SCR	
Operational risk	3,351
SCR	18,676

The Board of Directors
Gard M&E Insurance (Europe) AS
15 June 2016

Trond Eilertsen
Chairman

Kjetil Eivindstad

Anders Myklebust