

2ND QUARTER REPORT

2020



NORWEGIAN HULL CLUB

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SUMMARY INTERIM REPORT 2Q 2020

The result for Norwegian Hull Club for the first six months of 2020 is USD 37.1 million. The technical result of insurance operations is USD 35.3 million, while the result from investments and other financial items is USD 1.8 million.

Profitability on insurance operations is above expectations due to positive claims development. The combined ratio is 64 % so far in 2020. There is no clear, negative net impact of the Covid-19 pandemic.

Return on the investment portfolio is 0.6 % in USD. The USD return corresponds to USD 2.7 million. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items. Capital adequacy has improved since the end of 2019.

Equity is USD 325.8 million at the end of June 2020.



KEY FIGURES

| All figures in USD 000's | | | | | |
|---|-------------------|-------------------|---------------|---------------|----------------|
| | 01.01.-31.06.2020 | 01.01.-31.06.2019 | 2Q 2020 | 2Q 2019 | 2019 |
| Gross earned premiums | 125 096 | 86 238 | 61 456 | 47 847 | 203 153 |
| Gross claims | -67 862 | -87 683 | -38 082 | -35 297 | - 199 150 |
| Gross result | 57 235 | -1 444 | 23 373 | 12 550 | 4 003 |
| Premiums for own account | 99 529 | 67 583 | 48 359 | 37 785 | 156 192 |
| Claims for own account | -56 950 | -85 985 | -28 993 | -36 153 | -180 924 |
| Insurance result for own account | 42 579 | -18 402 | 19 366 | 1 632 | -24 732 |
| Net operating expenses | -7 235 | -7 617 | -3 137 | -3 612 | -16 131 |
| Technical result | 35 344 | -26 019 | 16 229 | -1 980 | -40 863 |
| Net financial items | 1 789 | 21 749 | 22 512 | 8 793 | 33 364 |
| Operating result | 37 132 | -4 270 | 38 740 | 6 813 | -7 499 |
| Loss ratio for own account | 57 % | 127 % | 60 % | 95.7 % | 115.8 % |
| Combined ratio | 64 % | 138 % | 66.4 % | 105.2 % | 126.2 % |

| | 31.06.2020 | 31.12.2019 |
|-------------------------------------|----------------|----------------|
| Investment portfolio | 476 808 | 448 092 |
| Bank deposits | 30 833 | 19 330 |
| Receivables | 251 063 | 253 393 |
| Other assets | 24 612 | 26 141 |
| TOTAL ASSETS | 783 316 | 746 955 |
| Equity | 325 827 | 301 263 |
| Claims provision | 205 989 | 229 097 |
| Other provisions | 135 615 | 115 100 |
| Payables and other liabilities | 115 885 | 101 495 |
| TOTAL EQUITY AND LIABILITIES | 783 316 | 746 955 |



STATEMENT OF COMPREHENSIVE INCOME

All figures in USD

| | 30.06.2020 | 30.06.2019 |
|---|-------------------|--------------------|
| Gross earned premiums | 125 096 089 | 86 238 376 |
| Reinsurance premiums | -25 567 050 | -18 655 568 |
| A Premiums for own account | 99 529 039 | 67 582 807 |
| B Other insurance related income | 4 255 962 | 3 250 325 |
| Gross accrued claims | 67 861 544 | 87 682 535 |
| Reinsurers share of gross claims | -10 911 191 | -1 697 486 |
| C Claims for own account | 56 950 353 | 85 985 049 |
| Marketing expenses | 5 303 958 | 5 274 973 |
| D Total insurance related expenses for own account | 5 303 958 | 5 274 973 |
| E Other insurance related expenses | 6 187 159 | 5 592 129 |
| F Operating result technical accounts (A+B-C-D-E) | 35 343 531 | -26 019 019 |
| Financial income | 5 984 313 | 6 040 307 |
| Realised gains and losses | 9 839 381 | 2 575 090 |
| Adjustment investment portfolio | -13 018 768 | 14 203 168 |
| G Total financial income | 2 804 926 | 22 818 565 |
| H Administration expenses financial assets | 1 016 379 | 1 069 623 |
| I Result from ordinary operations (F+G-H) | 37 132 078 | -4 270 077 |
| J Tax expenses (income) | 12 567 354 | 0 |
| K Result before other result components (I-J) | 24 564 723 | -4 270 077 |



BALANCE SHEET

Assets

| All figures in USD | | |
|---|--------------------|--------------------|
| | 30.06.2020 | 31.12.2019 |
| Shares in subsidiaries | 3 425 774 | 3 735 451 |
| Other shares | 7 051 851 | 7 051 851 |
| Mortgage loans | 6 879 988 | 7 868 434 |
| Stocks and shares | 92 383 414 | 102 565 541 |
| Bonds and foreign exchange contracts | 376 724 327 | 341 645 530 |
| Financial derivatives | - | - |
| Bank deposits investment portfolio | 7 700 661 | 3 880 582 |
| Total financial assets | 494 166 015 | 466 747 388 |
| Reinsured proportion of gross premium provisions | 28 888 054 | 19 990 910 |
| Reinsured proportion of gross claims provision | 26 469 250 | 37 455 901 |
| Total reinsured proportion of insurance provisions | 55 357 304 | 57 446 811 |
| Insurance related receivables | 147 164 453 | 121 889 361 |
| Reinsurance receivables | 6 049 523 | 16 459 646 |
| Disbursements | 28 658 088 | 46 024 748 |
| Other receivables | 13 834 048 | 11 572 638 |
| Total receivables | 195 706 112 | 195 946 393 |
| Properties | 2 777 085 | 2 777 085 |
| Equipment and fixtures | 3 201 163 | 3 497 026 |
| Cash and bank deposits | 30 832 659 | 19 329 596 |
| Total other assets | 36 810 908 | 25 603 707 |
| Accrued interest | 1 275 750 | 1 211 195 |
| TOTAL ASSETS | 783 316 089 | 746 955 495 |

Equity and Liabilities

| All figures in USD | | |
|--|--------------------|--------------------|
| | 30.06.2020 | 31.12.2019 |
| Equity | 8 042 072 | 8 042 072 |
| Other equity | 317 785 275 | 293 220 551 |
| Total equity | 325 827 347 | 301 262 623 |
| Unearned gross premium provision | 135 615 182 | 115 100 329 |
| Gross claims provision | 205 988 555 | 229 097 411 |
| Total gross insurance provisions | 341 603 738 | 344 197 740 |
| Pension liability | 4 564 531 | 4 065 191 |
| Withheld payroll tax, social security etc. | 2 691 914 | 2 936 446 |
| Deferred tax | 59 227 424 | 68 366 301 |
| Taxes payable | 2 312 203 | 3 600 456 |
| Total tax and pension payable | 90 502 303 | 78 968 394 |
| Payables direct insurance accounts | 588 456 | 692 419 |
| Payables reinsurance | 14 407 751 | 11 220 354 |
| Payables other accounts | 10 386 495 | 10 613 965 |
| Total payables | 25 382 702 | 22 526 738 |
| TOTAL EQUITY AND LIABILITIES | 783 316 089 | 746 955 495 |

STATEMENT OF CASH FLOW

All figures in USD

| | 30.06.2020 | 31.12.2019 |
|---|--------------------|--------------------|
| Profit of the year before tax | 37 132 078 | -7 499 277 |
| Change in net technical reserves | -504 495 | 61 180 803 |
| Unrealised value change other shares | 0 | -1 793 030 |
| Net profit on sale of fixed shares | 0 | 0 |
| Change in disbursements | 17 366 660 | 4 302 015 |
| Net profit on sale of fixed assets | 0 | 0 |
| Change in net pension funds | 499 340 | 24 507 |
| Change in net receivables | -14 579 502 | -25 438 905 |
| Depreciation | 324 452 | 699 454 |
| Taxes paid | -949 380 | -994 241 |
| Net cash flow from operations before financial assets | 39 289 153 | 30 481 325 |
| Change in net bonds | -35 078 797 | -29 793 658 |
| Change in net stocks and shares | 10 182 127 | -6 111 242 |
| Change in net financial derivatives | 0 | 450 602 |
| | 0 | 0 |
| Net cash flow from financial assets | -24 896 670 | -35 454 299 |
| A Net cash flow from operational activities | 14 392 483 | -4 972 974 |
| Cash generated/used by investing activities | | |
| Net receipts/payments related to purchase/capitalization of subsidiaries and associated companies | 309 677 | -421 766 |
| Net receipts/payments related to sale/purchase of fixed assets | -28 589 | -245 093 |
| Change in mortgage loans | 988 445 | 1 698 510 |
| B Net cash inflow/outflow from investment activities | 1 269 534 | 1 031 651 |
| C Net financing activities - dividend paid to members | 0 | 0 |
| D Effect of changes in exchange rates on cash and cash equivalents | -338 874 | -51 990 |
| A+B+C+D Net change in cash and cash equivalents | 15 323 143 | -3 993 313 |
| Cash and cash equivalents 01.01 | 23 210 177 | 27 203 490 |
| Cash and cash equivalents | 38 533 320 | 23 210 177 |

DEVELOPMENT IN EQUITY

All figures in USD

| | Owners' funds | Other equity | Total equity |
|-----------------------------|------------------|--------------------|--------------------|
| Equity at 31.12.2019 | 8 042 072 | 293 220 551 | 301 262 623 |
| Allocation | | 24 564 723 | 24 564 723 |
| Equity | 8 042 072 | 317 785 275 | 325 827 347 |

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 the presentation of a full annual report.

The main accounting policies are unchanged from the annual report 2019 and the annual report contains the full description of the accounting policies.

Note 2- Claims expenses

| | 30.06.2020 | 31.12.2019 |
|--|------------|------------|
| Gross claims | 67 861 544 | 87 682 535 |
| Claims for own account | 56 950 353 | 85 985 049 |
| <i>Run off gain (+) / loss (-) gross</i> | 461 840 | 6 576 856 |
| <i>Run off gain (+) / loss (-) for own account</i> | -6 070 424 | 1 184 364 |

Note 3 - Market value adjustments

| | 31.12.2019 | | 30.06.2020 | | Change | |
|-------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| | Book Value | Market Value | Book Value | Market Value | Book Value | Market Value |
| Bonds | 341 645 530 | 341 645 530 | 376 724 327 | 376 724 327 | 35 078 797 | 35 078 797 |
| Stocks and shares | 102 565 541 | 102 565 541 | 92 383 414 | 92 383 414 | (10 182 127) | (10 182 127) |
| Derivatives | 0 | 0 | 0 | 0 | 0 | 0 |
| In total | 444 211 071 | 444 211 071 | 469 107 741 | 469 107 741 | (24 896 670) | (24 896 670) |

Note 4 - Off balance items

| | 30.06.2020 | 31.12.2019 |
|--------------------------------------|-------------|-------------|
| Guarantee liability regarding claims | | |
| Gross guarantees issued | 114 217 735 | 131 390 207 |
| Counter-guarantees from co-insurers | 75 119 224 | 104 385 055 |
| Guarantees for own account | 39 098 511 | 27 005 152 |

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

Note 5 - COVID-19

Since the second half of February 2020, global business has been significantly impacted by the COVID-19 virus and the measures taken by authorities to slow and limit its spread. Norwegian Hull Club is exposed to effects of the pandemic both in underwriting and investment operations. Underwriting exposure relates to business and trade disruption for units insured, as well as medical and liability insurance for crews.

Transportation and other economic activity have reduced following COVID-19. Consequent measures, such as the lay-up of vessels, reduce underwriting exposure. So far in 2020, there is no clear negative net effect of the pandemic on The Club's insurance portfolio. Year to date, claims expenses are below expectations.

Financial markets fell significantly in the first quarter due to uncertainty regarding the impact of the Covid-19 pandemic.

Decisive and strong fiscal and monetary measures from governments and central banks have calmed markets and losses in first quarter have in general recovered in the second quarter.

Note 6 - 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.



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