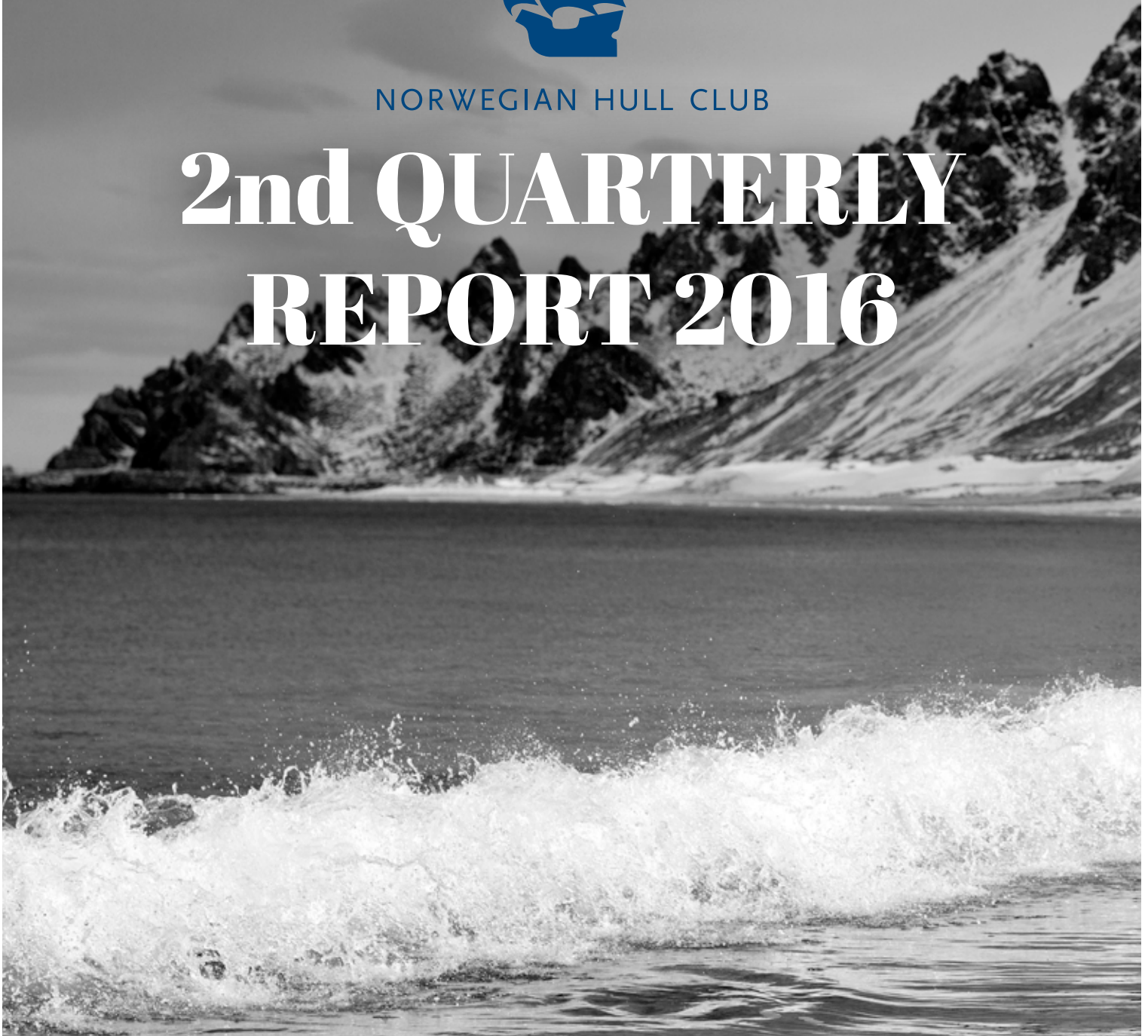




NORWEGIAN HULL CLUB

2nd QUARTERLY REPORT 2016



SUMMARY INTERIM REPORT 2Q2016

The result for Norwegian Hull Club (NHC) in the first six months of 2016 is USD 25.3 million. Technical result of insurance operations is USD 7.1 million and net result of financial items is USD 18.2 million.

Gross premium income is below expectations due to reduced insured values on a part of the insured units as well as severe price competition. Profitability on insurance operations is in line with expectations, which represents a reversal from the loss on insurance operations in the first quarter. In the second quarter, the insurance result is caused by low claims.

Return on the investment portfolio is 3.6 % in local currencies, that is weighted return in the denominated currencies. In USD, the return is 4.6 %, corresponding to USD 18.3 mill. The balance of financial income items stems from interest earned on bank accounts and receivables as well as currency items.

Equity is USD 283.0 mill at the end of June 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 Solvency II requirements.

KEY FIGURES (USD 1 000)

	01.01.– 30.06.2016	01.01.– 30.06.2015	2Q2016	2Q2015	2015
Gross earned premiums	88 626	98 645	45 787	45 737	191 496
Gross claims	-66 539	-132 584	-25 033	-70 255	-176 903
Gross result	22 088	-33 938	20 755	-24 518	14 593
Premiums for own account	74 211	83 112	38 558	39 614	161 839
Claims for own account	-60 331	-82 332	-20 996	-39 836	-125 704
Insurance result for own account	13 880	780	17 562	-222	36 135
Net operating expenses	-6 728	-7 287	-3 300	-3 542	-9 983
Technical result	7 152	-6 508	14 262	-3 765	26 152
Net financial items	18 166	-2 355	4 404	4 206	-17 614
OPERATING RESULT	25 318	-8 863	18 666	441	8 539
Loss ratio	81%	99%	54,5 %	100,6 %	77,7 %
Combined ratio	90%	108%	63,0 %	109,5 %	83,8 %
	30.06.16	31.12.15			
Investment portfolio	424 061	405 486			
Bank deposits	28 458	22 280			
Receivables	211 517	208 945			
Other assets	27 887	28 264			
TOTAL ASSETS	691 923	664 975			
Equity	283 019	257 700			
Claims provision	223 802	214 768			
Other provisions	94 681	100 842			
Payables and other liabilities	90 422	91 665			
TOTAL EQUITY AND LIABILITIES	691 923	664 975			

STATEMENT OF COMPREHENSIVE INCOME

(USD)	30.06.16	31.06.15
Gross premiums	88 626 318	98 761 376
Reinsurance premiums	-14 415 227	-15 649 850
Change in provisions for unearned gross premiums	-	-
Reinsurers' share of change in provisions	-	-
A Premiums for own account	74 211 090	83 111 526
B Other insurance related income	3 504 869	3 069 564
Gross accrued claims	66 538 520	132 583 914
Reinsurers share of gross claims	-6 207 918	-50 251 978
Change in gross claims reserve	-	-
Reinsurers' share of change in gross claims reserve	-	-
C Claims for own account	60 330 602	82 331 936
Marketing expenses	5 068 397	8 055 964
Commissions earned	-953 490	-908 119
D Total insurance related expenses for own account	4 114 906	7 147 845
E Other insurance related expenses	6 118 080	3 208 998
F Operating result technical accounts before change in solvency capital (A+B+C-D-E)	7 152 371	-6 507 689
Financial income	6 377 732	6 870 314
Realised gains and losses	2 824 774	8 685 123
Adjustment investment portfolio	9 833 741	-17 274 210
G Total financial income	19 036 247	-1 718 773
H Administration expenses financial assets	870 246	636 337
I Result from ordinary operations (F+G-H)	25 318 372	-8 862 798
J Tax expenses (income)	-	-
K Result before other result components (I-J)	25 318 372	-8 862 798

ASSETS

	30.06.16	Adjusted 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	12 880 885	13 370 728
Stocks and shares	96 850 676	93 548 163
Bonds and foreign exchange contracts	312 269 515	301 068 324
Financial derivatives	–	2 210 587
Bank deposits investment portfolio	14 940 681	8 658 944
Total financial assets	440 580 310	422 495 300
Reinsured proportion of gross premium provisions	17 255 060	15 777 252
Reinsured proportion of gross claims provision	47 554 679	42 918 070
Total reinsured proportion of insurance provisions	64 809 740	58 695 323
Insurance related receivables	91 743 741	97 950 899
Reinsurance receivables	2 018 672	3 449 729
Disbursements	45 314 332	46 726 265
Other receivables	7 630 091	2 122 956
Total receivables	146 706 836	150 249 849
Properties	4 428 108	4 382 372
Equipment and fixtures	5 226 469	5 327 374
Cash and bank deposits	28 458 415	22 280 005
Deferred tax	–	–
Total other assets	38 112 992	31 989 751
Accrued interest	1 713 137	1 544 749
TOTAL ASSETS	691 923 015	664 974 971

EQUITY AND LIABILITIES

	30.06.16	Adjusted 31.12.15
Equity	8 042 072	8 042 072
Other equity	274 976 458	249 658 086
Total equity	283 018 529	257 700 157
Unearned gross premium provision	93 670 651	99 807 321
Gross claims provision	223 801 879	214 768 004
Unearned commission provision	1 010 120	1 034 768
Total gross insurance provisions	318 482 650	315 610 094
Pension liability	3 879 303	8 951 045
Withheld payroll tax, social security etc.	1 486 308	1 952 437
Deferred tax	68 788 360	68 788 360
Taxes payable	-	-
Total tax etc. payable	74 153 971	79 691 843
Payables direct insurance accounts	297 923	401 086
Payables reinsurance	3 315 587	5 431 236
Payables other accounts	12 654 355	6 140 555
Total payables	16 267 865	11 972 877
TOTAL EQUITY AND LIABILITIES	691 923 015	664 974 971

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		25 318 372	25 318 372
Equity	8 042 072	274 976 457	283 018 529

STATEMENT OF CASH FLOWS - USD

	30.06.16	30.06.15
Profit of the year before tax	25 318 372	–
Change in net technical reserves	–3 241 861	–2 984 280
Net profit on sale of fixed shares	–	–
Change in disbursements	1 411 933	3 412 181
Net profit on sale of fixed assets	–	–
Change in net pension funds	–5 071 742	–
Change in net receivables	5 791 550	–24 782 900
Depreciation	192 151	406 787
Taxes paid	–36 433	–81 876
Net cash flow from operations before financial assets	24 363 970	–24 030 089
Change in net bonds	–11 201 191	2 134 885
Change in net stocks and shares	–3 302 513	–1 134 662
Change in net financial derivatives	2 210 587	5 905 348
Net cash flow from financial assets	–12 293 118	6 905 572
A Net cash flow from operational activities	12 070 853	–17 124 517
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	–91 246	–191 163
Change in mortgage loans	489 843	1 489 700
B Net cash inflow / outflow from investment activities	398 597	1 298 537
C Effect of changes in exchange rates on cash and cash equivalents	–9 304	–295 889
A + B + C Net change in cash and cash equivalents	12 460 146	–16 121 870
Cash and cash equivalents 01.01	30 938 950	54 081 219
Cash and cash equivalents	43 399 096	37 959 349

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

	30.06.16	30.06.15
Gross paid claims	66 538 520	132 583 914
Change in outstanding gross claims reserve	0	0
Gross claims	66 538 520	132 583 914
Paid claims for own account	60 330 602	82 331 936
Change in outstanding claims reserve for own account	0	0
Claims for own account	60 330 602	82 331 936
Run off gain (+) / loss (-) gross	1 015 806	374 426
Run off gain (+) / loss (-) for own account	3 967 267	1 334 194

NOTE 3 - MARKET VALUE ADJUSTMENTS

	31.12.15		30.06.16		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	301 068 324	301 068 324	312 269 515	312 269 515	11 201 191	11 201 191
Stocks and shares	93 548 163	93 548 163	96 850 676	96 850 676	3 302 513	3 302 513
Derivatives	2 210 587	2 210 587	-	-	(2 210 587)	(2 210 587)
In total	396 827 073	396 827 073	409 120 191	409 120 191	12 293 118	12 293 118

NOTE 4 - OFF BALANCE ITEMS

	30.06.16	31.12.15
GUARANTEE LIABILITY REGARDING CLAIMS		
Gross guarantees issued	77 711 608	127 248 819
Counter-guarantees from co-insurers	52 422 437	97 620 472
Guarantees for own account	25 289 171	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