



NORWEGIAN HULL CLUB

1st QUARTERLY REPORT 2016

SUMMARY INTERIM REPORT 1Q2016

The result for Norwegian Hull Club (NHC) in the first three months of 2016 is USD 6.7 million. Technical result of insurance operations is minus USD 7.1 million and net result of financial items is USD 13.8 million. Profitability on insurance operations is below expectations. This is due to two large claims during the quarter that have a significant impact on the insurance result over such a short time period.

Return on the investment portfolio is 1.7 % in local currencies, that is weighted return in the denominated currencies. In USD, the return is 3.2 %, corresponding to USD 12.4 mill. The balance of financial income items stems from interest earned on bank accounts and receivables as well as currency items.

Equity is USD 264.4 mill at the end of March 2016. Compared to the financial statements as per 31 December 2015, the provision for risk equalization has been dissolved and estimated tax provided as deferred tax. The tax treatment of the provision for risk equalization in Norway is still not decided.

NHC is well capitalized in relation to the Norwegian Financial Supervisory Authority and Solvency II requirements.

KEY FIGURES (USD 1 000)

	01.01.-31.03.2016	01.01.-31.03.2015	2015
Gross earned premiums	42 839	52 908	191 496
Gross claims	-41 506	-62 454	-176 903
Gross result	1 333	-9 546	14 593
Premiums for own account	35 653	43 498	161 839
Claims for own account	-39 335	-42 621	-125 704
Insurance result for own account	-3 682	877	36 135
Net operating expenses	-3 428	-3 870	-9 983
Technical result	-7 110	-2 993	26 152
Net financial items	13 762	-6 311	-17 614
OPERATING RESULT	6 652	-9 304	8 539
Loss ratio	110%	98%	77,7 %
Combined ratio	120%	107%	83,8 %
	31.03.16	31.12.15	
Investment portfolio	415 761	405 486	
Bank deposits	27 792	22 280	
Receivables	177 779	180 161	
Other assets	28 012	28 264	
TOTAL ASSETS	649 344	636 191	
Equity & provision for risk equalisation	264 353	257 700	
Claims provision	203 457	185 984	
Other provisions	93 231	100 842	
Payables and other liabilities	88 304	91 665	
TOTAL EQUITY AND LIABILITIES	649 344	636 191	

STATEMENT OF COMPREHENSIVE INCOME

(USD)	31.03.16	31.03.15
Gross premiums	42 838 884	52 908 409
Reinsurance premiums	-7 185 615	-9 410 762
Change in provisions for unearned gross premiums	-	-
Reinsurers' share of change in provisions	-	-
A Premiums for own account	35 653 269	43 497 647
B Other insurance related income	1 426 903	1 562 110
Gross accrued claims	41 505 727	62 454 028
Reinsurers share of gross claims	-2 170 834	-19 833 323
Change in gross claims reserve	-	-
Reinsurers' share of change in gross claims reserve	-	-
C Claims for own account	39 334 894	42 620 705
Marketing expenses	2 515 869	4 286 015
Commissions earned	-512 358	-507 784
D Total insurance related expenses for own account	2 003 511	3 778 231
E Other insurance related expenses	2 851 488	1 653 689
F Operating result technical accounts before change in solvency capital (A+B+C-D-E)	-7 109 720	-1 981 869
Financial income	2 769 989	4 330 321
Realised gains and losses	2 557 887	8 350 437
Adjustment investment portfolio	9 036 663	-18 712 051
G Total financial income	14 364 539	-6 031 292
H Administration expenses financial assets	602 349	279 545
I Result from ordinary operations (F+G-H)	6 652 470	-8 292 707
J Tax expenses (income)	-	-
K Result before other result components (I-J)	6 652 470	-8 292 707

ASSETS

	31.03.16	31.12.15
Deferred tax benefit	–	–
Total intangible assets	–	–
Shares in subsidiaries	2 356 629	2 356 629
Other shares	1 281 925	1 281 925
Mortgage loans	13 223 045	13 370 728
Stocks and shares	96 884 463	93 548 163
Bonds and foreign exchange contracts	312 804 006	301 068 324
Financial derivatives	–	2 210 587
Bank deposits investment portfolio	6 072 780	8 658 944
Total financial assets	432 622 848	422 495 300
Reinsured proportion of gross premium provisions	9 711 899	15 777 252
Reinsured proportion of gross claims provision	44 132 383	42 918 070
Total reinsured proportion of insurance provisions	53 844 283	58 695 323
Insurance related receivables	99 217 512	97 950 899
Reinsurance receivables	1 572 861	3 449 729
Disbursements	15 943 485	17 942 327
Other receivables	7 201 087	2 122 956
Total receivables	123 934 946	121 465 911
Properties	4 423 444	4 382 372
Equipment and fixtures	5 072 725	5 327 374
Cash and bank deposits	27 791 731	22 280 005
Deferred tax	–	–
Total other assets	37 287 900	31 989 751
Accrued interest	1 654 450	1 544 749
TOTAL ASSETS	649 344 427	636 191 033

EQUITY AND LIABILITIES

	31.03.16	31.12.14
Equity	8 042 072	8 042 072
Other equity	256 310 555	249 658 086
Total equity	264 352 627	257 700 157
Unearned gross premium provision	92 115 926	99 807 321
Gross claims provision	203 456 739	185 984 066
Unearned commission provision	1 115 247	1 034 768
Total gross insurance provisions	296 687 912	286 826 156
Pension liability	3 946 153	8 951 045
Withheld payroll tax, social security etc.	1 040 020	1 952 437
Deferred tax	68 788 360	68 788 360
Taxes payable	-	-
Total tax etc. payable	73 774 534	79 691 843
Payables direct insurance accounts	344 912	401 086
Payables reinsurance	3 792 364	5 431 236
Payables other accounts	10 392 077	6 140 555
Total payables	14 529 353	11 972 877
TOTAL EQUITY AND LIABILITIES	649 344 427	636 191 033

CHANGES IN EQUITY

	Owners' funds	Other equity	Total equity
Norwegian Hull Club			
Equity at 01.01.2014	8 042 072	29 383 948	37 426 020
Adjustments pension liability		5 053 103	5 053 103
Adjusted result (change in equalisation reserve)		-5 053 103	-5 053 103
Allocation		912 365	912 365
Adjusted equity 31.12.2014	8 042 072	30 296 313	38 338 385
Equity at 1.1.2015	8 042 072	30 296 313	38 338 385
Adjustments dissolution risk equalisation provision		217 238 470	217 238 470
Allocation		2 123 302	2 123 302
Adjusted equity at 31.12.2015	8 042 072	249 658 085	257 700 157
Allocation		6 652 470	6 652 470
Equity	8 042 072	256 310 555	264 352 627

STATEMENT OF CASH FLOWS - USD

	31.03.16	31.03.15
Profit of the year before tax	6 654 177	–
Change in net technical reserves	14 712 796	1 978 473
Net profit on sale of fixed shares	–	–
Change in disbursements	1 998 842	5 693 493
Net profit on sale of fixed assets	–	–
Change in net pension funds	–5 004 892	–
Change in net receivables	–2 935 226	–3 559 486
Depreciation	134 807	207 040
Taxes paid	–36 433	–
Net cash flow from operations before financial assets	15 524 072	4 319 520
Change in net bonds	–11 735 682	–14 952 045
Change in net stocks and shares	–3 336 301	1 464 093
Change in net financial derivatives	2 210 587	5 905 348
Net cash flow from financial assets	–12 861 396	–7 582 604
A Net cash flow from operational activities	2 662 676	–3 263 084
Cash generated / used by investing activities		
Net receipts/payments related to purchase/capitalization of subsidiaries and associated companies	–	–
Net receipts/payments related to sale/purchase of fixed assets	119 842	–29 353
Change in mortgage loans	147 683	1 548 259
B Net cash inflow / outflow from investment activities	267 526	1 518 905
C Effect of changes in exchange rates on cash and cash equivalents	–4 639	30 318
A + B + C Net change in cash and cash equivalents	2 925 562	–1 713 861
Cash and cash equivalents 01.01	30 938 950	54 081 219
Cash and cash equivalents	33 864 512	52 367 358

EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 1 - ACCOUNTING POLICIES

Norwegian Hull Clubs interim financial report is presented in accordance with IAS 34 interim financial reporting and in compliance with the Norwegian Accounting Act, Finance Ministry's prescribed regulations from December 16, 1998 on Financial Statements for Insurance companies and regulations from January 21, 2008 on simplified IFRS.

The application of IAS 34 means that the report is limited relative to presentation of a full annual report.

The main accounting policies are unchanged from the annual report 2015 and the annual report contains the full description of the accounting policies.

A new accounting regulation has been implemented in the first quarter of 2016 and this has adjusted the comprehensive income statement and balance sheet as of 31.12.2015. The dissolution of the equalisation reserve is a change of accounting principle and has been booked against deferred tax and equity. Although, there is still discussions and uncertainty on how this change should be treated for tax purposes.

NOTE 2- CLAIMS EXPENSES

	31.03.16	31.03.15
Gross paid claims	41 505 727	62 454 028
Change in outstanding gross claims reserve	0	0
Gross claims	41 505 727	62 454 028
Paid claims for own account	39 334 894	42 620 705
Change in outstanding claims reserve for own account	0	0
Claims for own account	39 334 894	42 620 705
Run off gain (+) / loss (-) gross	63 094	-2 051 259
Run off gain (+) / loss (-) for own account	978 286	1 494 986

NOTE 3 - MARKET VALUE ADJUSTMENTS

	31.12.15		31.03.16		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	301 068 324	301 068 324	312 804 006	312 804 006	11 735 682	11 735 682
Stocks and shares	93 548 163	93 548 163	96 884 463	96 884 463	3 336 301	3 336 301
Derivatives	2 210 587	2 210 587	-	-	(2 210 587)	(2 210 587)
In total	396 827 073	396 827 073	409 688 469	409 688 469	12 861 396	12 861 396

NOTE 4 - OFF BALANCE ITEMS

	31.03.16	31.12.15
GUARANTEE LIABILITY REGARDING CLAIMS		
Gross guarantees issued	105 066 050	127 248 819
Counter-guarantees from co-insurers	76 596 314	97 620 472
Guarantees for own account	28 469 736	29 628 347

All guarantees relate to clients` liabilities in connection with collisions, groundings etc. associated with the Club`s activities.

NOTE 5 - MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

To our best knowledge there has been no material events subsequent to the end of the interim period



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2016