

A man in a Norwegian naval uniform is shown in profile, looking out of a ship's window. The sea is visible through the window. A dark blue semi-transparent rectangle is overlaid on the left side of the image, containing the text.

2nd QUARTER REPORT

2018



NORWEGIAN HULL CLUB

TABLE OF CONTENTS

3	<i>Summary Interim Report 2Q 2018</i>	8	<i>Balance Sheet</i>
4	<i>Key Figures</i>	10	<i>Statement of Cash Flow</i>
6	<i>Statement of Comprehensive Income</i>	12	<i>Explanatory Notes to the Interim Financial Report</i>

SUMMARY INTERIM REPORT 2Q 2018

The result for Norwegian Hull Club in the first six months of 2018 is USD 21.1 million. Technical result of insurance operations is USD 20.0 million while the result from investment income and other financial items is USD 1.1 million.

Profitability on insurance operations is above expectations due to the continued absence of medium and large claims. The combined ratio is 76 % for the second quarter and 71 % for the first half of 2018 respectively.

Return on the investment portfolio is 0.2 % in USD. The low return is primarily due to higher USD interest rates and a corresponding fall in the value of bond portfolios. The USD return corresponds to USD 0.8 million. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items.

Equity is USD 311.8 million at the end of June 2018.



KEY FIGURES

All figures in USD 000's					
	01.01.-30.06.2018	01.01.-30.06.2017	2Q2018	2Q2017	2017
Gross earned premiums	84 829	85 980	44 811	41 636	167 687
Gross claims	-44 800	-74 289	-24 622	-34 905	-237 356
Gross result	40 029	11 691	20 189	6 732	-69 668
Premiums for own account	69 445	69 663	36 998	33 373	136 965
Claims for own account	-41 565	-52 734	-24 462	-24 256	-126 026
Insurance result for own account	27 880	16 929	12 536	9 117	10 938
Net operating expenses	-7 853	-7 342	-3 580	-2 970	-16 958
Technical result	20 026	9 587	8 957	6 147	-6 020
Net financial items	1 062	21 935	-3 877	11 792	35 853
Operating result	21 088	31 522	5 079	17 939	29 833
Loss ratio for own account	60 %	76 %	66 %	73 %	92 %
Combined ratio	71 %	86 %	76%	82 %	104%

	30.06.2018	31.12.2017
Investment portfolio	417 095	409 490
Bank deposits	22 317	17 776
Receivables	242 027	227 931
Other assets	23 219	22 714
TOTAL ASSETS	704 659	677 911
Equity	311 845	290 756
Claims provision	178 079	198 755
Other provisions	106 421	77 407
Payables and other liabilities	108 314	110 992
TOTAL EQUITY AND LIABILITIES	704 659	677 911



STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

	30.06.2018	30.06.2017
Gross earned premiums	84 828 877	85 980 462
Reinsurance premiums	-15 384 329	-16 317 941
A Premiums for own account	69 444 549	69 662 521
B Other insurance related income	3 684 620	3 876 717
Gross accrued claims	44 800 310	74 289 332
Reinsurers share of gross claims	-3 235 663	-21 555 640
C Claims for own account	41 564 647	52 733 692
Marketing expenses	5 154 884	5 111 887
Commissions earned	0	0
D Total insurance related expenses for own account	5 154 884	5 111 887
E Other insurance related expenses	6 383 196	6 106 761
F Operating result technical accounts (A+B-C-D-E)	20 026 441	9 586 898
Financial income	5 509 727	4 867 170
Realised gains and losses	503 759	196 487
Adjustment investment portfolio	-3 878 786	17 702 576
G Total financial income	2 134 701	22 766 233
H Administration expenses financial assets	1 072 745	830 964
I Result from ordinary operations (F+G-H)	21 088 397	31 522 167
J Tax expenses (income)	0	0
K Result before other result components (I-J)	21 088 397	31 522 167



BALANCE SHEET

Assets

All figures in USD		
	30.06.2018	31.12.2017
Shares in subsidiaries	2 734 715	2 734 715
Other shares	1 281 925	1 281 925
Mortgage loans	10 563 108	10 328 877
Stocks and shares	101 878 249	105 060 721
Bonds and foreign exchange contracts	306 121 067	300 644 660
Financial derivatives	2 465 515	0
Bank deposits investment portfolio	9 096 091	3 784 382
Total financial assets	434 140 670	423 835 279
Reinsured proportion of gross premium provisions	22 413 905	14 397 660
Reinsured proportion of gross claims provision	46 676 116	55 349 537
Total reinsured proportion of insurance provisions	69 090 021	69 747 197
Insurance related receivables	114 592 802	90 246 484
Reinsurance receivables	10 456 206	12 396 722
Disbursements	36 127 265	46 403 527
Other receivables	11 760 884	9 137 339
Total receivables	172 937 158	158 184 072
Properties	2 777 085	2 777 085
Equipment and fixtures	4 368 107	4 279 113
Cash and bank deposits	22 317 145	17 776 057
Deferred tax	0	0
Total other assets	29 462 337	24 832 255
Accrued interest	1 494 012	1 312 040
TOTAL ASSETS	707 124 198	677 910 844

Equity and Liabilities

All figures in USD		
	30.06.2018	31.12.2017
Equity	8 042 072	8 042 072
Other equity	303 802 511	282 714 115
Total equity	311 844 583	290 756 186
Unearned gross premium provision	106 421 105	77 407 114
Gross claims provision	178 079 325	198 755 426
Unearned commission provision	00	0
Total gross insurance provisions	284 500 430	276 162 540
Pension liability	4 246 406	4 246 406
Withheld payroll tax, social security etc.	2 149 121	3 187 549
Deferred tax	83 494 842	83 494 842
Taxes payable	0	0
Total tax etc. payable	89 890 369	90 928 797
Payables direct insurance accounts	601 676	629 909
Payables reinsurance	4 170 564	6 975 016
Payables other accounts	16 116 576	12 458 397
Total payables	20 888 816	20 063 321
TOTAL EQUITY AND LIABILITIES	707 124 198	677 910 845

STATEMENT OF CASH FLOW

All figures in USD

	30.06.2018	30.06.2017
Profit of the year before tax	22 333 397	31 566 579
Change in net technical reserves	7 750 066	877 233
Net profit on sale of fixed shares	0	0
Change in disbursements	10 276 262	-8 762 660
Net profit on sale of fixed assets	0	-58 805
Change in net pension funds	0	0
Change in net receivables	-27 889 768	-29 825 656
Depreciation	401 800	325 734
Taxes paid	-54 193	-46 804
Net cash flow from operations before financial assets	12 817 565	-5 924 379
Change in net bonds	-5 476 408	-1 215 047
Change in net stocks and shares	3 182 472	-9 795 822
Change in net financial derivatives	0	1 725 605
Net cash flow from financial assets	-2 293 936	-9 285 264
A Net cash flow from operational activities	10 523 629	-15 209 644
Cash generated/used by investing activities		
Net receipts/payments related to purchase/capitalization of subsidiaries and associated companies	0	0
Net receipts/payments related to sale/purchase of fixed assets	-490 794	863 252
Change in mortgage loans	-234 231	270 172
B Net cash inflow/outflow from investment activities	-725 025	1 133 424
C Net financing activities - dividend paid to members	0	0
C Effect of changes in exchange rates on cash and cash equivalents	0	312 195
A+B+C Net change in cash and cash equivalents	9 798 604	-13 764 025
Cash and cash equivalents 01.01	21 560 439	34 487 412
Cash and cash equivalents	31 359 043	20 723 387



EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

Note 1 - Accounting policies

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

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

The main accounting policies are unchanged from the annual report 2017 and the annual report contains the full description of the accounting policies. A new accounting regulation was implemented in 2016 and the dissolution of the equalisation reserve is a change of accounting principle and has been booked against deferred tax and equity.

There are still discussions and uncertainty on how this change should be treated for tax purposes. Due to this, Norwegian Hull Club has not calculated any tax expenses.

Note 2- Claims expenses

	30.06.2018	30.06.2017
Gross claims	44 800 310	74 289 332
Claims for own account	41 564 647	52 733 692
<i>Run off gain (+) / loss (-) gross</i>	-3 946 605	-17 532 456
<i>Run off gain (+) / loss (-) for own account</i>	-4 168 405	2 074 516

Note 3 - Market value adjustments

	31.12.2017		30.06.2018		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	300 644 660	300 644 660	306 121 067	306 121 067	5 476 408	5 476 408
Stocks and shares	105 060 721	105 060 721	101 878 249	101 878 249	(3 182 472)	(3 182 472)
Derivatives	0	0	0	0	0	0
In total	405 705 381	405 705 381	407 999 316	407 999 316	2 293 936	2 293 936

Note 4 - Off balance items

	30.06.2018	31.12.2017
Guarantee liability regarding claims		
Gross guarantees issued	104 262 306	90 412 424
Counter-guarantees from co-insurers	74 165 379	61 125 340
Guarantees for own account	30 096 927	29 287 084

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

Note 5 - Material events subsequent to the end of the interim period

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

Note 6 - Changes in equity

	Owners' funds	Other equity	Total equity
Equity at 31.12.2017	8 042 072	282 714 115	290 756 186
Allocation		21 088 397	21 088 397
Equity	8 042 072	303 802 511	311 844 583

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