

GARD M&E INSURANCE (EUROPE) AS

Statement of comprehensive income

Amounts in USD 000's	Q3		YTD 20.11	
	Current year	Previous year	Current year	Previous year
	21.08.17- 20.11.17	21.08.16- 20.11.16	21.02.17- 20.11.17	21.02.16- 20.11.16
Technical account				
Gross earned premium	19,298	22,012	57,948	64,122
Ceded reinsurance	(14,511)	(20,127)	(43,489)	(58,684)
Earned premium for own account	4,788	1,885	14,458	5,438
Other insurance related income	31	7	42	25
Gross incurred claims	17,324	18,798	68,249	44,037
Reinsurers' share of gross incurred claims	(15,029)	(16,888)	(56,595)	(39,784)
Claims incurred for own account	2,295	1,910	11,655	4,253
Acquisition costs	1,598	1,585	4,409	4,391
Agents' commission	2,240	2,494	6,677	7,439
Commission received	(3,407)	(4,340)	(9,160)	(12,166)
Insurance related expenses for own account	431	(262)	1,927	(337)
Other insurance related expenses	158	119	437	329
Technical result	1,934	125	482	1,218
Non-technical account				
Interest and similar income/(cost)	(1,478)	(1,871)	1,925	(889)
Change in unrealised gain/(loss) on investments	123	(211)	410	764
Gain/(loss) on realisation of investments	0	(20)	0	(59)
Other investment expenses	0	(10)	1	(30)
Non-technical result	(1,355)	(2,112)	2,336	(214)
Profit before tax	579	(1,986)	2,818	1,004
Taxation	267	(645)	54	(645)
Net result	312	(1,341)	2,764	1,649

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.11.17	As at 20.02.17
Assets		
Investments		
<i>Financial investments at fair value through profit or loss</i>		
Equities and investment funds	5,140	1,894
Bonds	38,856	17,655
Other financial investments	28	0
Total investments	44,024	19,549
Reinsurers' share of technical provisions		
Reinsurers' share of gross premium reserve	31,736	32,218
Reinsurers' share of gross claims reserve	73,178	50,197
Total reinsurers' share of technical provisions	104,913	82,415
Receivables		
<i>Receivables from direct insurance operations</i>		
Policyholders	970	953
Intermediaries	43,145	34,590
<i>Receivables from reinsurance operations</i>		
Receivables from reinsurance operations	3,327	1,705
Receivables from group companies	18	16
Other receivables	11	9
Total receivables	47,471	37,273
Other assets		
Cash and cash equivalents	9,869	18,006
Deferred tax asset	293	275
Total other assets	10,163	18,281
Prepayments and accrued income		
Accrued income and other prepayments	5,281	4,178
Total prepayments and accrued income	5,281	4,178
Total assets	211,852	161,696

GARD M&E INSURANCE (EUROPE) AS

Balance sheet

Amounts in USD 000's	As at 20.11.17	As at 20.02.17
Equity and liabilities		
Equity		
Statutory reserve	43,449	33,268
Other equity	5,000	2,236
Total equity	48,449	35,504
Technical provisions		
Gross premium reserve	42,911	35,525
Gross claims reserve	86,342	57,336
Total technical provisions	129,253	92,861
Provision for other liabilities		
Income tax payable	63	0
Total provisions for other liabilities	63	0
Payables		
Payables arising out of direct insurance operations	246	1,065
Payables arising out of reinsurance operations	6,176	1,470
Payables arising out of reinsurance operations group companies	18,746	22,911
Payables to group companies	750	272
Other payables	152	150
Total payables	26,071	25,868
Accruals and deferred income		
Accruals and deferred income	8,016	7,462
Total accruals and deferred income	8,016	7,462
Total liabilities	163,403	126,191
Total equity and liabilities	211,852	161,696

GARD M&E INSURANCE (EUROPE) AS

Statements of changes in equity

Amounts in USD 000's	Statutory reserve	Other equity	Total
Equity as at 20.02.2016	33,268	(310)	32,958
Net result		2,546	2,546
Equity as at 20.02.2017	33,268	2,236	35,504
Equity as at 21.02.2017	33,268	2,236	35,504
Net result		2,764	2,764
Increase of share capital	10,181		10,181
Equity as at 20.11.2017	43,449	5,000	48,449

GARD M&E INSURANCE (EUROPE) AS

Statement of cash flow

Amounts in USD 000's	21.02.17 to 20.11.17	21.02.16 to 20.11.16
Cash flow from operating activities		
Profit from ordinary operations before tax	2,818	1,004
Change in unrealised gain/(loss) on investments	(410)	(764)
Change in receivables and payables	(9,995)	(8,551)
Change in technical provisions and other accruals	13,345	597
Financial investments	(24,066)	140
Net cash flow from operating activities	(18,307)	(7,575)
Cash flow from investment activities		
Investment management expenses	1	(30)
Net cash flow from investment activities	1	(30)
Cash flow from financial activities		
Increase of share capital	10,181	0
Net cash flow from financial activities	10,181	0
Net change in cash and cash equivalents	(8,137)	(7,605)
Cash and cash equivalents at beginning of year	18,006	22,825
Cash and cash equivalents at end of year	9,869	15,219

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 1 - Corporate information

Corporate information

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

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

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

Basis of preparation of the Accounts

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

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

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

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

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

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

Comparative information has been restated accordingly.

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

The accounts as at 20.11.2017 has not been audited.

Use of accounting estimates when preparing the accounts

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

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

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 2 – Related party transactions

Reinsurance agreements

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

Insurance agency agreement

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

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

Note 3 – Capital Requirements

Amounts in USD 000's	As at 20.11.17	As at 20.02.17
Own funds		
Ordinary share capital	42,572	32,392
Share premium account	5,000	877
Reconciliation reserve	(1,595)	589
Net deferred tax assets	293	856
Excess of assets over liabilities	46,271	34,713
Tier 1 - Unrestricted	45,978	33,857
Tier 1 - Restricted	0	856
Tier 3 - Net deferred tax assets	293	
Total basic own funds / (equal to Excess of assets over liabilities)	46,271	34,713
Tier 2 - Supplementary calls	0	0
Total ancillary own funds	0	0
Total available own funds to meet the SCR	46,271	34,713
Total available own funds to meet the MCR	45,978	33,857
Total eligible own funds to meet the SCR	46,271	34,713
Total eligible own funds to meet the MCR	45,978	33,857
SCR	32,254	21,645
MCR	8,063	5,411
Ratio of eligible own funds to SCR	143 %	160%
Ratio of eligible own funds to MCR	570 %	626%

GARD M&E INSURANCE (EUROPE) AS

Notes to the accounts

Note 3 – Capital Requirements continued

Amounts in USD 000's	As at 20.11.17	As at 20.02.17
Minimum Capital Requirement (MCR)		
Linear MCR	6,124	2,233
SCR	32,254	21,645
MCR cap (45% of SCR)	14,514	9,740
MCR floor (25% of SCR)	8,063	5,411
Combined MCR	8,063	5,411
Absolute floor of the MCR	4,050	4,050
MCR	8,063	5,411
Solvency Capital Requirement (SCR)		
Market risk	2,577	3,590
Counterparty default risk	9,008	7,360
Non-life underwriting risk	22,164	12,853
Diversification	(5,134)	(4,747)
Basic SCR	28,615	19,056
Calculation of SCR		
Operational risk	3,638	2,589
SCR	32,254	21,645

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

26 January 2017

Trond Eilertsen
Chairman

Nils Aden

Jane Sy

Yngvil Åsheim

Ian Beveridge