

# 3rd QUARTER REPORT

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## 2018



NORWEGIAN HULL CLUB

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# SUMMARY INTERIM REPORT 3Q 2018

The result for Norwegian Hull Club in the first nine months of 2018 is USD 19.9 million. The technical result of insurance operations is USD 13.2 million while the result from investment income and other financial items is USD 6.7 million.

Profitability on insurance operations is above expectations due to the continued absence of large claims. Claims frequency is in line with expectations. The combined ratio is 88 % so far in 2018.

Return on the investment portfolio is 1.5 % 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 6.1 million. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items.

Equity is USD 310.6 million at the end of September 2018.





# KEY FIGURES

All figures in USD 000's

	01.01.-30.09.2018	01.01.-30.09.2017	3Q 2018	3Q 2017	2017
Gross earned premiums	126 564	128 759	41 736	42 779	167 687
Gross claims	-95 824	-219 943	- 51 023	-145 712	-237 356
<b>Gross result</b>	<b>30 741</b>	<b>-91 184</b>	<b>-9 288</b>	<b>-102 933</b>	<b>-69 668</b>
Premiums for own account	105 667	105 269	36 223	36 386	136 965
Claims for own account	-80 518	-108 862	-38 953	-56 173	-126 026
<b>Insurance result for own account</b>	<b>25 149</b>	<b>-3 593</b>	<b>- 2 731</b>	<b>-19 787</b>	<b>10 938</b>
Net operating expenses	-11 959	-11 355	-4 105	-4 792	-16 958
<b>Technical result</b>	<b>13 190</b>	<b>-14 948</b>	<b>-6 836</b>	<b>-24 579</b>	<b>-6 020</b>
Net financial items	6 693	32 745	5 631	10 810	35 853
<b>Operating result</b>	<b>19 884</b>	<b>17 797</b>	<b>-1 205</b>	<b>- 13 769</b>	<b>29 833</b>
Loss ratio for own account	76 %	103 %	107.5 %	154.4%	92 %
Combined ratio	88 %	114 %	118.9 %	167.6 %	104.4 %

	30.09-2018	31.12.2017
Investment portfolio	426 220	409 490
Bank deposits	24 290	17 776
Receivables	234 930	227 931
Other assets	22 690	22 714
<b>TOTAL ASSETS</b>	<b>708 130</b>	<b>677 911</b>
Equity	310 640	290 756
Claims provision	205 245	198 755
Other provisions	89 867	77 407
Payables and other liabilities	102 378	110 992
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>708 130</b>	<b>677 911</b>





# STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

	30.09.2018	30.09.2017
Gross earned premiums	126 564 438	128 759 239
Reinsurance premiums	-20 897 265	-23 490 156
<b>A Premiums for own account</b>	<b>105 667 173</b>	<b>105 269 082</b>
<b>B Other insurance related income</b>	<b>5 144 227</b>	<b>5 909 018</b>
Gross accrued claims	95 823 648	219 942 989
Reinsurers share of gross claims	-15 305 597	-111 080 518
<b>C Claims for own account</b>	<b>80 518 051</b>	<b>108 862 471</b>
Marketing expenses	7 525 675	7 901 545
Commissions earned	0	0
<b>D Total insurance related expenses for own account</b>	<b>7 525 675</b>	<b>7 901 545</b>
<b>E Other insurance related expenses</b>	<b>9 577 508</b>	<b>9 362 265</b>
<b>F Operating result technical accounts (A+B-C-D-E)</b>	<b>13 190 166</b>	<b>- 14 948 181</b>
Financial income	7 699 776	7 477 055
Realised gains and losses	4 436 039	-6 883 968
Adjustment investment portfolio	-4 159 633	33 354 957
<b>G Total financial income</b>	<b>7 976 181</b>	<b>33 948 044</b>
<b>H Administration expenses financial assets</b>	<b>1 282 838</b>	<b>1 202 782</b>
<b>I Result from ordinary operations (F+G-H)</b>	<b>19 883 510</b>	<b>17 797 081</b>
<b>J Tax expenses (income)</b>	<b>0</b>	<b>0</b>
<b>K Result before other result components (I-J)</b>	<b>19 883 510</b>	<b>17 797 081</b>



# BALANCE SHEET

## Assets

All figures in USD		
	30.09.2018	31.12.2017
Shares in subsidiaries	2 734 715	2 734 715
Other shares	1 281 925	1 281 925
Mortgage loans	10 160 236	10 328 877
Stocks and shares	104 005 952	105 060 721
Bonds and foreign exchange contracts	313 853 834	300 644 660
Financial derivatives	0	0
Bank deposits investment portfolio	8 360 660	3 784 382
<b>Total financial assets</b>	<b>440 397 322</b>	<b>423 835 279</b>
Reinsured proportion of gross premium provisions	17 651 216	14 397 660
Reinsured proportion of gross claims provision	56 450 974	55 349 537
<b>Total reinsured proportion of insurance provisions</b>	<b>74 102 189</b>	<b>69 747 197</b>
Insurance related receivables	99 425 396	90 246 484
Reinsurance receivables	8 890 764	12 396 722
Disbursements	42 555 330	46 403 527
Other receivables	9 956 104	9 137 339
<b>Total receivables</b>	<b>160 827 594</b>	<b>158 184 072</b>
Properties	2 777 085	2 777 085
Equipment and fixtures	4 172 370	4 279 113
Cash and bank deposits	24 289 557	17 776 057
Deferred tax	0	0
<b>Total other assets</b>	<b>31 239 013</b>	<b>24 832 255</b>
Accrued interest	1 563 529	1 312 040
<b>TOTAL ASSETS</b>	<b>708 129 646</b>	<b>677 910 844</b>

## Equity and Liabilities

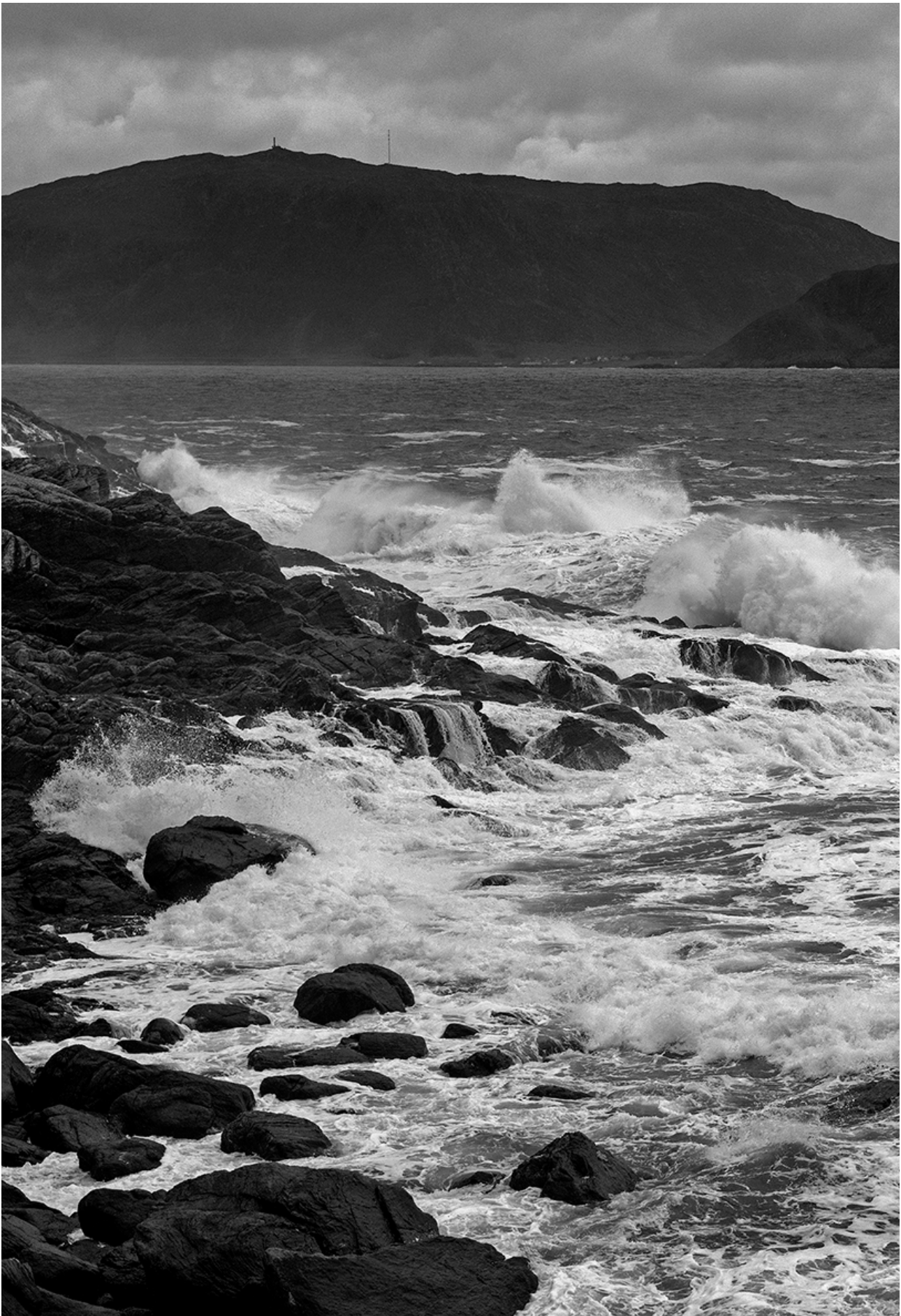
All figures in USD		
	30.09.2018	31.12.2017
Equity	8 042 072	8 042 072
Other equity	302 597 624	282 714 115
<b>Total equity</b>	<b>310 639 696</b>	<b>290 756 186</b>
Unearned gross premium provision	89 867 438	77 407 114
Gross claims provision	205 244 581	198 755 426
Unearned commission provision	0	0
<b>Total gross insurance provisions</b>	<b>295 112 019</b>	<b>276 162 540</b>
Pension liability	4 246 406	4 246 406
Withheld payroll tax, social security etc.	2 020 298	3 187 549
Deferred tax	83 494 842	83 494 842
Taxes payable	0	0
<b>Total tax etc. payable</b>	<b>89 761 546</b>	<b>90 928 797</b>
Payables direct insurance accounts	603 045	629 909
Payables reinsurance	2 320 755	6 975 016
Payables other accounts	9 692 586	12 458 397
<b>Total payables</b>	<b>12 616 386</b>	<b>20 063 321</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>708 129 646</b>	<b>677 910 845</b>



# STATEMENT OF CASH FLOW

All figures in USD

	30.09.2018	30.09.2017
Profit of the year before tax	19 883 510	17 797 081
Change in net technical reserves	14 594 487	9 388 917
Net profit on sale of fixed shares	0	0
Change in disbursements	3 848 197	-18 096 745
Net profit on sale of fixed assets	0	0
Change in net pension funds	0	0
Change in net receivables	-15 357 394	-23 302 066
Depreciation	401 800	511 293
Taxes paid	-54 067	-49 237
<b>Net cash flow from operations before financial assets</b>	<b>23 316 533</b>	<b>-13 750 756</b>
Change in net bonds	-13 209 174	20 265 229
Change in net stocks and shares	1 054 770	-16 181 485
Change in net financial derivatives	0	1 800 041
	0	0
<b>Net cash flow from financial assets</b>	<b>-12 154 404</b>	<b>5 883 786</b>
<b>A Net cash flow from operational activities</b>	<b>11 162 128</b>	<b>-7 866 970</b>
<b>Cash generated/used by investing activities</b>		
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	168 640	378 370
<b>B Net cash inflow/outflow from investment activities</b>	<b>-322 153</b>	<b>1 241 622</b>
<b>C Net financing activities - dividend paid to members</b>	<b>0</b>	<b>0</b>
<b>C Effect of changes in exchange rates on cash and cash equivalents</b>	<b>249 804</b>	<b>-230 057</b>
<b>A+B+C Net change in cash and cash equivalents</b>	<b>11 089 779</b>	<b>-6 855 406</b>
<b>Cash and cash equivalents 01.01</b>	<b>21 560 439</b>	<b>34 487 412</b>
<b>Cash and cash equivalents</b>	<b>32 650 217</b>	<b>27 632 006</b>



# 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, 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. Because of this, Norwegian Hull Club has not calculated any tax expenses.

## Note 2- Claims expenses

	30.09.2018	30.09.2017
Gross claims	95 823 648	219 942 989
Claims for own account	80 518 051	108 862 471
<i>Run off gain (+) / loss (-) gross</i>	6 576 856	-17 532 456
<i>Run off gain (+) / loss (-) for own account</i>	1 184 364	2 074 516

## Note 3 - Market value adjustments

	31.12.2017		30.09.2018		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	300 644 660	300 644 660	313 853 834	313 853 834	13 209 174	13 209 174
Stocks and shares	105 060 721	105 060 721	104 005 952	104 005 952	(1 054 770)	(1 054 770)
Derivatives	0	0	0	0	0	0
In total	405 705 381	405 705 381	417 859 785	417 859 785	12 154 404	12 154 404

## Note 4 - Off balance items

	30.09.2018	31.12.2017
Guarantee liability regarding claims		
Gross guarantees issued	92 712 670	90 412 424
Counter-guarantees from co-insurers	61 806 298	61 125 340
Guarantees for own account	30 906 372	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		19 883 510	19 883 510
Equity	8 042 072	302 597 624	310 639 696



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