ANNUAL REPORT

2016

NORWEGIAN HULL CLUB

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CEO'S REVIEW

2016 was another positive year for Norwegian Hull Club, delivering a profit before tax and return premium of USD 21.1 million and further strengthening our capital base. Measured by risks covered, the Club insured over 10,000 units in 2016, of which we have claims lead position on 5,300. Despite the challenging economic environment we operate in, our value proposition to the market remains attractive and secures long term, sustainable strategic partnerships.

The Club's capital adequacy is strong and hence the Board of Directors, recognizing the members´ continued support of the Club´s operation, proposes a 5% return of mutual premium this year. We see this as a reinforcement of the Club´s commitment to stay with our members through the shipping and marine insurance cycles.

A combined ratio of 98% before returning premium to members is slightly above our cross-cycle target of 95%. The claims environment developed as expected in general, although a few large energy claims heavily affected the combined ratio. Our product offering across marine lines makes the Club's capital and earnings less volatile, which is one of the keys to success in an extremely competitive environment. In August, Standard & Poor´s reaffirmed the Club´s "A" rating (stable outlook) and our capital adequacy is in excess of the "AAA" requirement. This enables the Club to grow further when business opportunities arise.

Observing the marine and energy insurance ecosystem, the only constant in today's market is the client – so we must remain relevant! The troubled markets for oilfield services and certain segments within traditional shipping, represented a major challenge for many of Norwegian Hull Club's members and clients in 2016. It also negatively affected the global insurance market and Norwegian Hull Club's top line. Consolidation in the shipping and energy markets represents a game changer for the position of insurance companies, with pressure on insurance rates in recent years eroding profit margins. We also see that the fourth industrial revolution - digital transformation – is beginning to make an impact in the marine and energy insurance market. Are we facing a change in our industry business model? Staying relevant is our mantra, with the Club's value proposition remaining "Expect More"; through a wide product offering, world class service in claims handling and loss prevention, and focus on digital transformation. In order to achieve our goals we strive to increase the organizational change management (OCM) capability.

"we have set sails for tomorrow's voyage, you should Expect More from us."

In April 2016, Norwegian Hull Club relocated its Oslo office to the modern and futuristic Bjørvika in Oslo. In September, we established a new team with a renewed, wider focus on the Asian markets. The team consists of a combination of experienced employees with specialist focus on marine, energy, construction and special risks, offering tailor made solutions to the market. A digitalization project was also launched in 2016, driven by a cross-departmental team of experienced employees. Their mandate is to improve the Club´s business model through optimization of work processes, interaction with clients and cost efficiency. On November 14th 2016, Norwegian Hull Club opened its first office abroad, on Lime Street in London. Three employees were recruited from the London market to staff the office, together with an experienced Club employee. Ever since the Club began diversifying into new product lines some ten years ago, we have received great support from the London broking community. The opening of our London office reinforces our long term commitment in that respect. Exporting the Norwegian Hull Club brand and values is by far the most important task of our London office. The Club shall always be seen as one entity. After a few months in operation, the story so far is a success, with support from the market, a conservative growth strategy and integration with the London way of doing business. In addition to service minded employees in the office welcoming face to face interaction, we have signed up to PPL (Placing Platform Limited).

Our Loss Prevention Emergency Response team continuously innovates our experience transfer programs. We conducted more than 241 activities with our members last year, and are eager to launch our new ideas in 2017.

The 3rd edition of the Loss of Hire Handbook will be published in 2017. In his last year before retiring our highly respected colleague Haakon Stang Lund, also known as "the father of the Nordic Plan", made a tremendous effort in drafting the new version.

Enthusiastic and skillful colleagues remain the Club´s most valuable assets. In 2016 we recruited two new trainees with technical backgrounds, who are undergoing an extensive training program, including spending time in the organizations of members and brokers. We continue to invest in our human capital base, where 55% of our employees hold a Master degree or higher. The Norwegian government has published the Official Norwegian Report 2016:3, addressing how the Norwegian economy is at a turning point, from a natural resources-driven to a knowledge and expertise-driven economy. The Club has taken initiatives to link students with our business, as we strongly believe that connecting the two will prepare the next generation for tomorrow´s work life challenges in a world that is rapidly changing. We are supporting a trainee program run by Bergen Chamber of Commerce and are looking to sign up a trainee with a focus on digital transformation. We have also hosted several short-term placements with students and are supporting an initiative from the University of Bergen's Faculty of Law on collaboration with Chinese universities.

"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails".

The Club and our members are experiencing rough weather and possible game changers. We have set sails for tomorrow's voyage. You should Expect More from us.

Hans Christian Seim
CEO

KEY FIGURES

All figures in USD 000's

	2016 PBR*	2016	2015	2014 PBR*	2013	2012	2011
Gross earned premiums	168 967	165 500	191 496	203 825	219 365	210 961	192 956
Gross claims	135 466	135 466	176 903	104 988	127 264	178 745	129 512
Gross result	**33 501**	**30 034**	**14 593**	**98 837**	**92 100**	**32 216**	**63 444**
Premiums for own account	140 510	137 043	161 839	171 179	185 234	181 336	156 665
Claims for own account	122 141	122 141	125 704	105 811	123 227	156 973	112 961
Insurance result f.o.a.	**18 370**	**14 903**	**36 135**	**65 368**	**62 007**	**24 363**	**43 704**
Other income	8 776	8 776	7 991	9 907	10 609	9 197	9 368
Operating expenses	24 224	24 224	17 975	29 779	29 189	27 078	24 264
Technical result f.o.a.	**2 922**	**-545**	**26 152**	**45 496**	**43 427**	**6 483**	**28 808**
Net financial income	**18 164**	**18 164**	**-17 614**	**-7 804**	**9 257**	**33 407**	**-3 850**
Operating result	**21 086**	**17 619**	**8 539**	**37 692**	**52 685**	**39 890**	**24 958**
Total assets	671 572	671 572	664 975	652 979	630 213	572 879	476 797
Provision for risk equalisation + Equity	270 508	270 508	257 700	319 451	298 073	253 499	214 204
Loss ratio for own account	87 %	89 %	78 %	64 %	67 %	87 %	72 %
Expense ratio	11 %	11 %	6 %	12 %	10 %	10 %	10 %
Combined ratio	**98 %**	**100 %**	**84 %**	**76 %**	**77 %**	**96 %**	**82 %**
Gross loss ratio	80 %	82 %	92 %	52 %	58 %	85 %	67 %
Return on investment portfolio (denominated currency)	4,9 %	4,9 %	1,4 %	3,2 %	4,1 %	9,0 %	0.4%
Return on benchmark (denominated currency)	4,9 %	4,9 %	1,3 %	3,6 %	4,3 %	9,2 %	1.7%

** PBR= Premium Before Return Premium*

BOARD OF DIRECTORS' REPORT

Business Strategy

Norwegian Hull Club is a global, mutual marine and energy insurer. Our business model and strategy is focused on providing an integrated claims leader service to members and clients, and offering diversified, innovative and competitive insurance solutions to cater for their various business needs. Norwegian Hull Club's integrated claims leader service includes, but is not limited to, sophisticated claims handling, emergency response and loss prevention activities.

The Club insures vessels, upstream energy assets and mega yachts for Hull & Machinery, Loss of Hire, Total Loss, War and Builders/Construction Risks. The Club is also offering Medical Insurance for Seafarers, Crew Contractual Liability Insurance and P&I and FD&D for Charterers. In addition, the Club has a growing portfolio of various special risks. The majority of the Club's premium income comes from international members and clients. The registered office is in Bergen, Norway.

Management

In May 2016, Hans Christian Seim was appointed Chief Executive Officer of Norwegian Hull Club. Together with his management group, he has carried out cost efficiency programs, and strategic reorganization and alignment processes across all departments. A continuous focus on optimizing the organization of all operations, recruiting talent, as well as retaining skilled and motivated employees, are key prerequisites for the Club to deliver on its promises.

Operational Review

Underwriting

Overcapacity in the global marine and energy insurance markets continued last year. Coupled with strong competition between brokers, this put further downward pressure on rates in 2016.

Norwegian Hull Club has maintained a cautious stance in this market environment. Gross premium income ended below budget expectations due to a combination of reduced insured values, lower rates and vessels in lay-up. Efforts to further diversify the book of business have continued with the establishment of Norwegian Hull Club's New Product Development Group an important move. As was the establishment of a new combined Asia Pacific and Global Special Risk department with the aim of growing the Asian book of business by offering bespoke insurance solutions. The global special risks portfolio has developed satisfactorily during 2016.

Lay-up of substantial numbers of advanced offshore units and vessels has been a severe consequence of the challenging markets. In addition to the obvious direct effects for our members and clients, this has created uncertainty for both underwriting and claims. Under the CEFOR umbrella, and in close cooperation with classification companies, Norwegian Hull Club has taken a leading role in developing industry standards for lay-up requirements for Mobile Offshore Units (MOUs). The initiative has continued into 2017.

Claims

Whilst there has been a decrease in claims cost, the total number of claims in 2016 was slightly higher than in 2015. Heavy weather influenced the 2016 claim's year, with several of the major energy cases experienced by the Club being due to rough winter weather in the North Sea. The Club also observed an increase in typhoons, cyclones and hurricanes throughout the year, although the total portfolio does not appear to have been substantially affected by these phenomena in 2016.

Providing quick settlements has been a priority for the claims department during the past year. Norwegian Hull Club succeeds in this ambition, with statistics showing that the Club settled its H&M claims lead cases 36% quicker than the market average. For LOH the Club was 26% quicker. Norwegian Hull Club will maintain its focus on further improvements in claims handling time in 2017.

The Loss Prevention Committee (LPC), established in 2013 for knowledge sharing with members and clients, now comprises 35 shipping company representatives. The committee met once in 2016, but will resume to two meetings each year in 2017. The committee addresses common challenges related to safe and efficient operations and gives valuable input on how to prioritize and target loss prevention work in order to reduce casualties for owners and claims for the Club.

Experience Transfer remains an important part of our service offering, with more than 240 activities carried out with our members in 2016.

Investments

2016 was a relatively eventful year in the financial markets. In the first quarter, weak macro data from US and China, together with falling oil prices, dragged the markets down. In the second quarter, the Brexit event led to another round of market fluctuations with investors fleeing to high quality assets. Finally, and contrary to expectations, the outcome of the US election in November led to an increase in risk appetite that pulled both equity prices and bond yields up. The underlying economic fundamentals improved through the year, but many of the main issues affecting financial markets for a long period are still in place. Slow global growth, high overall debt levels, historically low interest rates and substantial monetary support from the main central banks.

Despite several episodes of unrest, the financial markets performed well over the year. Much of the return came in the end of the fourth quarter as investors expected lower taxes, more fiscal spending and less regulation under the Trump presidency.

Norwegian Hull Club's investment portfolio returned 4.90 % in local currencies. All asset classes delivered positive returns. The best performing asset classes were high yield bonds, emerging market government bonds and real estate. The portfolio also benefited from manager selection. The Club's investment portfolio is invested in several currencies, predominately USD, EUR and NOK, reflecting the currency composition of premium income. Currency had little effect on investment return in 2016, with an investment result of 5.05% in USD.

Reinsurance

A panel of long-term reinsurers with solid financial security helps protect the economic interests of the Club. Reinsurance reduces risk exposure, protects capital and ultimately secures the Club's ability to fulfill its promise to members and clients, long- and short-term, whilst supporting new products and reducing volatility in existing business lines. A close partnership with reinsurers, based on mutual trust and confidence, is key to success in this regard. A number of projects during 2016 proved that our reinsurance panel is able to respond in a proactive and timely manner to the Club's needs.

Solvency II

The Solvency II directive for insurance companies in Europe took effect from January 1st 2016. Norwegian Hull Club was compliant at inception.

Dissolution of provision for risk equalisation

Until Solvency II came into effect, there was a legal requirement in Norway to make provisions in the accounts for risk equalization, which in effect has been regarded as a part of the solvency capital, protecting policyholders. There is no parallel requirement in the Solvency II regulations, and the provision requirement was therefore discontinued in 2016.

The Ministry of Finance has proposed to tax the accumulated provisions with full corporate tax. The proposal has been challenged by insurance companies in Norway and as yet there is no conclusion regarding this issue. Norwegian Hull Club has however, in consultation with the auditors, allowed for full tax on the provision in the 2016 accounts. Any decision to levy less than full tax will therefore increase equity. A possible future decision by Norwegian authorities to include the Solvency II risk margin principles into the statutory accounts would reduce the tax payable.

Other Activities

Marine Benefits AS

Marine Benefits AS is a subsidiary of the Club and provides employment related benefit solutions, health insurance and crew contractual liability insurance for the global shipping community. Marine Benefits also performs third party services for ship owners and managers on crew claims handling. Norwegian Hull Club has outsourced documentation tasks to Marine Benefits in Manila.

Insurance Technology Solutions AS

Insurance Technology Solutions AS is a subsidiary of Norwegian Hull Club that develops and operates software systems for the marine insurance industry. At the end of 2016, the company had 14 clients.

Enterprise Risk Management

Norwegian Hull Club has a thorough risk management and internal control structure, the purpose of which is to systematically identify, assess, communicate and manage risks throughout the organization. In order to understand and manage risks, both the probability and consequences of events are assessed. Key functions are established according to Solvency II requirements, comprising independent Compliance Officer, Risk Manager, Actuary and Internal Auditor.

The Board of Directors decides upon the Norwegian Hull Club's strategy and risk profile, including capital targets and maximum risk levels. The primary responsibility for managing risks within the applicable limits rests with the respective operating units and with the Chief Executive Officer. The Club is exposed to the following main risks:

Strategic risk
Strategic risk relates to external and internal factors, such as market and product developments, required personnel skills and reputational risk. Developments in the marine and energy insurance markets in general, as well as the Club´s competitive situation are monitored, both in daily operations and through participation in industry forums. Requirements for new or higher skills within the workforce are met through recruitment of new employees, as well as training and education of existing employees.

Insurance risk
Insurance risk is the risk that the premium charged is not sufficient to cover claims incurred and that provisions for claims already incurred are not sufficient to cover the ultimate cost.

Clear limits for what insurance risk can be undertaken are established. The actuarial function is continuously monitoring the adequacy of pricing and adequacy of provisions made.

The Board of Directors decides upon the reinsurance program and structure each year. The primary objective is to protect capital and limit fluctuations in results. The benefits of buying reinsurance protection are weighed against the costs.

Financial Risk

Financial risk refers to investment, credit, liquidity and currency risks. Financial instruments are used to modify exposure to interest rate and currency risks.

The Board of Directors has adopted a strategic asset allocation and maximum exposure to each asset class for investments. Risk level is monitored and managed both for investments and as part of the Club's overall risk. Stress tests are carried out to ensure that the Club can withstand the impact of severe negative scenarios.

Liquidity risk is considered to be insignificant. The objective is, however, to have sufficient liquid assets to maintain a balanced investment portfolio following a severe, negative event where asset prices fall and/or may have to be sold.

Currency risk is managed with the objective of limiting the impact on results of any significant fluctuations in currency exchange rates.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, mistakes made by employees or from external events.

In order to reduce operational risks policies and procedures are logged in a documentation system that can be accessed by all employees. A compliance function shall ensure that the Club does not incur public sanctions, financial losses or loss of reputation from breach of laws, regulations or standards.

For further details on risks, please see the notes to the accounts.

Internal Control

Internal control is a continuous process throughout the organization. The Compliance Officer coordinates the processes and reports to Management and the Board of Directors.

Corporate Governance

Norwegian Hull Club is subject to supervision by the Financial Supervisory Authority of Norway. In addition, the Club's governing bodies have adopted separate internal regulations regarding corporate governance issues.

The composition and the main tasks of the governing bodies are set out as an appendix to this Annual Report.

In 2016 it was decided by the Club's governing bodies, in compliance with regulatory changes, to simplify the governance structure by dissolving the Supervisory Committee (Kontrollkomiteen).

Accounts

In accordance with section 3-3 of the Norwegian Accounting Act, the annual accounts are prepared under the assumption that the enterprise is a viable going concern.

The Board of Directors and Management focus on the operating result, defined as the result before tax.

Results
The 2016 profit before tax was USD 17.6 million. The Board has proposed that 5 % of mutual premium, equal to USD 3.5 million, be returned to members. Thus, the profit before return premium is USD 21.1 million.

The gross loss ratio was 82%, corresponding to a gross insurance result of USD 30.0 million. The loss ratio for own account was 89%. This corresponds to an insurance result for own account of USD 14.9 million. The technical result from insurance was minus USD 0.5 million after mutual premium return and employee profit sharing.

Premium income and claims
Gross premium earned was USD 165.5 million. Premium earned for own account was USD 137 million. The decrease in premiums is due to rate reductions, lower insured values and lay-ups. Gross claims incurred were USD 135.5 million and claims for own account amounted to USD 122.1 million.

Financial items
Financial income was USD 20.3 million. Of this, USD 19.9 million was related to the investment portfolio, with the balance comprising foreign exchange items and other financial income. Administration expenses related to financial assets were USD 2.2 million.

Operating expenses
Cost focus and efficiency programs continue. On a like for like basis in NOK, personnel, IT, marketing and other operating expenses were 3% lower than 2014 and 1% lower than 2015.

Personnel, marketing and other operating expenses amounted to USD 24.2 million.

Appropriation of result
After tax, the total comprehensive income for the year was USD 12.497.275, which the Board of Directors proposes be transferred to other equity.

Balance sheet
As per December 31st 2016, equity was USD 270.5 million.

Cash flow
The cash flow generated by operating activities was USD 1.0 million after a USD 18.2 million change in financial assets. Cash flow generated by investments in fixed assets, subsidiaries and employee loans was USD 2.5 million. The change in the cash balance during the year was USD 3.5 million.

Rating

On August 12th 2016, Standard & Poor's Ratings Services confirmed its long-term counterparty credit and insurer financial strength rating of Norwegian Hull Club as "A" with a stable outlook. The Club targets a margin of 50% to the "AAA" capital requirement. At the end of 2016 the margin is 56%. This enables the Club to pursue a continuous growth strategy.

Organization and Environment

The organization was reviewed and reorganized in August 2016. A continuous optimization focus in line with strategy and goals has been implemented.

At the end of 2016, Norwegian Hull Club had a staff of 122 employees. Personnel turnover was 2.1%. Sick leave including long-term absence equated to 3.1% of total working hours.

Including the subsidiaries Marine Benefits and ITS, the total number of employees was 176.

The Club pursues diversity in the organization. Amongst our 122 employees, 13 nations are represented, and the gender ratio at the end of 2016 was 36% female, to 64% male.

The Club aims to be a workplace in which no discrimination occurs, in compliance with the Discrimination and Accessibility Act.

There were no accidents involving either the Club's employees or property during the year. The working environment is considered good.

Day-to-day operations do not contaminate the external environment. However, the Club insures vessels and units that may contribute to environmental pollution.

Members

No member represents more than 6.5 % of the votes at the General Meeting. The ten largest members represent 29.6 % of the votes.

Events After 2016 Year End

No events have occurred in 2017 that significantly affect the capital of Norwegian Hull Club.

Future Prospects

Norwegian Hull Club is negatively affected by a challenging market characterized by overcapacity and strong competition. A strong USD, reducing the value of premium income in other currencies, adds to this. More efficient use of technology and easier access to data will also have an influence on Norwegian Hull Club and the way marine and energy insurance is structured and executed going forward. Focus and resources are allocated in order for the Club to pro-actively adapt to this transformation.

These surroundings require an enthusiastic organization prepared for tomorrow's challenges through an increased ability and willingness to embrace change. A constant for the Club however, is the continued, relentless effort to remain relevant for its members and clients.

Norwegian Hull Club will concentrate on securing its capital base and growing the business volume over time in a profitable and sustainable manner. Operational focus will be on diversifying into profitable areas, reducing costs, continuously streamlining operations, quick and efficient claims handling, improving the Club's distribution network through geographical positioning, and offering members and clients first class service and financial security.

Norwegian Hull Club is well capitalized and has a strong and growing portfolio of products and services. In the short-term, the challenge is to strike a balance between maintaining and developing the existing book of business in a depressed market, while protecting capital in order to be able to offer members and clients sound protection and services also in the longer term.

With the human, structural and financial capital in place, combined with a re-energized focus on growing our business in international markets, the Board of Directors believes Norwegian Hull Club is well placed for long-term profitable and sustainable growth.

Bergen, March 14th 2017

Hans Olav Lindal
Chair of the Board

Benedicte Bakke Agerup

Anna F. Erlandsen

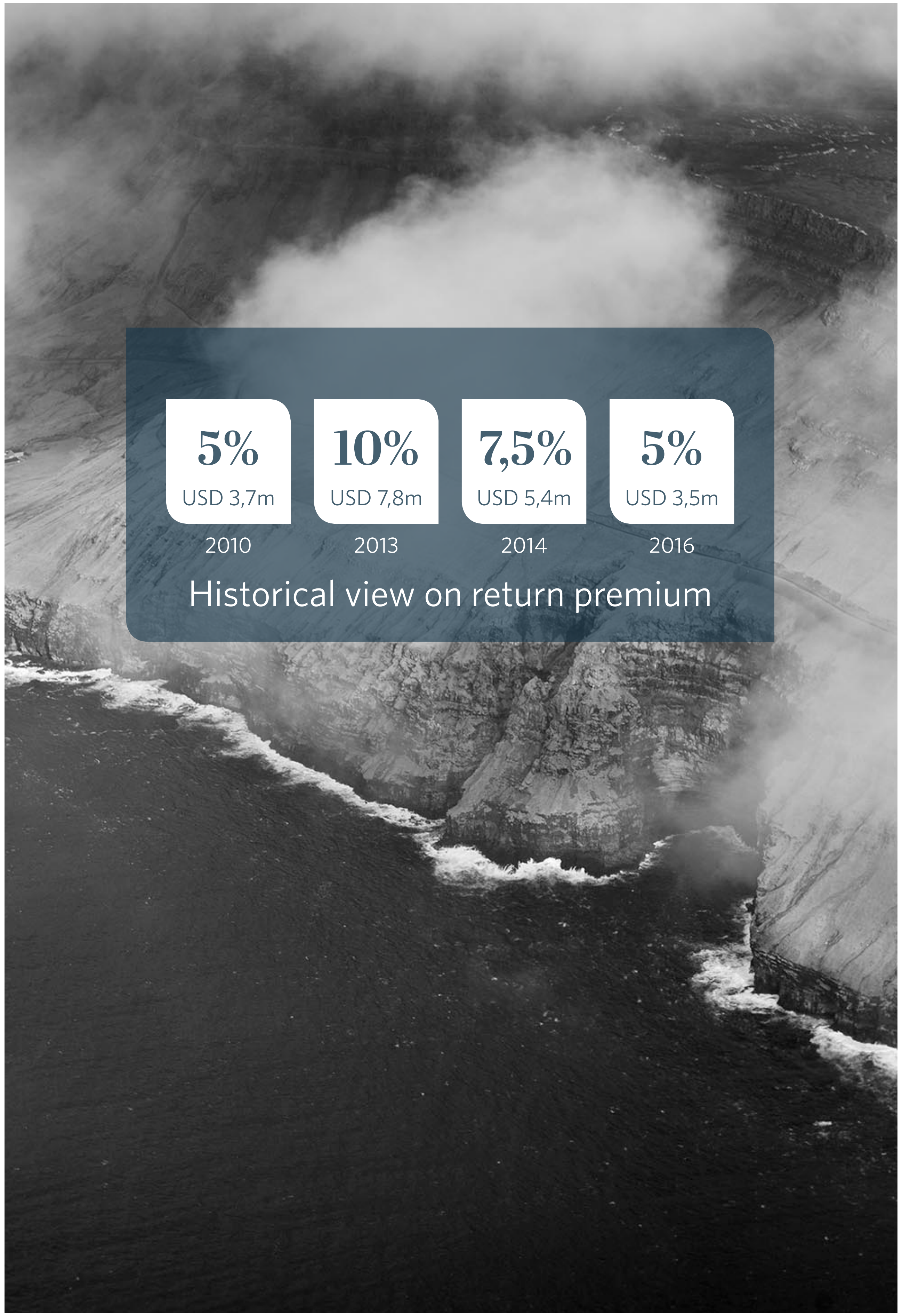
Roar Sanden

Siri P. Strandenes

Njål Sævik

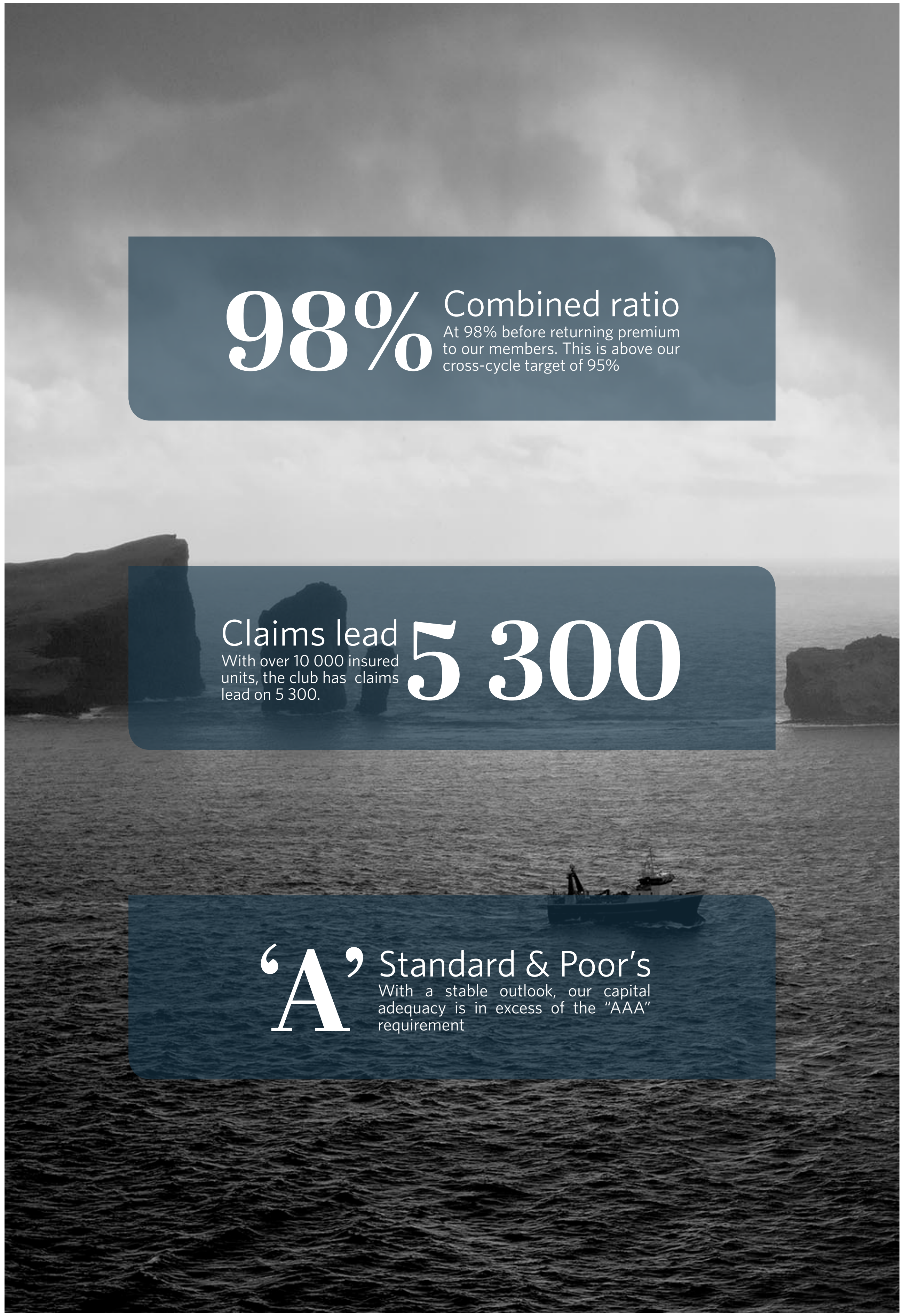
Morten Ulstein

Hans Christian Seim
CEO.



STATEMENT OF COMPREHENSIVE INCOME

All figures in USD				Restated
		Notes	**2016**	**2015**
	Gross premiums earned	*17*	165 499 871	191 496 472
	Reinsurance premiums	*16*	-28 456 771	-29 657 253
A	Premiums for own account		137 043 099	161 839 219
B	Other insurance related income		6 980 549	6 207 747
	Gross accrued claims		135 466 184	176 903 467
	Reinsurers share of gross claims	*16*	-13 325 678	-51 199 710
C	Claims for own account	18	122 140 506	125 703 756
	Marketing expenses	*1*	11 960 025	9 613 450
	Commissions earned		-1 795 688	-1 783 717
D	Total insurance related expenses for own account		10 164 337	7 829 733
E	Other insurance related expenses		12 263 695	8 361 223
F	**Operating result technical accounts (A+B-C-D-E)**		**-544 889**	**26 152 255**
	Financial income		12 445 271	13 214 283
	Realized gains and losses		2 511 897	3 535 847
	Adjustment investment portfolio		5 390 191	-32 514 776
G	Total financial income		20 347 359	-15 764 646
H	Administration expenses financial assets		2 183 157	1 848 938
I	**Profit before income tax (F+G-H)**		**17 619 313**	**8 538 671**
J	Tax expenses (income)	9	5 122 038	-5 610 886
K	**Profit for the year (I-J)**		**12 497 275**	**14 149 557**
L	Other comprehensive income- actuarial loss pension plan		-	-
M	**Total comprehensive income for the year**		**12 497 275**	**14 149 557**
	Other equity		*12 497 275*	*14 149 557*
	Total		*12 497 275*	*14 149 557*



BALANCE SHEET

Assets

All figures in USD			Restated
	Notes	**31.12.2016**	**31.12.2015**
Deferred tax benefit		-	-
Total intangible assets		**-**	**-**
Shares in subsidiaries	*4*	2 356 629	2 356 629
Other shares	*4*	1 281 925	1 281 925
Mortgage loans	*2*	11 237 446	13 370 728
Stocks and shares	*7*	92 700 249	93 548 163
Bonds	*8*	321 048 685	301 068 324
Financial derivatives	*8*	1 233 759	2 210 587
Bank deposits investment portfolio	*1*	9 499 804	8 658 944
Total financial assets		**439 358 496**	**422 495 300**
Reinsured proportion of gross premium provisions	*13*	13 065 565	15 777 252
Reinsured proportion of gross claims provision	*13*	52 284 697	42 918 070
Total reinsured proportion of insurance provisions		**65 350 262**	**58 695 323**
Insurance related receivables	*5*	77 414 010	97 950 899
Reinsurance receivables		4 554 899	3 449 729
Disbursements		41 154 027	46 726 265
Other receivables		8 392 758	2 122 956
Total receivables		**131 515 694**	**150 249 849**
Properties	*3*	3 708 173	4 382 372
Equipment and fixtures	*3*	5 050 838	5 327 374
Cash and bank deposits		24 987 608	22 280 005
Total other assets		**33 746 619**	**31 989 751**
Accrued interest		1 600 912	1 544 749
Total assets		**671 571 983**	**664 974 971**

Equity and Liabilities

All figures in USD			Restated
	Notes	**31.12.2016**	**31.12.2015**
Equity		8 042 072	8 042 072
Other equity		262 465 764	249 658 086
Currency adjustment equity			
Total equity	*10*	**270 507 836**	**257 700 157**
Unearned gross premium provision	*13*	74 069 727	99 807 321
Gross claims provision	*13*	225 565 149	214 768 004
Unearned commission provision	*13*	739 703	1 034 768
Total gross insurance provisions		**300 374 579**	**315 610 094**
Pension liability	*2*	3 729 225	8 951 045
Withheld payroll tax, social security etc.	*1*	2 723 830	1 952 437
Deferred tax	*9*	73 910 398	68 788 360
Taxes payable		-	-
Total tax etc. payable		**80 363 453**	**79 691 843**
Payables direct insurance accounts		3 906 416	401 086
Payables reinsurance		4 937 338	5 431 236
Payables other accounts		11 482 363	6 140 555
Total payables		**20 326 116**	**11 972 877**
Total equity and liabilities		**671 571 983**	**664 974 971**

Bergen, March 14th 2017

Hans Olav Lindal
Chair of the Board

Benedicte Bakke Agerup

Anna F. Erlandsen

Roar Sanden

Siri P. Strandenes

Njål Sævik

Morten Ulstein

Hans Christian Seim
CEO.

STATEMENT OF CASH FLOW

All figures in USD

	2016	2015
Profit for the year before tax	*17 619 313*	8 538 671
Change in net technical reserves	-21 890 455	9 552 939
Net profit on sale of fixed shares		-
Change in disbursements	*5 572 239*	-34 069 174
Net profit on sale of fixed assets	*-58 805*	-
Change in net pension liabilities	*-5 221 820*	-11 298 910
Change in net receivables	*22 230 385*	-2 007 146
Depreciations and impairment of assets	*906 822*	812 164
Taxes paid	*-45 576*	-81 876
Net cash flow from operations before financial assets	**19 112 103**	**-28 553 332**
Change in net bonds	*-19 980 361*	-8 747 659
Change in net stocks and shares	847 913	6 876 452
Change in net financial derivatives	*976 827*	3 694 761
Net cash flow from financial assets	**-18 155 620**	**1 823 554**
A Net cash flow from operational activities	**956 483**	**-26 729 777**
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	*345 929*	-1 223 807
Change in mortgage loans	2 133 283	4 619 482
B Net cash inflow/outflow from investment activities	**2 479 212**	**3 395 675**
C Net financing activities - dividend paid to members		**-**
D Effect of changes in exchange rates on cash and cash equivalents	**112 767**	**191 833**
A+B+C+D Net change in cash and cash equivalents	**3 548 462**	**-23 142 269**
Cash and cash equivalents 01.01	30 938 950	54 081 219
Cash and cash equivalents	**34 487 412**	**30 938 949**

NOTES TO THE ACCOUNTS

Note 1 – Accounting Principles

Basic principles
The financial statements of the Norwegian Hull Club have been prepared in accordance with the Norwegian Accounting Act and Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance.

Principally this means that accounting recognition, measurements and disclosures to the financial statements comply with Norwegian generally accepted accounting standards, and a limited use of certain International Financial Reporting Standards (IFRS) in accordance with the Finance Ministry's regulations on simplified application of the International Financial Reporting Standards.

The financial statements of the Norwegian Hull Club as of December 31st 2016 consist of the statement of comprehensive income, balance sheet, statement of cash flows and notes to the accounts.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations and congruence. Transactions are recorded at their value at the time of the transaction. Income is recognized at the time when it is earned. Costs are expensed in the same period as the income to which they relate is recognized. Costs that can not be directly related to income are expensed as incurred. Hedging and portfolio management are taken into account.

Assets related to current business activities and accounts receivable due within one year of the closing are classified as current assets. The same applies to short-term debt and accounts payable. Current assets/short-term debts are recorded at the lowest/highest of acquisition cost and fair value. Monetary items in foreign currencies are recorded at fair value. Other assets are classified as fixed assets. Fixed assets are recorded at original cost, with deductions for depreciation. In the event of a decline in value, which is not temporary, a fixed asset will be subject to a write-down.

According to Norwegian generally accepted accounting principles there are some exemptions to common assessment and valuation principles. Comments to these exemptions follow below.

Basis of consolidation
Norwegian Hull Club Group consists of Norwegian Hull Club, Insurance Technology Solutions AS and Marine Benefits AS. Norwegian Hull Club owns 100% of the latter two companies. The activity in these companies is not regarded as significant addition to the group's business and has therefore not been consolidated in the accounts.

Accounting principles for material items
Premium and commission recognition/premium reserve
Premium and commission are recognized over the insurance policy period. Insurance premiums are due for payment in advance and provisions are made for the unearned portion of the premiums related to a period after the end of the fiscal year (premium reserve). Premium is reported net of broker commission and discounts. Provisions (premium reserves) are made to cover the unearned share of the written premium. The unearned premium is calculated per risk assuming linear earnings over the time of the policy. As some information related to the written premium is reported retroactively (adjustments for lay-up, war calls, value changes, performance bonuses etc.) the earned and unearned premium is adjusted to cover the expected future development based on previous aggregated experience. As of 31.12.2016 this leads to a small reduction in the earned premium and a small increase in the unearned premium. The earned premium is also adjusted for return of mutual premium as recommended by the Board of Directors. If the premium is considered insufficient to cover future claims, additional reserves for unexpired risk are made. This has not been considered necessary as of 31.12.2016.

The insurance contracts that the Club issues are entered into the accounts in line with Norwegian accounting regulation ("Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance").

Line of business
Norwegian Hull Club operates in the ocean marine and energy lines of business, including underwriting of medical insurance for seafarers.

Premium from multi-year policies
Norwegian Hull Club has written multi-year policies. The premium for the insurance years 2017 and later is not recorded in the accounts.

Claims incurred but not reported
The reserve for claims incurred but not reported is calculated according to the "Benktander Method" based on reported claims.

Cost recognition and matching/claims reserve
Claims are expensed as incurred. Other costs are expensed in the same period as the income to which they relate is recognized. Claims reserves are intended to cover anticipated future claims payments for losses incurred, but not yet settled at the end of the fiscal year. These reserves comprise provisions for losses reported to the Club but not yet settled, and provisions for losses incurred but not yet reported at the end of the fiscal year. Provisions for known losses are assessed individually by the claims department, while provisions for unknown losses are based on the Club's empirical data and future expectations as well as actuarial methods. Reinsurance contracts do not free the ceding Norwegian Club Hull from its obligations to the insured.

Reserve for unallocated loss adjustment expenses (ULAE)
In line with regulation ("Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance"), the Club has implemented a provision to cover indirect claims cost. The Club has calculated unallocated loss adjustment expenses to 7% of outstanding claims as a claims provision (for the medical plan 4,5%). For indirect claims expenses related to paid claims, the Club has allocated a share of operating expenses.

Accounts receivables
Receivables are accounted for at face value with deductions for expected loss. The Club has changed accounting practice regarding disbursements. Disbursements are now being presented as gross disbursements. Previously were netted disbursements against claims provisions. The 2015 figures are restated accordingly.

Employee loans
Employee loans are accounted for at face value with deductions for expected loss. At year-end no deductions were made.

Fixed assets and depreciation
Fixed assets are recorded in the accounts at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. Depreciation is calculated using the straight line method. Upgrading of rented office premises is depreciated over the rent period. If the fair value of a fixed asset is lower than book value, and the decline is not temporary, the fixed asset will be written down to fair value. Depreciation is classified as other insurance related expenses.

Marketing expenses
Marketing expenses do not include any sales commissions.

Foreign exchange
USD is the Club's functional and presentation currency. The major part of the Club's premium income and claim's costs are in USD. The currency is also significant in respect of provisions in the marine ocean and energy lines of business. Profit and loss transactions in foreign currencies are translated into USD using the average yearly rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as financial income or costs.

Receivables and liabilities (including technical insurance obligations) in foreign currencies are translated into USD at the year-end exchange rates. Foreign exchange gains and losses that relate to payables, receivables and cash and cash equivalents are presented in the statement of comprehensive income under financial income or costs as currency gain/loss. All other foreign exchange gains and losses are posted in the statement of comprehensive income under items they relate to. Securities and financial instruments in other currencies are valued in USD at the year-end exchange rates.

Norwegian kroner are used in the official Norwegian regulatory reporting. The year-end exchange rate used for the balance sheet for the Norwegian financial reporting was 8.62 (NOK/USD). The average exchange rate used in the statement of comprehensive income was 8.39 (NOK/USD).

Cash and cash equivalents
Cash and bank deposits are included in cash and cash equivalents in the statement of cash flows. The working capital credit facility amounts to USD 1.2 million, and is not used at year-end. In addition, Norwegian Hull Club has another credit facility of USD 30 million covering both bank guarantees and ordinary credits. Restricted deposit amounts to USD 6.3 million at the end of the year.

Exemptions to the Basic Assessment and Valuation Principles

Financial current assets
Norwegian Hull Club uses the opportunity that is given to insurance companies in "Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance" to present all financial assets at fair value through profit and loss in accordance with the fair value option, if not otherwise decided before investment in a financial asset is made. This means that the fair value adjustments on financial assets are recognized in income before other comprehensive income.

Financial instruments are valued at fair market value. Such financial instruments are equities (both listed and unlisted), bonds and other interest generating investments, real estate funds and money market funds. Foreign exchange contracts are also valued at fair market value.

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized 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 are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Club has substantially transferred all risks and rewards of ownership. Realized gains/losses on financial instruments are presented on a separate line in the statement of comprehensive income. Interest and dividend incomes are included in financial income for financial assets at fair value through profit and loss.

Shares in subsidiaries and associated companies
Shares in subsidiaries and associated companies are valued using the cost method in the Norwegian Hull Club accounts. Cost increases when the parent gives the subsidiary increased equity capital by subscription for share issue or group contribution. Dividends/group contribution received is normally recognized as income, but only to the extent that dividends/group contribution received from the subsidiary does not exceed the share of retained earnings in the subsidiary after the purchase. Received dividends/group contributions in excess of this amount are recorded as a reduction of the acquisition cost. Norwegian Hull Club records received dividend/group contributions the same year as the subsidiary makes the provisions.

Pension cost, funding and obligations
The liability recognized 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. This are pension obligations for some pensioners. These are non-funded obligations.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Club has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Deferred tax and tax expense
Deferred tax is calculated based on temporary differences between book values and tax basis for assets and liabilities at year-end. For the purpose of calculating deferred tax nominal tax rates are used. Taxable and deductible temporary differences are offset to

the extent they reverse within the same time frame. However, deferred tax liabilities on net pension assets are treated separately. Temporary differences that will constitute a future tax deduction give rise to a deferred tax asset. Changes in deferred tax liability and deferred tax asset, together with taxes payable for the fiscal year adjusted for errors in previous year's tax calculations, constitute tax expenses for the year.

Risk equalization

The opportunity to make provisions to the risk equalization has been removed from 01.01.2016. At dissolution, the risk equalization was divided into other equity and deferred tax. The latter is however subject to a high level of uncertainty, and tax treatment of the dissolution has not been concluded by The Norwegian Ministry of Finance. The balance sheet as of 31.12.2015 has been restated accordingly. See note 9 and 10.

Note 2 – Number of Employees/Benefits/Employee loans/Audit/Pensions

Number of employees	NCH
31.12.2015	118
31.12.2016	122

Remuneration to executives, Board of Directors, Committee members and auditor per 31.12.2016:

	Salary	Other benefits	Loan	Profit sharing	Pension cost
Hans Christian Seim, CEO	341 195	17 872	239 975	36 837	59 307
Arne Birkeland, CAO	233 550	16 879	-	47 329	42 793
Ole Jørgen Eikanger, CBDO	207 931	17 872	147 459	7 408	37 640
Per Gustav Blom, CFO	212 584	16 283	177 494	40 057	43 759
Åge Solberg, CCO	184 240	5 560	331 861	-	32 059
Atle Fjeldstad, CUO	211 380	17 872	477 698	-	39 728
*Faz Peermohamed	880 681	47 658	-	-	-

**Faz Peermohammed served as CEO until the 30.04.2016.*
The pension and profit sharing figures in the table above represent the actual payments in 2016.

Board of Directors with sub Committees:	
Hans Olav Lindal(Chair)**	56 594
Nils P. Dyvik*/ **/***	21 446
Jan A. Hammer	7 149
Tom E. Jebsen	7 149
Siri Pettersen Strandenes*/***	46 169
Njål Sævik	17 574
Morten Ulstein	17 574
Benedicte Bakke Agerup*/**/***	25 914
Anne Torhild Mettenes (employee repr.)	3 475
Anna Erlandsen (employee repr.)	17 574
Roar Sanden (employee repr.)*/***	36 637
Total remuneration	**257 254**

Sub Committees:
** = member of Audit Committee*
*** = member of Remuneration Committee*
**** = Member of Risk Committee*

Supervisory Committee	
Harald Kobbe (Chair)	14 297
Egil Fjogstad	7 149
Annicken Kildahl	9 532
Agnethe Brekke	9 532
Total remuneration to Supervisory Committee	**40 509**

Election Committee	
Atle Bergshaven (Chair)	7 149
Helge Kraft	4 766
Jens Ismar	2 383
Elisabeth Grieg	4 766
Total remuneration to Election Committee	**19 063**

Committee	
Atle Bergshaven (Chair)	2 681 per meeting
Other members	1 191 per meeting
Total remuneration to Committee	**63 743**

There are no loans to members of the Board of Directors, Committee, Supervisory Committee or Election Committee.

Employee salary and loans

All employees	2 016	2 015
Salary	13 219 315	13 909 814
Payroll tax	2 768 195	2 295 458
Profit sharing	1 811 209	2 626 524
Other benefits	283 118	296 007
Pension cost	3 055 853	-6 749 103
Total	21 137 690	12 378 700

The Club has extended ordinary loans to employees totalling USD 9 522 542. Interest rates equal the lowest rate allowable if the loans are not to be taxed as an employee benefit. All real-estate loans are secured by real-estate collateral. The real-estate loans have a repayment period of 20 years.

The Club does not expect any loss from employee loans. Therefore, no provisions have been made. The loans are secured within 80% of the market value of the real estate.

Remuneration/profit sharing

The Club recognizes a liability for profit-sharing, based on the requirements on compensation schemes in financial institutions, given in relevant Norwegian regulation. The Club has established principles for remuneration of senior executives, employees with duties essential to the firm's risk exposure, as well as employees with supervisory responsibilities. The scheme aims to promote good management and control of the Club's risk and shall not encourage excessive risk taking. A remuneration committee is appointed and it will annually assess the need for adjustment in the compensation scheme based on the changes of the Club's risk exposure.

In addition to salary, employees covered by the scheme could be assigned a variable remuneration. The total share of profit available for distribution is calculated based on a percentage of the Club's profit. The individual's share of profit available for distribution is determined, among other things on the basis of salary and individual performance criteria. Any extraordinary effort, large client/personnel responsibility, contributions to skills upgrading in the Club and any breach of internal guidelines or other relevant legislation are given weight. In addition, certain financial criteria could also be emphasized, including the achievement of objectives within the employee's department.

Audit

	2016	2015
Audit Fee	83 240	72 044
Tax advice fee	17 609	14 591
Other services provided by auditor	110 594	27 649
In total	**211 443**	**114 284**

(The figures presented in the table above are presented inclusive VAT).

Pension cost, funding and obligations

The Club has established a defined contribution hybrid pension scheme for all employees from 01.01.2016. The cost for the Club in respect of this hybrid scheme for 2016 was USD 1 400 236. The cost for AFP (early retirement pensions) for 2016 was USD 170 702 (USD 166 629 for 2015). Additionally the Club has pension obligations for some pensioners. These are non-funded obligations. When the Club dissolved the defined benefit plan on 31.12.2015, the unfunded pension obligations were invested in HolbergFondene on behalf of the employees. These investments amount to USD 5.5 million which is booked in the balance sheet as an asset (other receivables) and a liability (payables other accounts).

All pension schemes are valued in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changes in the actuarial assumptions and variations between actual and anticipated return on pension funds, are recognized in the balance sheet immediately, through Other Comprehensive Income (OCI). However, in the 2015 and 2016 accounts, these items have been regarded as insignificant.

Notes for IAS19 disclosures per 31.12.2016:

		Non funded obligations	
1.	**Net pension cost**	**2015**	**2016**
	Current service cost	1 042 250	2 142
+	Recognized past service cost	-2 193 324	503 551
=	Service cost	-1 151 074	505 693
+	Net interest expense/(income)	301 575	87 207
+	Administrative expenses related to management of plan assets	-	-
+	Payroll tax (PT)	-119 779	83 599
=	**Cost in financial statement**	**(969 278)**	**676 499**

		Non funded obligations	
2.	**Change in defined benefit obligation (DBO)**	**2015**	**2016**
	DBO at the beginning of year	9 450 584	5 973 925
+	Service cost	955 278	2 086
+	Interest cost on DBO	276 410	84 912
+	Past service cost	-2 010 299	490 298
+	Remeasurements	-373 794	153 240
+	Acquisition/(disposals)	-1 999 160	-2 955 777
-	Benefits paid	453 266	480 301
=	**DBO at end of year**	**5 845 752**	**3 268 383**
	TBO at end of year	**6 278 196**	**3 268 383**

4.	**Obligation in financial statement**		
	Net defined benefit obligation (asset)	5 845 752	3 268 383
+	Payroll tax	824 251	460 842
+	Unrecognised past service cost	-	-
+	Remeasurements at end of year	-	-
=	**Obligation in financial statement**	**6 670 003**	**3 729 225**

5.	**Reconciliation**		
	Balance sheet provision(prepayment) at beginning of year	10 783 116	6 816 248
+	Cost in financial statement	-888 395	658 694
-	Contributions/benefits paid during year (including PT)	517 177	548 023
+	Remeasurements recognized in OCI	-426 499	174 847
-	Impact of (acquisition)/disposals	2 281 042	3 372 541
+	Other movements in the balance sheet	-	-
=	**Balance sheet provision (prepayment) at end of year**	**6 670 003**	**3 729 225**

6.	**Assumptions**	**01.01.2016**	**31.12.2016**
	Number of employees	2	0
	Number of pensioners	13	11
	Contractual Pension Scheme (AFP) probability	0 %	0 %
	Resignation rate (over/under 40 years)	0-8 %	0-8 %
	Tariff	K2013/KU	K2013/KU
	Estimated return on plan assets	2,50 %	2,10 %
	Discount rate	2,50 %	2,10 %
	Salary increase	2,50 %	2,25 %
	Increase of pension from the Norwegian National Insurance	2,25 %	2,00 %
	Pension increase	fluctuating	fluctuating
	Payroll tax	14,10 %	14,10 %

7.	**Remeasurements**	**2015**	**2016**
	Remeasurements at beginning of year	0	0
+	Actuarial loss/(gain) on DBO from demographic assumptions	0	0
+	Actuarial loss/(gain) on DBO from financial assumptions	-1 168 585	453 116
+	Actuarial loss/(gain) on DBO from experience adjustments	-2 588 442	1 054 064
-	Remeasurements recognised in OCI	-3 757 027	1 507 180
=	**Remeasurements at end of year**	**0**	**0**

Note 3 – Fixed Assets

	Equipment and fixtures	Properties	Total
Acquisition cost 1.1	10 649 602	4 382 372	15 031 973
Additions	1 220 788	-	1 220 788
Disposals	-892 519	-70 552	-963 071
Acquisition cost 31.12	10 977 871	4 311 820	15 289 690
Accumulated depreciation 1.1	5 322 227		5 322 227
Ordinary depreciation	838 929		838 929
Disposals depreciation	-234 124		-234 124
Accumulated depreciation 31.12	5 927 033	-	5 927 033
Accumulated impairment 1.1		-	
Impairment		-603 647	
Accumulated impairment 31.12		-603 647	
Book value 31.12	5 050 838	3 708 173	9 362 658

Depreciation is calculated using the straight line method. Equipment and fixtures are depreciated over a period of 3-7 years. Upgrading of rented office premises, which are part of the equipment and fixtures group, are depreciated over the rent period (10 and 13 years). The Club has an option to extend the rent period beyond the fixed term. Properties are not depreciated. Depreciation is classified as other insurance related expenses.

Note 4 – Subsidiaries and Associated Companies

In NHC the cost method is used for the following companies.

Company	Insurance Technology Solutions AS	Marine Benefits AS	Olav Kyrresgt. 11 AS
Business office	Bergen	Bergen	Bergen
Ownership share/Voting share	100 %	100 %	33 %
Result in subsidiaries and associated companies	90 600	509 706	-406 491
Book value	295 969	2 060 659	1 281 925
Equity	271 886	2 692 492	2 885 540

The activity in these companies is regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts. Subsidiaries and associated companies' financial information has been included based on unaudited financial statements as of 31 December 2016. The figures presented in the table above are all result before tax.

IT services purchased from ITS AS amounts to USD 1.0 million for 2016. Transactions between Marine Benefits AS and the Club amounts to USD 1.6 million for 2016.

Net receivables/liabilities to group and associated companies:
Balances due to Marine Benefits AS was USD 1.6 million as of 31.12.2016 (as of 31.12.2015 USD 1,5 million). The terms and conditions for the loan comprise a floating rate of interest, 3 month LIBOR + 1,5 % p.a. The loan shall be repaid within 2018. Balance due from Marine Benefits is USD 1,9 million (as of 31.12.2015 USD 1,7 million). This is a short-term claims fund. Balances due from Olav Kyrresgt. 11 AS total USD 1.4 million as of 31.12.2016 (as of 31.12.2015 USD 1.4 million).

Note 5 – Risk

Underwriting risk
The risk that the Club's premium income will be insufficient to cover the estimated size and frequency of claims. The risk is managed through the use of actuarial models for pricing, risk assessment and adoption of a sound underwriting strategy.

Reserve risk
Reserve risk is the risk that the Club's technical provisions are insufficient to cover the underlying liabilities. Actuarial models are used to calculate sufficient provisions.

Reinsurance risk
The risk associated with the choice of reinsurance structure and its adequacy, as well as the reinsurers' ability to carry the losses. Experienced employees establish a reinsurance structure ahead of the insurance year, which is regarded as optimal for the Club on the basis of sensitivity analyses of various claims scenarios, the desired exposure of the Club's solvency capital in the event of a major claim and opportunities for transferring risk on the basis of the historical claim picture. The capital adequacy of reinsurers and their ability to meet their obligations is also carefully assessed.

Operational risk
The risk that the Club's operational guidelines are inappropriate or that Club employees deviate from the guidelines. A set of guidelines have been established to manage the operational risk. The Club defines critical risks, and establishes procedures to eliminate or reduce these risks. Estimated loss from operational failure has been calculated. The Club's capital is sufficient to cover such a provision. The operational procedures are subject to continuous monitoring and are reviewed annually by the internal auditor in connection with the assessment of the Club's internal control.

Financial risk
The investment portfolio is exposed to three main categories of risk: credit risk, market risk and liquidity risk. The Club seeks to develop an investment strategy that minimizes the potential consequences of the above listed risks for any defined risk level. Routines have been established in order to make sure that the Club at any given time is in compliance with all relevant regulations in terms of capital management, capital adequacy and so forth. The Club reviews the investment risk continuously. Furthermore, the Club has developed stress tests in order to calculate the sensitivity and potential write down of the investment portfolio, and will make sure that the results of these tests are within the risk tolerance limits and parameters adopted by the Board.

Credit Risk
Credit risk is the risk that the Club's customers or counterparties to financial instruments will cause the Club financial loss by failing to honour their obligation. Theoretically, the Club's maximum credit exposure in terms of financial assets is the aggregated book value of debt investments. In order to reduce the credit risk, banks shall have a minimum rating of "A" (Standard & Poor's), and the bond portfolios shall be sufficiently diversified and have an adequate rating level from a holistic point of view. Bonds that are valued at fair value have on average an "A" rating (Standard & Poor's). Banks had on average an "A+" rating as of December 31st 2016.

The ocean marine and energy lines of business are characterized as mature markets. A large share of the premium income is handled through brokers and the business is characterized by a delay in terms of payment. The Club has premium income from clients with a good history in terms of payment and the bad debt figures are very low. However, USD 0.5 million is set as provision for bad debt at 31.12.16 (2015: USD 0.5 million). The medical insurance for seafarers business has limited credit risk and is considered as not significant.

Overview of insurance related receivables:

		Direct insurance 2016			Direct insurance 2015
		in % of total			in % of total
Not Due	65 775 360	85,0 %	Not Due	86 159 579	88,0 %
Due in 2016	10 182 119	13,2 %	Due in 2015	11 064 302	11,3 %
Due in 2015	947 812	1,2 %	Due in 2014	258 673	0,3 %
Due before 2015	508 720	0,7 %	Due before 2014	468 346	0,5 %
In total	**77 414 010**	**100,0 %**	**In total**	**97 950 899**	**100,0 %**

The reinsurance structure is established ahead of the insurance year. The Club is liable towards the insured if a reinsurer does not honour its obligations. The creditworthiness of the reinsurers is therefore a part of the decision basis in the process of placing reinsurance. In order to reduce the credit risk, reinsurers participating on the core reinsurance program shall have a minimum rating of "A" (Standard & Poor's/AM Best).

Market risk

Being a marine insurance company operating in a global business like shipping, USD is the base currency. As a result, the Club's investment portfolio is to a large extent USD based and the return of the portfolio is calculated in USD. However, since a portion of the Club's income is also received in EUR and NOK, a share of the investment portfolio will be invested in these currencies. Consequently, the investment portfolio is subject to currency risk for the part of the portfolio that is not invested in USD denominated instruments. Furthermore, the Club is also exposed to currency risk due to the fact that more or less all of the operating costs are in NOK. Currency forward contracts are used in order to manage the currency exposure.

In order to limit the interest rate exposure, the part of the investment portfolio that is invested in fixed income instruments shall have a maximum average duration of six years. As at the end of 2016, the actual duration of the fixed income portfolio was 2.3 years. Thus, the value of the fixed income portfolio will approximately increase/decrease by 2.3% if interest rates shift +/- 1.0% -point across the interest curve. The effect on the statement of comprehensive income will, with the before mentioned change in interest rate, be +/- USD 7.5 million.

Currency is a very complex matter, consisting of many issues, that has called for simplification in monitoring and management. On a quarterly basis the currency balance is monitored and matched. The equity is invested in a basket of currencies that reflects the premium currencies. This means that capital will fluctuate in line with capital requirement.

Liquidity risk

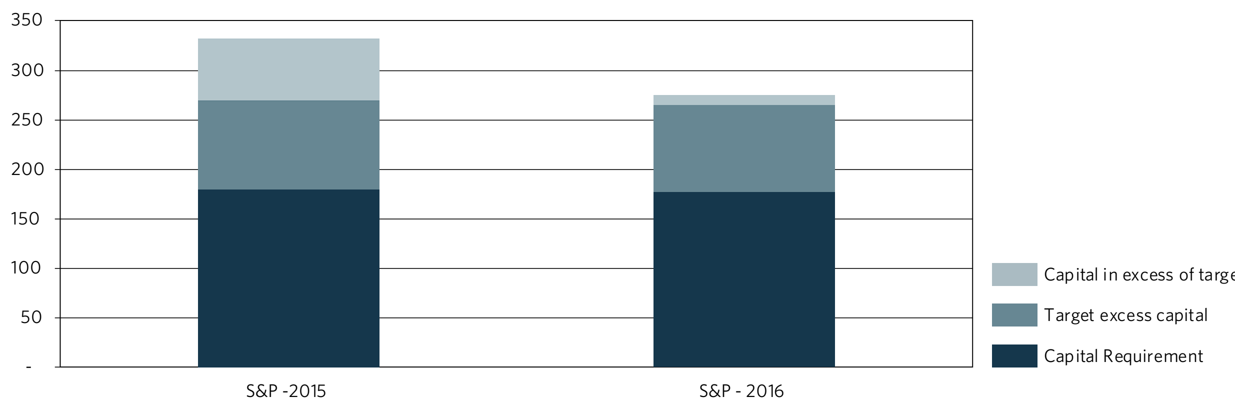
Liquidity risk is the risk that the Club will not be able to meet obligations when due. The liquidity risk in the investment portfolio is considered to be low. Roughly 88% of the portfolio is invested in assets that under normal circumstances are highly liquid. These are money market funds, government bonds, corporate bonds and equities. Other types of investments of an absolute return nature are considered to be illiquid, even though secondary markets are available for most of them.

The Club shall over time have a working capital (as deposited in bank accounts) in the region of USD 10 million. In addition, the Club has established credit facilities of minimum USD 20 million. In order to secure a sufficient degree of liquidity in the investment portfolio, at least 15% of the portfolio shall be saleable within five days without having to impact the risk profile of the portfolio by the required sales.

Risk measures and stress testing

The Club monitors its risk taking on a quarterly basis based on risk models developed by Standard & Poor's. The model covers Market risk (i.e. investment risk and risk arising from asset/liability mismatch in terms of currency and/or interest rates), Counterparty Credit risk, Underwriting risk and Operational risk. The Club has established internal targets in terms of capital in excess of the model requirements. As of 31.12.2016 the Club's capital exceeds the Standard & Poor's "A"-rating requirement by USD 99 million (2015:152 million). The Club's minimum capital requirement is determined as described above and the excess amounts are shown in the chart below:

Capital and Capital Requirements



Note 6 – Financial Assets:

The table below sets out an overview of the carrying and fair values of the Club's financial instruments and the accounting treatment of these instruments as defined in IAS 39:

	31.12.2016		31.12.2015	
	Book Value	**Market Value**	**Book Value**	**Market Value**
Stocks, shares, bonds and other financial instruments in total	414 982 693	414 982 693	396 827 074	396 827 074
Loans and receivables	11 237 446	11 237 446	13 370 728	13 370 728
Bank deposits investment portfolio	9 499 804	9 499 804	8 658 944	8 658 944
	435 719 942	**435 719 942**	**418 856 746**	**418 856 746**

31.12.2016	**Book value**		**Market value**	
	Loans and receivables	**Asset at Fair Value through P&L**	**Loans and recievables**	**Asset at Fair Value through P&L**
Stocks, shares, bonds and other financial instruments in total		414 982 693		414 982 693
Loans and receivables	11 237 446		11 237 446	
Bank deposits investment portfolio	9 499 804		9 499 804	
Total	**20 737 249**	**414 982 693**	**20 737 249**	**414 982 693**

31.12.2015	**Book value**		**Market value**	
	Loans and receivables	**Asset at Fair Value through P&L**	**Loans and receivables**	**Asset at Fair Value through P&L**
Stocks, shares, bonds and other financial instruments in total		396 827 074		396 827 074
Loans and receivables	13 370 728		13 370 728	
Bank deposits investment portfolio	**8 658 944**		**8 658 944**	
Total	**22 029 672**	**396 827 074**	**22 029 672**	**396 827 074**

Financial assets at fair value through P&L	**31.12.2016**	**31.12.2015**
Listed securities	330 741 507	334 908 979
Unlisted securities	84 241 148	61 918 094

For more detailed information on carrying and fair values for financial instruments, please see notes 7 and 8.

Fair value hierarchy

Government bonds, corporate bonds and other financial instruments that are traded in active markets where the fair value is determined on the basis of quoted market prices at the balance sheet date, are classified on level 1 in the pricing hierarchy. 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 fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize 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 value an instrument are observable, the instrument is included in level 2. Investments listed in the following have been classified on level two in the pricing hierarchy:

- Equity funds, government bond funds, corporate bond funds and high yield bond funds. Values are determined on the basis of the quoted market prices of the assets the funds have invested in.

- Currency futures, interest rate futures, stock and equity options, credit default swaps and currency swaps. Values are determined on the basis of the price development on an underlying asset or instrument. The before mentioned categories of derivatives are priced by using standard and well recognized methods of pricing such as option pricing models etc.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments listed in the following have been classified on level three in the pricing hierarchy:

- Unlisted Private Equity investments. All of these are either investments in funds or in fund of funds. Values are determined on the basis of quarterly NAV (Net Asset Value) reports from the fund managers. These reports are prepared based on the IPEV (International Private Equity and venture capital Valuation) guidelines set forth by the Equity Venture Capital Association or corresponding guidelines in the respective jurisdiction of the underlying funds. NAVs are calculated by the fund managers by making use of those methods of pricing in the IPEV and similar guidelines that are most suited to estimate actual value for each type of asset subject all relevant factors. Due to late reporting, NAVs as per the last quarterly reports are used in the accounts. The NAVs from the most recent quarterly report are adjusted for capital distributions and/or capital calls in the period until 31.12, and might be adjusted if incidents of material character have occurred during the period since last reporting date. An example in this respect could be a substantial change in the market value of a listed company a Private Equity fund has invested in.
- Real Estate funds. As for Private Equity, values are determined on the basis of quarterly NAV reports from the fund managers. As a minimum, the values of all properties in the funds are assessed by a publicly authorized real estate agent or valuator on a yearly basis. The assessed values of the properties adjusted for other assets and liabilities, and if relevant expected cash flow (for example differentials due to future requirements and /or regulation that will impact the future cash flow of the properties) make up the basis for the NAVs.

The Club uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

	Level 1	**Level 2**	**Level 3**
	Quoted active market prices	Valuation techniques based on observable market data	Valuation techniques based on not-observable market data
Financial assets at fair value through profit or loss:			
Equity funds		42 551 118	
Private equity funds			20 776 879
Real estate funds			29 372 251
Bonds	162 297 950	158 750 734	
Financial derivatives		1 233 759	
In total	**162 297 950**	**202 535 612**	**50 149 130**

The market value of the Private Market Investment portfolio has changed from USD 24.1 million at 31.12.15 to USD 20.8 million at 31.12.16. Drawdowns and new investments in the period were USD 2.4 million, while dividends and repaid investments amounted to USD 6.2 million.

The market values of the real estate funds have changed from USD 29.3 million ar 31.12.2015 to USD 29.4 million at 31.12.16. New investment and drawdowns in the period were USD nill, but total capital commitments were increased by USD 4.1 million. Dividends and repaid investments amounted to USD 3.2 million.

Note 7 – Stocks and Shares

	Currency	ISIN	Org.number	Acquisition cost	Book value	Market value
Equity fund						
Skagen Kon-Tiki	NOK	NO0010140502		3 211 232	2 501 513	2 501 513
Cantillon Global Equity Fund	USD	IE00B3KF5S87		10 000 000	9 816 681	9 816 681
Nordea Stabile Aksjer Global Etisk	NOK	FI0008800990		9 192 333	13 903 898	13 903 898
Orbis SICAV Global Equity Fund	USD	LU0334985271		3 000 000	3 559 313	3 559 313
Sands Capital EMG Fund	USD	IE00BDFMDW42		3 006 515	2 965 704	2 965 704
Longview Global Equity Fund	USD	LU0507273943		8 082 613	9 804 009	9 804 009
Equity fund in total				**36 492 692**	**42 551 119**	**42 551 119**
Private investments						
Storebrand International Private Equity VI	NOR			217 977	341 457	341 457
Nordea Private Equity II	EUR			2 144 562	1 410 024	1 410 024
Nordea Private Equity III	EUR			2 081 204	1 760 216	1 760 216
Borea Opportunity II	NOK			1 181 373	56 381	56 381
Partners Group Secondary 2008	EUR			11 909 275	3 271 416	3 271 416
Bluebay Direct Lending Fund II SLP	EUR			2 077 151	2 060 401	2 060 401
Partners Group Infrastructure	EUR			2 512 982	2 594 898	2 594 898
Union Real Estate Fund	NOK			4 935 282	4 642 224	4 642 224
Partners Group Direct Mezzanine	USD			4 464 432	4 629 211	4 629 211
Sector Exspec	USD			13 832	10 651	10 651
Private equity in total				**31 538 071**	**20 776 879**	**20 776 879**
Real estate fund						
Aberdeen Eiendomsfond Norge I IS	NOK			19 456 000	15 036 859	15 036 859
Aberdeen Eiendomsfond Norge I AS	NOK		997 592 816	198 551	151 890	151 890
Aberdeen Eiendomsfond Asia ASA	NOK		890 687 792	4 202 593	760 292	760 292
Pareto Eiendomsfelleskap AS	NOK		992 043 415	166 256	132 643	132 643
Pareto Eiendomsfelleskap IS	NOK			15 805 267	13 131 637	13 131 637
Prime Office Germany AS	NOK		990 405 131	2 956 434	158 930	158 930
Real estate in total				42 785 101	29 372 251	29 372 251
Stocks and shares in total				**110 815 865**	**92 700 249**	**92 700 249**

Remaining commitments (in local currency):		
Nordea Private Equity II	EUR	345 934
Nordea Private Equity III	EUR	272 270
Partners Group Secondary 2008	EUR	1 157 463
Bluebay Direct Lending Fund II SLP	EUR	2 972 468
Partners Group Infrastructur	EUR	431 653
Partners Group Mezzanine	USD	177 331
Borea Opportunity II	NOK	4 333 500
Union Real Estate Fund	NOK	11 030 064

Note 8 – Bonds and Foreign Exchange Contracts

	Currency	Nominal	Aquisition cost	Market value/Book value incl. acc. int.
Corporate bonds				
Government	USD	35 948 847	35 970 541	35 601 724
Finance institutions and corporate	USD	71 757 734	72 447 605	72 356 141
Other	USD	53 650 000	54 484 708	54 340 086
Corporate bonds in total		**161 356 581**	**162 902 855**	**162 297 950**
Investment grade bond funds				
Ashmore SICAV IG TRF	USD		1 585 243	1 397 273
Gramercy Corp EM Debt Fund	USD		2 754 991	2 807 674
Babson Active Short Duration Fund	USD		22 000 000	22 558 576
Nordea SICAV 1 US Corporate Bond Fund	USD		17 919 248	18 937 937
Investment grade bond fund in total			44 259 482	45 701 460
High yield bond funds				
Gramercy High Yield Corp EM Debt Fund	USD		1 908 102	1 897 798
Babson Cap GlobalHY BondFund Tranche A	USD		4 816 063	5 415 319
Oaktree Global HY Bond Fund IB Class	USD		2 683 288	3 080 356
Finsbury High Income	USD		7 392 876	8 277 175
Nordea US High Yield	USD		2 770 807	2 898 130
High yield bond funds in total			**19 571 136**	**21 568 778**
Money market funds				
Holberg Lividitet 20	NOK		34 723 048	32 965 884
Holberg Likviditet OMF	NOK		41 677 789	32 783 666
Money market funds in total			**76 400 837**	**65 749 550**
Government Bond funds				
BlueBay EM Bond Fund	USD		8 000 000	8 501 947
Ashmore SICAV EM Sovereign Debt Fund	USD		16 542 385	17 229 000
Government bonds funds in total			**24 542 385**	**25 730 947**
Bonds in total			**327 676 695**	**321 048 685**
Other financial instruments				
Foreign currency exchange contracts			**0**	**1 207 233**
Interest rate swap			**0**	**26 526**

There are no open interest rates futures as of 31.12.2016.

Overview over currency swap contracts:

	Amount bought		Amount sold			
Due date	**USD**	**EUR**	**NOK**	**GBP**	**JPY**	**SDG**
17.02.2017	43.8	29.5	555.6	7.8		
21.02.2017		5.0			338.7	3.032

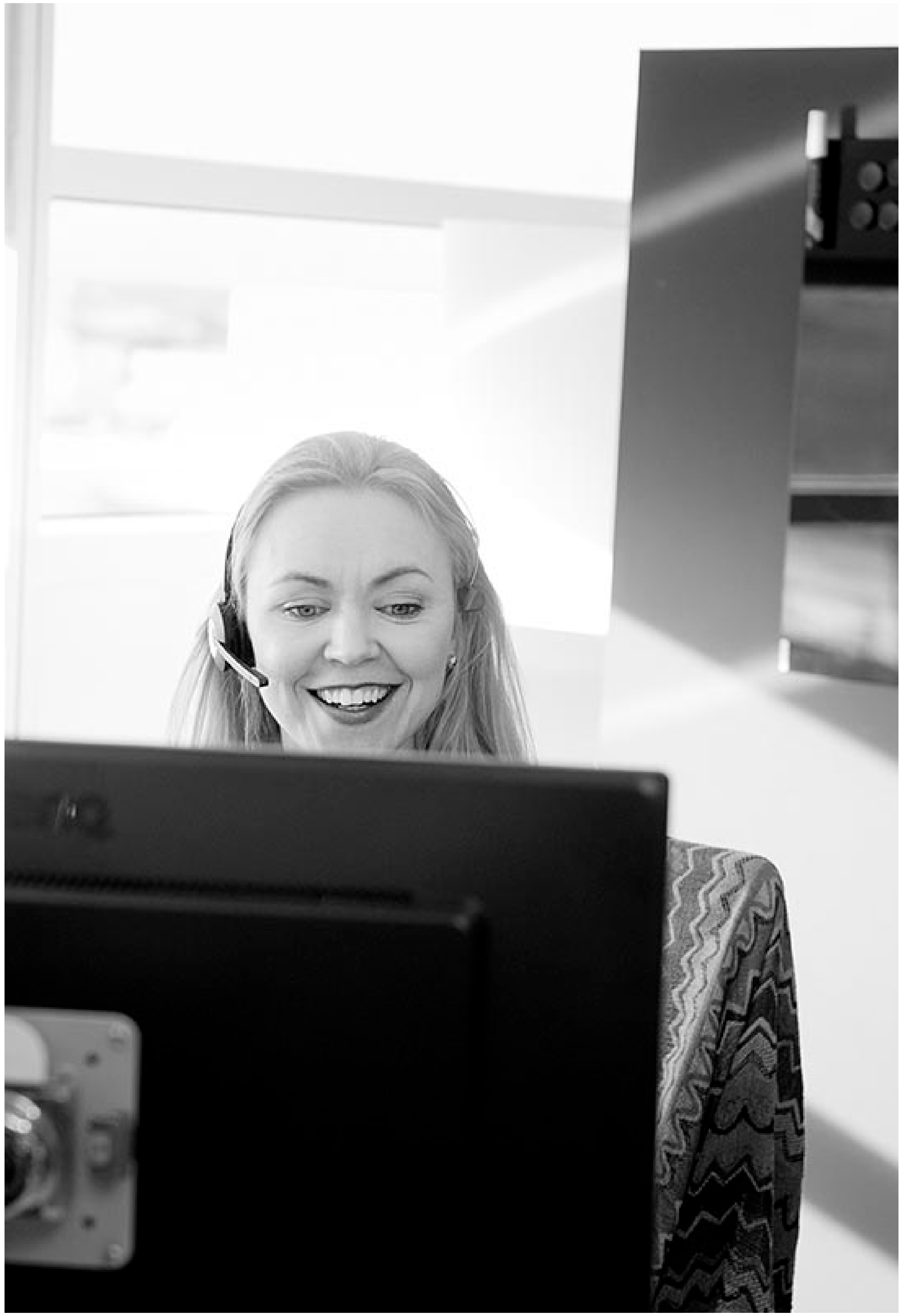
**amount in million*

Interest rate swap with maturity date 20.12.2012 is USD 10million.

Note 9 – Taxes

Tax expense for the year	2 016	2 015
Taxes payable		
Tax charge previous year		
Change in deferred tax	5 122 038	-5 610 886
Total tax expense for the year	**5 122 038**	**-5 610 886**
Specification of tax expense for the year		
Earnings before tax	17 619 313	8 538 671
Conversion effect	-699 279	5 657 084
Earnings before tax	**16 920 034**	**14 195 755**
Permanent differences (due to none tax-deductible expenses)	338 851	591 876
Permanent differences (tax-except investment - "fritaksmodellen")	1 459 544	-18 494 220
Change in temporary differences	-10 250 634	-8 639 530
Used loss carried forward	-8 467 795	
Basis taxes payable in statement of comprehensive income	**-**	**-12 346 120**
Group Contribution		-
Taxable income		**-12 346 120**
Specification of the basis for deferred tax /tax asset		
Fixed Assets	1 812 468	2 945 257
Receivables	-510 000	-520 000
Pension liabilities	-3 729 225	-8 951 045
Bonds and financial derivatives	32 617 576	42 921 736
Risk provision	307 270 606	289 651 293
Stocks and shares	173 739	342 845
Net temporary differences	337 635 165	326 390 087
Loss carried forward	-41 993 574	-51 236 646
Basis for deferred tax asset in the balance	**295 641 591**	**275 153 441**
Deferred tax / tax asset 25 %	**73 910 398**	**68 788 360**
Specification of tax expense for the year		
25% (27%) tax on net income	4 230 008	3 832 854
Correction previous years provision		-
Currency effect deferred tax	(86 514)	483 954
Effect of correction in deferred tax	528 944	382 609
Effect of change of tax percentage deferred tax		-5 476 669
Tax effect from permanent differences	449 599	-4 833 633
Estimated tax expense	**5 122 038**	**-5 610 886**

Due to changes in legislation (Solvency II) the provision for risk equalization was reclassified from liabilities to equity, and a corresponding provision for deferred tax on the provision for risk equalization was recognized. Changes in legislation were implemented from 01.01.2016, and are presented accordingly in the restated financial statements as of 31.12.2015. Thus, the tax calculation for 2015 was revised and restated accordingly. The Norwegian Ministry of Finance has not concluded on the tax treatment of the provision for risk equalization and therefore no changes in tax treatment have been implemented. Hence tax rules are still the same and Norwegian Hull Club has used consistent principles with previous years for tax purposes. The provision for risk equalization has been included in temporary differences.



Note 10 – Equity

	Owners` fund	Other Equity	Total Equity
Equity at 1.1.2015	8 042 072	30 296 313	38 338 385
Adjustments dissolution risk equalisation provision*		205 212 214	205 212 214
		-	
Profit for the Year		14 149 558	
Adjusted equity at 31.12.2015	**8 042 072**	**249 658 085**	**257 700 157**
Equity at 01.01.2016	8 042 072	249 658 085	257 700 157
Reversed dividend (accounting year 2014)		310 403	310 403
Profit for the Year		12 497 275	12 497 275
Equity as at 31.12.2016	**8 042 072**	**262 465 764**	**270 507 836**

**Please find additional information in note 9*

Note 11 – Guarantees not Presented in Balance Sheet

As claims leader, Norwegian Hull Club may issue guarantees to third parties on behalf of clients to cover liabilities incurred in connection with collisions, salvage scenarios or other types of third party claims. Such guarantees will be issued on a 100 % basis, thereby including the liabilities of co-insurers that will counter-guarantee Norwegian Hull Club's liability for their respective shares. The Club's exposure under the guarantees is dependent on and limited by

- The final liability under the case in question, which is often lower than the guarantee amount;
- Counter guarantees from co-insurers; and
- (Guarantee) debtor liability of the client.

	31.12.2016	31.12.2015
Guarantee liability regarding claims:		
Gross guarantees issued	80 991 710	103 754 771
Counter-guarantees from co-insurers	58 572 592	76 397 417
Guarantees for own account	**22 419 118**	**27 357 354**

Note 12 – Claims Expenses

	31.12.2016	31.12.2015
Gross paid claims	135 466 184	176 903 467
Reinsurers' share of gross claims	-13 325 678	-51 199 710
Claims for own account	122 140 506	125 703 756
Run off gain (+)/loss (-) gross	-2 673 503	-565 982
Run off gain (+)/loss(-) for own account	-167 614	2 427 989

Note 13 – Technical Reserves for Own Account

	31.12.16	31.12.15
Unearned gross premium provision	74 069 727	99 807 321
Reinsured proportion of gross premium provision	-13 065 565	-15 777 252
Unearned premium provision for own account	**61 004 162**	**84 030 069**
Unearned commission provision	739 703	1 034 768
Gross claims provision	225 565 149	214 768 004
Reinsured proportion of gross claims provision	-52 284 697	-42 918 070
Total risk provision etc.	**235 024 317**	**256 914 771**

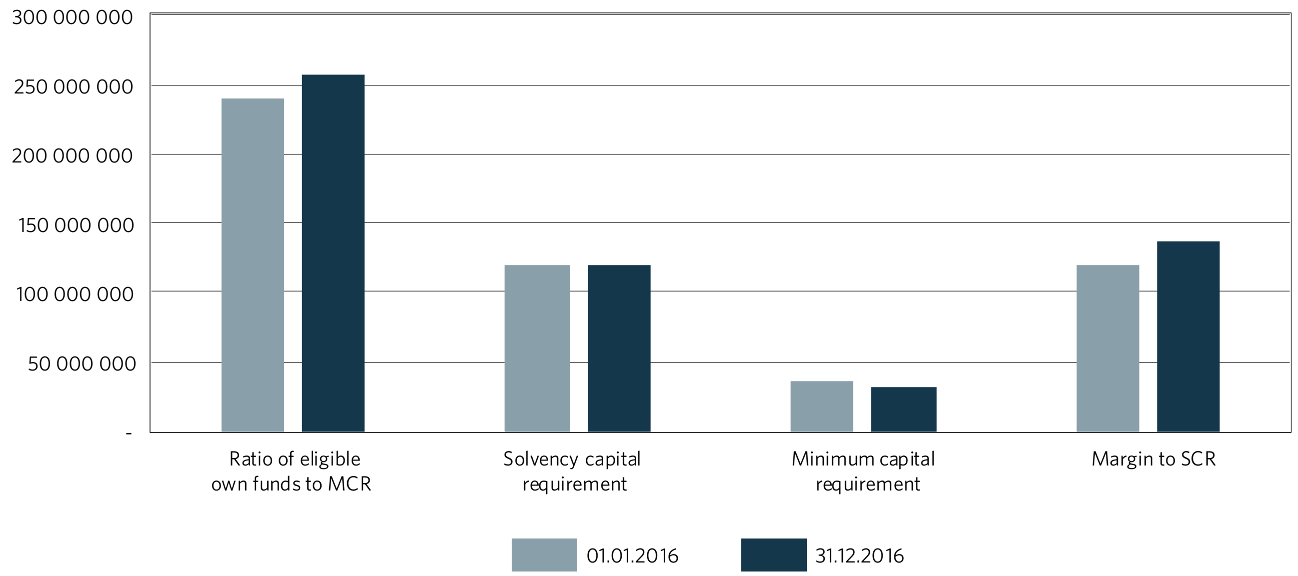
Note 14 – Solvency II Capital Requirements and Position

The table below is based on figures as at 01.01.2016. The Solvency II regulation is principle based. Calculations are based on NHC `s understanding of the Solvency II regulation and how it is implemented in Norway. The calculation of the solvency margin is changed compared to the previous requirements for the capital (the former FSA mode). The figures in the table below are adjusted for proposed return premium.

Solvency II - capital requirements and position

	01.01.2016	31.12.2016
Initial funds	8 042 072	8 042 072
Reconciliation reserve	234 394 192	251 389 467
Total basic own funds after deductions	**242 436 263**	**259 431 539**
Solvency Capital Requirement	120 876 559	120 876 559
Minimum Capital Requirement	37 472 073	32 509 961
Margin to SCR	121 559 704	138 554 980
Ratio of Eligible own funds to SCR	201 %	215 %
Ratio of Eligible own funds to MCR	647 %	798 %

Solvency II Capital Position



Note 15 Solvency II Balance sheet

Due to different valuation principles there will be deviations between the Solvency balance and Statutory accounts. A comparison is shown below

	Statutory accounts	Solvency II	Deviation	Explanation
	31.12.2016	**31.12.2016**		
Investment portfolio	424 482 497	424 482 497		
Disbursements	41 154 027	41 154 027		
Bank deposits	24 987 608	24 987 608		
Reinsurance receivables	4 554 899	4 554 899		
Premium receivables, due	67 999 131		*-67 999 131*	Reclassification (from asset to reduced liability)
Premium receivables, non-due	9 414 879	9 414 879		Unchanged
Other receivables	8 392 758	8 392 758		
Reinsurance recoverables	**65 350 262**	**65 350 262**	-	
- RBNS, IBNR and CBNI	*65 350 262*	*65 350 262*	-	Unchanged
- Expected credit loss reinsurance	-	*-63 645*	*-63 645*	Revaluation
- Discounting and Expected reinsurance profit		*-3 083 278*	*-3 083 278*	Revaluation
- Payables reinsurance	-	*-4 937 338*	*-4 937 338*	*Reclassification (from liability to reduced asset)*
- Unearned commission provision		*-739 703*	*-739 703*	*Reclassification (from liability to reduced asset)*
Other assets	25 235 922	25 235 922		
Total assets	**671 571 983**	**594 748 888**	*76 823 095*	
Equity/own funds	270 507 836	259 431 539	*-11 076 297*	
Outstanding claims reserve	**225 565 149**	**221 799 902**	*-3 765 247*	Revaluation
- RBNS, IBNR and ULAE	*225 565 149*	*225 565 149*	-	
- Discounting Included in Claim Provision	-	*-3 765 247*	*-3 765 247*	Revaluation
Premium provisions	**74 069 727**	**-87 091**	*-74 156 818*	
- Unearned Premium	*74 069 727*	*74 069 727*		
- Discounting and Expected Profit in Future Premium	-	*-6 157 686*	*-6 157 686*	Revaluation
- Deduction of non-due premium receivables	-	*-67 999 131*	*-67 999 131*	Reclassification (from asset to reduced liability)
Risk margin	**-**	**17 852 198**	*17 852 198*	Revaluation
Unearned commission provision	**739 703**	**-**	*-739 703*	Reclassification (from liability to reduced asset)
Payables reinsurance	*4 937 338*	-	*-4 937 338*	*Reclassification (from liability to reduced asset)*
Other liabilities	95 752 231	95 752 231	-	
Technical mismatch		108	*108*	
Total equity and liabilities	**671 571 983**	**594 748 888**	*76 823 096*	

There are only two changes in the claims provision for Solvency reporting compared to the statutory reporting:

- *The discount rate*
- *Premiums for expected losses for the reinsurers*

Note 16 – Reinsurers' Result

	31.12.2016	31.12.2015
Reinsurers' share of gross premiums	28 456 771	29 657 253
Reinsurers' share of gross claims	13 325 678	51 199 710
Commissions incurred	**1 795 688**	**1 783 717**
Reinsurers' result	13 335 405	-23 326 174

Note 17 – Geographical Distribution of Gross Premium Earned from Direct Insurance

	31.12.2016	31.12.2015
Norway	38 459 829	52 258 959
Countries covered by the EEA agreement	80 531 433	94 065 789
Other countries	46 508 608	45 171 724
Total	**165 499 871**	**191 496 472**

Note 18 – Earned Premium and Claims Per Lines of Business

	Marine	Medical	Total
Gross earned premium	153 938 267	11 561 604	165 499 871
Reinsurance premiums	25 520 363	2 936 408	28 456 771
In total	**128 417 904**	**8 625 195**	**137 043 099**
Gross claims	-124 395 216	-8 397 465	-132 792 681
Run off gain (+) / loss (-) gross	-2 844 706	171 203	-2 673 503
Gross accrued claims	**-127 239 922**	**-8 226 262**	**-135 466 184**
Reinsurers share of gross claims	**11 977 749**	**1 347 929**	**13 325 678**
Claims for own account	**-115 262 173**	**-6 878 332**	**-122 140 506**

Note 19 – Insurance Provisions Per Lines of Business

	Marine	Medical	Total
Unearned gross premium provision	69 236 826	4 832 901	74 069 727
Gross claims provision	222 763 873	2 801 276	225 565 149

AUDITORS' REPORT

To the Annual Shareholders' Meeting of Norwegian Hull Club - Gjensidig Assuranseforening

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norwegian Hull Club - Gjensidig Assuranseforening showing a total comprehensive income for the year of USD 12 497 275. The financial statements comprise the balance sheet as at 31 December 2016, the statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' report and statements on Corporate Governance, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

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audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 and in statements on Corporate Governance concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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.

Bergen, 14 March 2017
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

CORPORATE GOVERNANCE

Norwegian Hull Club is subject to supervision by the Financial Supervisory Authority of Norway. In addition, the Club's governing bodies have adopted separate internal regulations regarding corporate governance issues.

General Meeting

Members of the Club, clients that write business on a mutual basis, vote at the general meeting.

Committee

The Committee elects the Board of Directors, recommends annual accounts to the General Meeting and supervises the Board of Directors and management. The members of the Committee are elected from the members, i.e. the owners, of the Club.

Supervisory Committee

The Supervisory Committee is tasked with more detailed supervision of the Board of Directors and management, and reports to the Committee. The Chairman of the Supervisory Committee shall be independent of the Club.

From 2016, there was no formal requirement to maintain the Supervisory Committee. The Committee has proposed that the Supervisory Committee be discontinued. A proposal to this effect will be presented to the 2017 Annual General Meeting.

Board of Directors

The Board of Directors is responsible for setting out the strategy, including risk tolerance, and generally overseeing the daily management of the Club. Up to two members of the Board of Directors can be independent; the others represent members of the Club. The Board of Directors has audit, risk and compensation sub-committees. The Chair of the Audit Committee is independent of the Club.

Audit Committee

The Audit Committee is a sub committee of the Board of Directors. Its responsibility is to discuss significant accounting issues with management and the external auditor and to assess procedures adopted for preparing the accounts. The Audit Committee shall further assess the independence of the external auditor, discuss audit issues with external and internal auditors, assess the auditors' work and make recommendations to the Board of Directors regarding election of external and internal auditors.

Risk Committee

The Risk Committee is a sub committee of the Board of Directors. Its responsibility is to supervise the Club's total risk and regularly consider if the Club's management and control systems are adapted to the risk level and scope of the operations. The Risk Committee shall further regularly consider the continuous compliance with capital requirements and requirements for technical insurance provisions; shall regularly consider the appropriateness of the risk management system; and shall follow up the key actuary, compliance, risk management and functions.

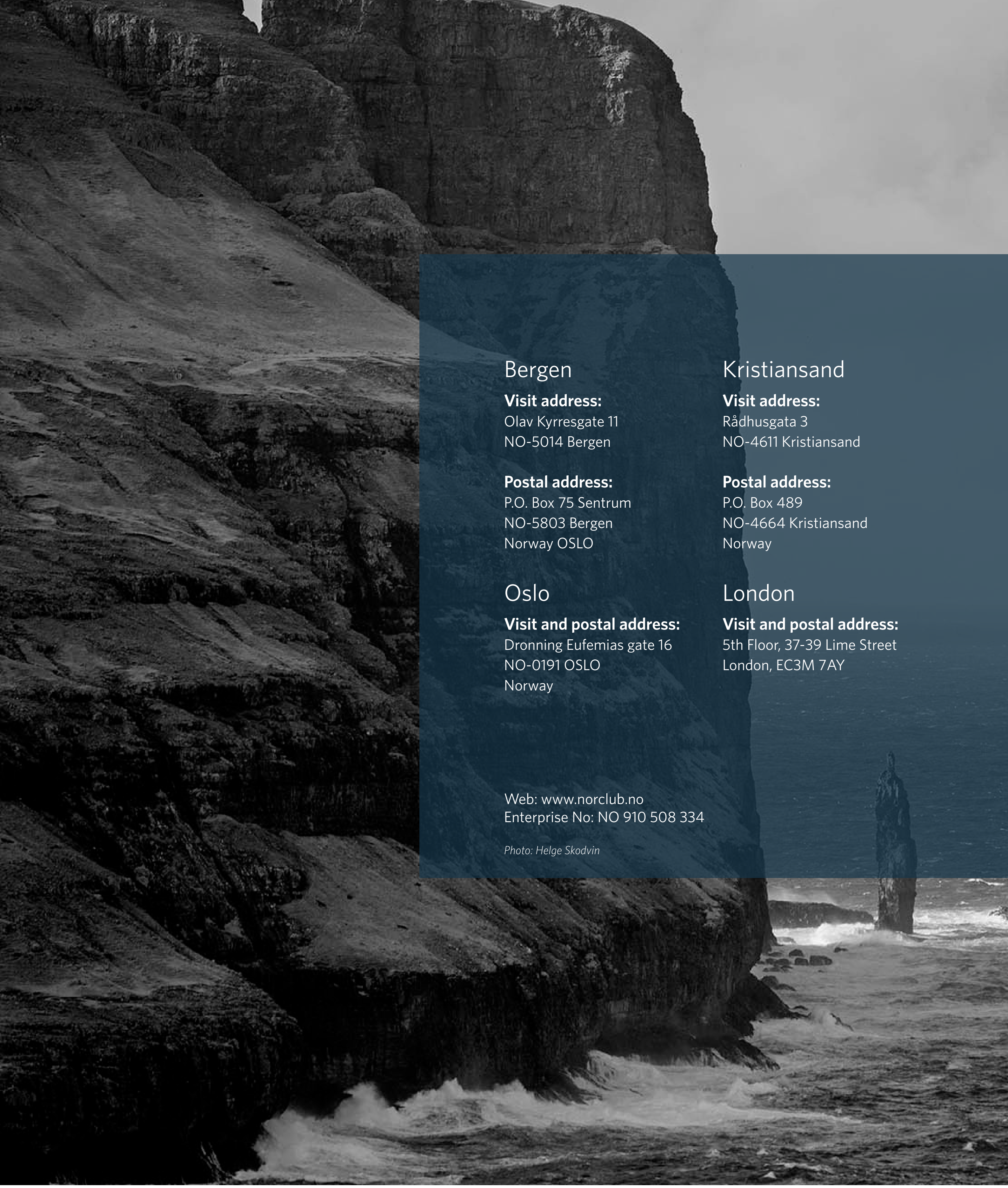
Compensation Committee

The Compensation Committee is also a sub committee of the Board of Directors. The Compensation Committee makes recommendations to the Board of Directors on the compensation of the CEO as well as the structure of general compensation and oversees compensation for the management team.

Election Committee

The Election Committee makes recommendations on candidates for the various governing bodies. The Election Committee consists of the Chairman of the Committee, the last retired Chairman of the Board of Directors and three members elected by the General Meeting.

According to the instructions for the Election Committee, the Chairman of the Committee, members of the Supervisory Committee and members of the Board of Directors shall in general not be re-elected after ten years of service.



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