ANNUAL REPORT

2018

NORWEGIAN HULL CLUB

Norwegian Hull Club is dedicated to knowledge sharing. Not only is it a means for improving The Club's service offering, it also helps increase safety and best practice throughout the global marine industry.

A number of the photographs featured in this 2018 Annual Report are taken from Norwegian Hull Club events, such as Loss Prevention Committee meetings and workshops with clients and members.

They reflect The Club's ongoing commitment to knowledge sharing and experience transfer.

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The Norwegian Hull Club Management Team - *(l-r) Per Gustav Blom, Atle Fjeldstad, Ole Jørgen Eikanger, Hilde Førland, Hans Christian Seim, Åge Solberg.*

CEO'S REVIEW

After experiencing a soft insurance market for at least a decade, the tide has finally shifted.

For Norwegian Hull Club, such a market proved to be a long, challenging voyage. We are well aware that our clients have experienced their own demanding market conditions in recent years. At The Club, we're now focused on navigating our way through an ever-changing environment.

These changes include a reduction somewhat in the abundance of capital that has been available for the past decade, as some insurers withdraw from the marine segment while others shut down their operations completely. One would expect a stronger reaction in the reinsurance market, given that it has been hit by major losses caused by natural catastrophes in both 2017 and 2018. However, the need for growth seems to keep capital in the game.

Norwegian Hull Club ended 2018 with a profit before tax of USD 9.9 million. As a mutual insurance company, our ambition is to reinvest and share our profits with our members.

The Board of Directors has, therefore, proposed a Return Premium on this occasion of 7.5 %, or USD 5.7 million.

As 2018 approached, we chose to name it "The Year of Consolidation". The two preceding years were characterized by an abundance of changes – both in our organisation and in the market – and by a record level of activity. As 2018 beckoned, so too did the opportunity to reinforce the foundations that have been the strength of The Club for many years, whilst focusing on continuously delivering our services to the standard that you – our valued clients - both appreciate and expect.

Given the many new employees that joined the Norwegian Hull Club team in 2018, it was also "The Year of Recruitment". In a rapidly changing landscape, we work hard to stay relevant for our clients. For a company such as Norwegian Hull Club - selling competence, knowledge and experience - acquiring and retaining the *right* competence, knowledge and experience is vital if we are to continue to live up to our motto "Expect More".

With more than 180 years of experience to build on, Norwegian Hull Club has the knowledge and hands-on expertise to have rightly earned its reputation as a trustworthy, respected, leading marine insurance provider. The results of the customer surveys The Club has conducted for the past two years verify this, emphasizing that the knowledge and experience we possess are important, valuable resources for you.

We expect that, in the future, technological innovation will increase complexity in the workplace in some respects. Recent studies, e.g. from Deloitte, show that – in addition to the need to understand how to make the most out of all the new technology – we will see an increased need for people with creative, innovative problem-solving skills, social and cross-cultural intelligence and - not least - people with the ability to focus over time (while the rest of the world is "swiping" in search of "something new").

Through valuable feedback, our clients have also conveyed that they are concerned about how they will be affected by new technology and by changes in rules and regulations – nationally and internationally. As a result, The Club addressed the challenges and benefits arising from digital technology in its various seminars over the past year.

We have also taken part in Kongsberg Seatex and SINTEF's R&I Proxima project, studying how sensor fusion can be used to improve situational awareness on ships, including autonomous vessels. Additionally, we are one of the partners supporting The Royal Maritime Academy and Norwegian University of Science and Technology's joint Maritime Cyber Resilience Project. In this way, The Club is reconfirming its commitment to understanding, developing and offering concepts for emerging risks such as cyber threats.

The ability to share and combine knowledge in order to create new levels of understanding is an absolute must. Alongside investing in improving our skills and acquiring new colleagues with such future-oriented competencies, knowledge sharing has been a key focus area for The Club - both internally and externally - for many years. It has proven to be increasingly valuable for both us and for our clients.

One of The Club's arenas for knowledge sharing is the Loss Prevention Committee (LPC). We are proud that this has become a valuable, respected forum for discussing and sharing safety-related matters between our clients. In September 2018, The Club hosted the 10th LPC meeting and - although the Chatham House Rule applies - you will find knowledge-sharing articles based upon the topics discussed on Norwegian Hull Club's website.

Building on all of this, the UN's Sustainability Development Goal 4, regarding quality education for all, is one that is dear to us. Building and developing knowledge - whether amongst colleagues, between Norwegian Hull Club and its clients, or helping to ensure that all children can complete free, equitable and quality education - is vital. It is the key to discovering innovative solutions to everyday challenges and the world's greatest problems alike. The Club's belief in the importance of education and knowledge sharing is exemplified by its sponsorships of the ThadeSchool Project in Nepal, as well as through our engagement in Norwegian Church Aid's work.

Diversification of our portfolio will continue to be an important part of our strategy. We listen to the market while The Club's Product Development Group continues looking into risks and potential covers. We signed our first wind-farm cover in 2018, a segment we expect will grow. Additionally, following a year of re-structuring and recruitment within our P&I department, Norwegian Hull Club is now entering the Owner's P&I market.

The first quarter of 2019 is now behind us. We hope that our clients recognise our ambition to stay relevant each and every time they interact with us. We will continue to pay attention to their challenges, their needs and their feedback. The Club will also bring its experience and competence – both newly acquired and long held – into the equation.

If we succeed in this, your choice of a marine insurance provider should be easy: your dedicated, specialist provider, Norwegian Hull Club.

Hans Christian Seim
CEO

"Acquiring and retaining the right competence, knowledge and experience is vital if we are to continue to live up to our motto: Expect More."

KEY FIGURES*

All figures in USD 000's

	2018	2017 Restated	2016	2015	2014
Gross earned premiums	172 105	167 687	168 967	191 496	203 825
Gross claims	149 768	237 356	135 466	176 903	104 988
Gross result	**22 337**	**-69 668**	**33 501**	**14 593**	**98 837**
Premiums for own account	141 219	136 965	142 306	161 839	171 179
Claims for own account	116 092	126 026	122 141	125 704	105 811
Insurance result f.o.a.	**25 127**	**10 938**	**20 165**	**36 135**	**65 368**
Other income	7 168	8 142	6 981	7 991	9 907
Operating expenses	24 049	25 100	24 224	17 975	29 779
Technical result f.o.a.	**8 246**	**-6 020**	**2 923**	**26 152**	**45 496**
Net financial income	**1 628**	**35 853**	**18 164**	**-17 614**	**-7 804**
Operating result	**9 874**	**29 833**	**21 087**	**8 539**	**37 692**
Total assets	719 811	681 826	671 572	664 975	652 979
Equity	303 691	294 671	270 508	257 700	319 451
Loss ratio for own account	82 %	92 %	87 %	78 %	64 %
Expense ratio	12 %	12 %	11 %	6 %	12 %
Combined ratio	**94 %**	**104 %**	**98 %**	**84 %**	**76 %**
Gross loss ratio	87 %	142 %	80 %	92 %	52 %
Return on investment portfolio	0	8.6 %	5.1 %	-2.6 %	-1.5 %
Deviation from benchmark	0.2 %	0.4 %	0.1 %	0	-0.3 %

**Figures in tables are before Return Premium*

BOARD OF DIRECTORS' REPORT

Business Strategy

Norwegian Hull Club is a global mutual marine and energy insurer. Its business model and strategy both focus on providing an integrated claims-leader service, as well as diverse, innovative and competitive insurance solutions that cater to the needs of clients and members. This integrated claims-leader service includes, but is not limited to, efficient claims handling, emergency response and loss-prevention activities.

Norwegian Hull Club covers vessels, upstream energy assets and yachts for Hull & Machinery, Loss of Hire, Total Loss, War, and Builders'/Construction Risks. The Club also offers medical insurance for seafarers, Crew Contractual Liability Insurance and P&I and FD&D. There is also a portfolio of Special Risks products.

The majority of The Club's premium income comes from international members and clients. The company's registered office is in Bergen, Norway.

Management

In addition to the day-to-day activities and projects executed in 2018, The Club focused on optimizing the organisation of all operations. The recruitment of new talent, as well as retaining skilled and motivated employees, remained a key factor for The Club to deliver on its promises and stay relevant.

Operational Review

Underwriting

The Club observed that the soft market trend appeared to come to an end in the final months of 2017. This trend continued with the market tightening in the first half of 2018 - a phenomenon that intensified in the second half of the year. This can be put down to a combination of factors, including the Lloyd's market and the UK branch markets beginning to take a tougher stance, with other markets following suit. Other factors included so-called "market losses", i.e. very large losses that impact a great many underwriters. Finally, there were - for the second year in a row - a number of severe marine losses resulting from natural catastrophes in the Pacific and Atlantic. These are also expected to have an impact on the market going forward. Norwegian Hull Club maintained its position in the market and saw rates improve throughout the year. Gross premium income increased from previous years - the main reason being a combination of improved rates and slightly more activity in most segments.

The Club is well positioned for the future and to take advantage of changing market conditions. It continues to receive very positive feedback in the market. Norwegian Hull Club's loss prevention and claims-handling abilities remain core to its long-term strategy and value proposition for clients, being appreciated by both owners and brokers alike.

The Club still experiences a willingness to accept a price differential on claims-lead business, while the company's position as a market leader in diversified product offerings appears to be well established.

Throughout 2018, Norwegian Hull Club continued its diversification strategy and wrote several new and existing projects within the renewable energy sector. As of February 20 2019, Norwegian Hull Club began underwriting Owners' P&I in addition to already established classes within Liabilities, such as Charterers' P&I and Crew P&I (via our subsidiary Marine Benefits).

Claims

In general, a slight increase in reported claims was seen compared to previous years. This correlated with a growth in both the lead and co-insurance portfolio in 2018. As per December 31 2018, 2,225 new marine claims were registered (excluding P&I). The reported claims costs were lower than previous years, despite substantial losses related to the builders' risks segment.

We are pleased to observe that, in 2018, The Club continued to deliver quicker settlements under lead H&M and LoH policies. Norwegian Hull Club will continue to implement digital initiatives in 2019 to increase efficiency in the claims-handling process.

A total of 712 adjustments were finalised on policies where Norwegian Hull Club was Claims Lead. The Club's Claims-Lead role for a large number of insured units resulted in valuable knowledge that it seeks to share with clients through a number of experience-transfer activities.

The Loss Prevention–Emergency Response department focused on the Pro-Active Method, promoting it extensively in training sessions for members and clients. The concept was well received, reflected in the positive feedback from The Club's client surveys. The department continued to deliver a high number of member-and-client activities globally.

Investments

Synchronized global growth at the start of 2018 had shifted to fears over a potential synchronized global slowdown by the end of the year.

December 2018 was the worst-performing December for US equity markets since 1931. Few market segments were left unscathed by the sudden correction which began in early October. The sharp sell-off was initiated by comments from the US Federal Reserve indicating a growing mismatch between the interest-rate hiking path and the actual development in the underlying economy.

Market participants feared that the Federal Reserve would continue to raise rates even if economic growth started to slow down. This was not helped by the fact that Chinese growth numbers started to level-off after the summer. Compounded fears over the state of the world economy, plus the fact that markets ended the third quarter with high expectations and expensive valuations, drove the equity markets to fall. 2018 was full of surprises, with the forecasts of most strategists and economists upended. Despite four Federal Funds rate hikes, long-term interest rates declined. Oil prices also tumbled, in spite of rapid global growth. Inflation remained subdued, regardless of 3 % US GDP growth, even in light of a tight labour market. In addition, although there was major growth in corporate earnings, equity valuations fell. Strong consumer confidence and job growth failed to prevent equities from falling further in the fourth quarter. Global equities were down 9.4 % over the full year.

Norwegian Hull Club's investment portfolio returned 0.04 % in USD. The portfolio is invested in several currencies, predominantly USD, EUR and NOK, reflecting the currency composition of premium income. In the local currencies in which the portfolio is invested, the weighted return was 0.81 %. Return was slightly ahead of benchmark. There were large gaps between returns for different asset classes. Negative returns on public equities, emerging-market government bonds and high-yield bonds were offset by private-market investments, including real estate, and investment-grade bonds.

Reinsurance

A panel of long-term reinsurers with solid financial security helps protect the economic interests of Norwegian Hull Club. Reinsurance reduces risk exposure, protects capital and ultimately secures The Club's ability to fulfil 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. Through various cases during 2017 and 2018, Norwegian Hull Club's reinsurance panel proved that it can respond in a proactive and timely manner to the company's needs.

Other Activities

Marine Benefits AS

Marine Benefits AS is a subsidiary of Norwegian Hull Club. It 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.

The Board of Directors - *from left: Morten Ulstein, Magne Morken, Anna F. Erlandsen, Sveinung Drivenes, Hans Olav Lindal , Siri P. Strandenes , Øystein Beisland. Not pictured: Rebekka Glasser Herlofsen*

Insurance Technology Solutions AS
Insurance Technology Solutions AS is a subsidiary of Norwegian Hull Club. It develops and operates software systems for the marine insurance industry. At the end of 2018, the company had 13 clients.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been incorporated into Norwegian Hull Club's strategy and core business. It is expressed via The Club's mission "to secure people, health, environment and property". Through its CSR approach, Norwegian Hull Club strives to meet the United Nation's sustainable development goals.

Norwegian Hull Club has a mutual interest with clients to reduce the risk of events that may have a negative effect on surroundings and environment. When incidents occur, The Club's focus on (and expertise in) loss prevention and loss mitigation help to minimise consequences.

Through its subsidiary Marine Benefits, Norwegian Hull Club provides health insurance to seafarers and their families as well as performing studies on seafarers' physical and mental health. In addition, The Club has a range of partnerships and sponsorships that support global sustainability.

Environment, Social and Governance
Norwegian Hull Club believes that a strong Environment, Social and Governance (ESG) focus contributes to a commercially viable business strategy. ESG influences Norwegian Hull Club's brand value and reputation and shall be duly integrated into its governance model. High ethical standards, transparency, honesty and accessibility are key values in The Club's business practice.

Norwegian Hull Club aims to apply environmentally friendly solutions throughout its operations and seeks to create a good working environment for employees. The Club recognises that ESG issues are an integral part of a sound investment practice, and may have significant impact on long-term earning power of investments. ESG considerations are part of The Club's investment process. In 2019, The Club will establish more frequent ESG-reporting with clear KPI's, communicating its ESG focus to relevant stakeholders.

Enterprise Risk Management
Norwegian Hull Club has a thorough risk-management and internal-control structure to systematically identify, assess, communicate and manage risks throughout the organisation.

In order to understand and manage risk, both the probability and consequences of potential events are assessed. Key functions have been established according to Solvency II requirements, comprising independent compliance, risk management, actuary and internal audit roles. The Board of Directors decides Norwegian Hull Club's strategy and risk profile, including capital targets and risk appetite.

The primary responsibility for managing risks within 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 risk to reputation.

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 skills within the workforce are met through training, talent development or recruitment of new employees.

Insurance risk
Insurance risk is the possibility that the premium charged is insufficient to cover claims incurred and that provisions for claims already incurred are not enough to cover the ultimate cost. Clear limits are established for what insurance risk can be undertaken. The actuarial function continuously monitors the adequacy of both pricing and provisions made.

The Board of Directors decides upon the reinsurance programme 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 for each asset class of investments.

Risk level is monitored and managed both for investments and as part of Norwegian Hull 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 low. The objective is, however, to have sufficient liquid assets to maintain a balanced investment portfolio - even following a severe, negative event where asset prices fall significantly and/or where assets may have to be sold.

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

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 kept in a documentation system that can be accessed by all employees. The Club's Risk Management system seeks to minimize the risk of public sanctions, financial losses or loss of reputation due to 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 organisation, based on a set of established routines and checks which are constantly risk assessed and – where possible – improved upon. 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.

Accounts

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

Results
The 2018 profit before tax was USD 4.1 million. The technical result from insurance was USD 2.5 million.

Discount on mutual premium
The Board of Directors has proposed a 7.5 % return premium on mutual premium earned in calendar year 2018. The return premium amounts to USD 5.7 million. Before return premium, the gross loss ratio was 84 % and loss ratio for own account was 82 %. Before return premium, the technical result from insurance was USD 8.2 million and the combined ratio was 94 %.

Premium income and claims
Gross premium earned (after return premium) was USD 166.4 million. Before return premium, gross premium earned was 3 % higher than in 2017. Premium earned for own account was USD 135.5 million. The increase in premium was due to rates levelling off and an increase in the number of units insured. Gross claims incurred were USD 149.8 million and claims for own account amounted to USD 116.1 million.

Financial items
Financial income was USD 3.5 million. Of this, USD 0.2 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 1.9 million.

Operating expenses
Personnel, marketing and other operating expenses amounted to USD 24 million, USD 1.1 million lower than in 2017. Most of the expenses are incurred in NOK. Calculated in NOK, operating expenses decreased by 1.7 % from 2017's level.

Appropriation of result
After tax, the total comprehensive income for the year was USD 9 019 685, which the Board of Directors proposes be transferred to Other equity.

Balance sheet
As per 31 December 2018, Norwegian Hull Club's equity was USD 303.7 million.

Cash flow
The cash flow generated by operating activities was plus-USD 6.5 million after a minus-USD 3.1 million change in financial assets. Cash flow generated by investments in fixed assets, subsidiaries and employee loans was minus USD 0.3 million. The change in the cash balance during the year was plus USD 5.6 million.

Tax from dissolution of provision for risk equalisation
Following a change in accounting regulations, the provision for risk equalisation was discontinued in the accounts in 2016. Norwegian Hull Club has, in consultation with the auditors, allowed for full tax on the provision in the accounts since the 2016 accounts. The corresponding treatment in the tax accounts was not clarified until the fourth quarter of 2018. The provision will have to be dissolved and added to income over a ten-year period.

The Ministry of Finance is still working on an amendment to the tax law that, if enacted, may allow Norwegian Hull Club to exempt a part of the result arising out of the dissolved provision from taxation. The time line for this process is not known.

Rating

On August 30 2018, Standard & Poor's Ratings Services confirmed its long-term counter-party 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 in S&P's capital model. At the end of 2018, the margin was 65 %. This enables The Club to pursue a continuous growth strategy.

Organisation and Environment

At the end of 2018, Norwegian Hull Club had 122 employees. Personnel turnover was 8.6 %. Sick leave including long-term absence equated to 2.14 % of total working hours. Including the subsidiaries Marine Benefits and ITS, the total number of employees was 192. Norwegian Hull Club values and strives towards improved diversity in the organisation. Amongst The Club's 122 employees, 13 nations were represented, while the gender ratio at the end of 2018 was 41 % female to 59 % 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, based on feedback from the company's annual working-environment survey. 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 7 % of the votes at the General Meeting. The ten largest members represent 27.5 % of the votes.

Events After 2018 Year End
No events have occurred in 2019 that significantly affect the capital or results of Norwegian Hull Club.

Prospects
Norwegian Hull Club has positioned itself as a preferred Claims Leader in a competitive market. It has achieved this through new product developments in response to its members' needs, as well as well-regarded emergency-response services and efficient claims handling.

Increased 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 proactively adapt to this digitalization and transformation phase. This landscape requires an enthusiastic organisation prepared for tomorrow's challenges through an increased ability and willingness to embrace change. A constant for The Club, however, is the continuous 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 professional claims handling, improving The Club's distribution network through geographical positioning, as well as 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 competitive market, while also protecting capital in order to offer members and clients sound protection and services in the longer term. With the human, structural and financial capital in place, combined with an increased focus on growing our business in international markets, the Board of Directors believes Norwegian Hull Club is well positioned for long-term profitable and sustainable growth.

Bergen, 26 March 2019

Hans Olav Lindal
Chair of the Board

Morten Ulstein

Øystein Beisland

Sveinung Drivenes

Anna F. Erlandsen

Rebekka Glasser Herlofsen

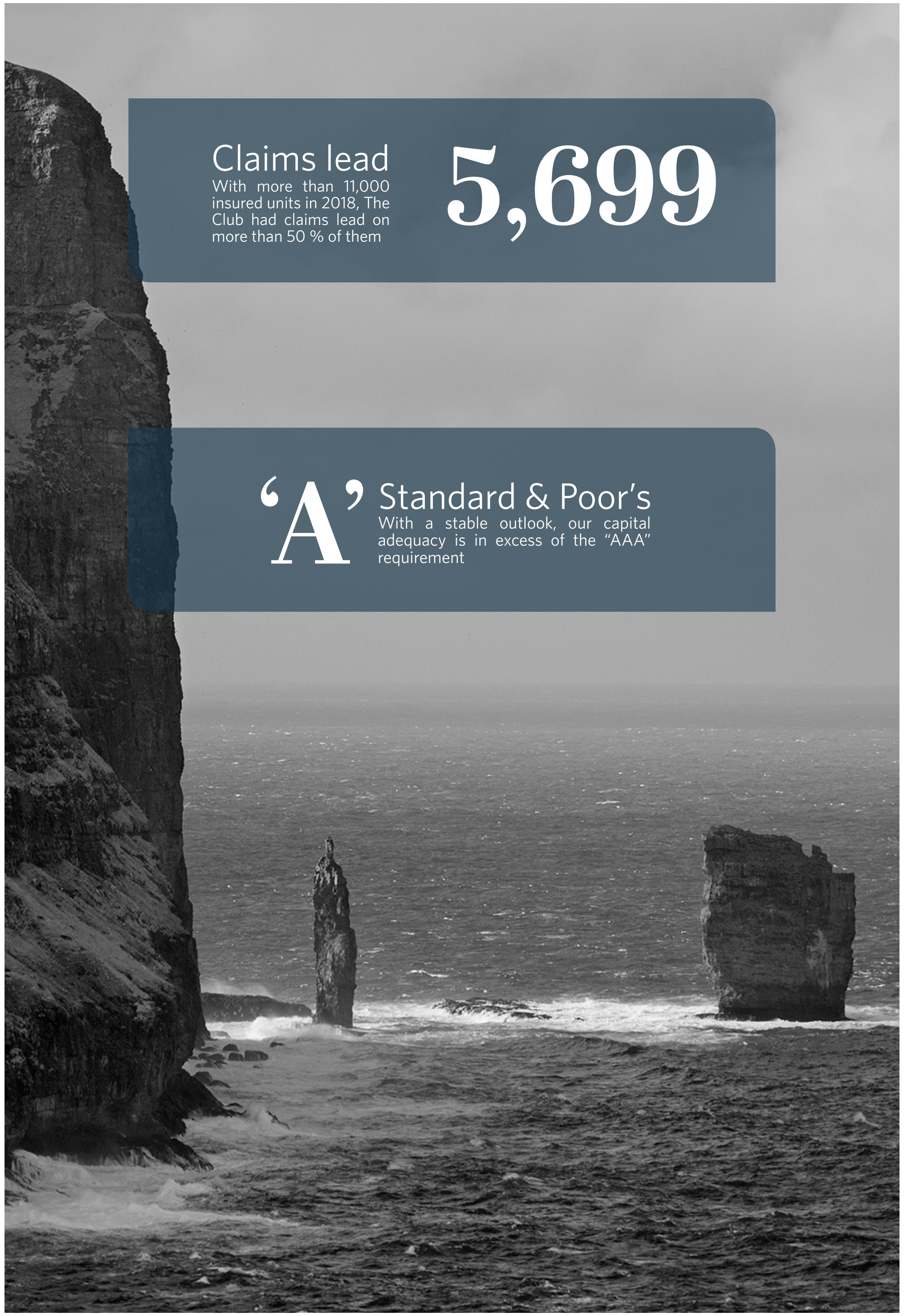
Magne Morken

Siri P. Strandenes

Hans Christian Seim
CEO

STATEMENT OF COMPREHENSIVE INCOME

All figures in USD		Notes	2018	Restated 2017
	Gross premiums earned	*17*	166 360 389	167 687 232
	Reinsurance premiums	*16*	-30 886 158	-30 722 603
A	**Premiums for own account**		**135 474 231**	**136 964 629**
B	**Other insurance related income**		**7 167 565**	**8 142 037**
	Gross accrued claims		149 767 798	237 355 516
	Reinsurers share of gross claims	*16*	-33 676 223	-111 329 033
C	**Claims for own account**	12	**116 091 575**	**126 026 483**
	Marketing expenses	1	13 375 960	12 430 962
	Commissions earned		-	-
D	**Insurance related expenses for own account**		**13 375 960**	**12 430 962**
E	**Other insurance-related expenses**		**10 673 492**	**12 669 132**
F	**Operating result technical accounts (A+B-C-D-E)**		**2 500 769**	**-6 019 911**
	Financial income		4 260 326	10 195 101
	Realised gains and losses		3 991 052	-5 950 116
	Adjustment investment portfolio		-4 702 708	34 075 247
G	**Total financial income**		**3 548 670**	**38 002 663**
H	Administration expenses financial assets		1 920 944	2 149 957
I	**Profit before income tax (F+G-H)**		**4 128 495**	**29 832 794**
J	Tax expenses (income)	*10*	- 5 204 331	9 584 444
K	**Profit for the year (I-J)**		**9 332 826**	**20 248 351**
L	Other comprehensive income		- 313 141	237 062
M	**Total comprehensive income for the year**		**9 019 685**	**20 485 412**
	Other equity		*9 019 685*	*20 485 412*
	Total		*9 019 685*	*20 485 412*



BALANCE SHEET

Assets

All figures in USD	Notes	31.12.2018	Restated 31.12.2017
Deferred tax benefit		-	-
Total intangible assets		**-**	**-**
Shares in subsidiaries	*5*	3 313 685	2 734 715
Other shares	*2*	5 258 821	5 197 211
Mortgage loans	*3*	9 566 944	10 328 877
Syndicated loans		765 732	-
Stocks and shares	*8*	96 454 298	105 060 721
Bonds	*9*	311 086 141	300 644 660
Financial derivatives	*9*	450 602	-
Bank deposits investment portfolio	*1*	1 462 744	3 784 382
Total financial assets		**428 358 966**	**427 750 565**
Reinsured proportion of gross premium provisions	*13*	17 997 870	14 397 660
Reinsured proportion of gross claims provision	*13*	67 071 675	55 349 537
Total reinsured proportion of insurance provisions		**85 069 545**	**69 747 197**
Insurance related receivables	*6*	97 220 729	90 246 484
Reinsurance receivables		15 120 202	12 396 722
Disbursements		50 326 763	46 403 527
Other receivables		10 404 441	9 137 339
Total receivables		**173 072 135**	**158 184 072**
Properties	*4*	2 777 085	2 777 085
Equipment and fixtures	*4*	3 965 180	4 279 113
Cash and bank deposits		25 740 745	17 776 057
Total other assets		**32 483 011**	**24 832 255**
Accrued interest		1 406 340	1 312 040
Total assets		**720 389 997**	**681 826 130**

Equity and Liabilities

All figures in USD	Notes	31.12.2018	Restated 31.12.2017
Equity		8 042 072	8 042 072
Other equity		295 649 086	286 629 400
Currency adjustment equity			
Total equity		**303 691 158**	**294 671 472**
Unearned gross premium provision	*13*	83 164 845	77 407 114
Gross claims provision	*13*	227 474 826	198 755 426
Total gross insurance provisions		**310 639 671**	**276 162 540**
Pension liability	*3*	4 040 684	4 246 406
Withheld payroll tax, social security etc.	*1*	2 940 432	3 187 549
Deferred tax	*10*	77 530 895	83 494 842
Taxes payable	*10*	566 629	-
Total tax etc. payable		**85 078 639**	**90 928 797**
Payables direct insurance accounts		6 361 220	629 909
Payables reinsurance		4 432 149	6 975 016
Payables other accounts		10 187 161	12 458 397
Total payables		**20 980 529**	**20 063 321**
Total equity and liabilities		**720 389 997**	**681 826 130**

Bergen, 26 March 2019

Hans Olav Lindal
Chair of the Board

Morten Ulstein

Øystein Beisland

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Anna F. Erlandsen

Rebekka Glasser Herlofsen

Magne Morken

Siri P. Strandenes

Hans Christian Seim
CEO

DEVELOPMENT IN EQUITY

	Owners' Fund	Other Equity	Total Equity
Equity at 01.01.2017	8 042 072	262 465 764	270 507 836
Restated balance due change in principle		3 678 224	3 678 224
Profit for the year		20 248 351	20 248 351
Other comprehensive income		237 062	237 062
Equity at 31.12.2017	**8 042 072**	**286 629 400**	**294 671 472**
Equity at 01.01.2018	8 042 072	286 629 400	294 671 472
Profit for the Year		9 332 826	9 332 826
Other comprehensive income		-313 140	-313 140
Equity as at 31.12.2018	**8 042 072**	**295 649 086**	**303 691 158**

STATEMENT OF CASH FLOW

All figures in USD

	2018	2017
Profit for the year before tax	4 128 495	29 832 794
Change in net technical reserves	19 154 784	-28 608 974
Net profit on sale of fixed shares	-	-
Change in disbursements	-3 923 236	-5 249 501
Net profit on sale of fixed assets		-78 766
Change in net pension liabilities	-205 722	517 181
Change in net receivables	-10 968 007	-20 929 081
Depreciations and impairment of assets	812 936	687 291
Taxes paid	-45 013	-53 903
Net cash flow from operations before financial assets	**8 954 236**	**-23 882 958**
Change in net bonds	-11 207 213	20 404 025
Change in net stocks and shares	8 606 423	-12 360 472
Change in net financial derivatives	-450 602	1 233 759
Net cash flow from financial assets	**-3 051 391**	**9 277 312**
A Net cash flow from operational activities	**5 902 845**	**-14 605 646**
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	-499 003	1 015 522
Change in mortgage loans	761 933	908 569
B Net cash inflow/outflow from investment activities	**262 931**	**1 924 090**
C Net financing activities - dividend paid to members	**-**	**-**
D Effect of changes in exchange rates on cash and cash equivalents	**-522 725**	**-245 418**
A+B+C+D Net change in cash and cash equivalents	**5 643 051**	**-12 926 974**
Cash and cash equivalents 01.01	21 560 439	34 487 412
Cash and cash equivalents	**27 203 490**	**21 560 438**

NOTES TO THE ACCOUNTS

Note 1 – Accounting Principles

Basic principles
The financial statements of 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, together with 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 Norwegian Hull Club as of 31 December 2018 consist of the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flow 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 recognised at the time it is earned. Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot 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, Marine Benefits AS and NHC Prosjekt AS. Norwegian Hull Club owns 100 % of the latter three companies. The turnover and equity in these companies is regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts.

Accounting principles for material items

Premium recognition / premium reserve
Premium and commission are recognised 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 31.12.2018, this leads to a small increase in both earned premium and unearned premium. 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 31.12.2018. 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 line 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 2019 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 recognised. 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, as well as 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 departments, 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 regulations ("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. Norwegian Hull Club has calculated unallocated loss adjustment expenses to 7% of outstanding claims as a claims provision (for the medical plan the percentage is 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.

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 Norwegian Hull Club's premium income and claim cost is in USD. The currency is also significant in respect of provisions in the marine-ocean line 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 recognised 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 8.69(NOK/USD). The average exchange rate used in the statement of comprehensive income was 8.13 (NOK/USD).

Cash and cash equivalents
Cash and bank deposits are included in cash and cash equivalents in the Statement of Cash Flow. 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 6.4 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 recognised 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 valued at fair market value as well.

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

Shares in subsidiaries and associated companies
Shares in subsidiaries 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 recognised as income, but only to the extent that dividends / group contribution received from subsidiary do not exceed the share of retained earnings in the subsidiaries 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.

Associates are entities over which The Club has significant influence but not control or joint control. This is generally the case where The Club holds between 20% and 50% of the voting rights. Investment in associated companies was previously accounted for using the cost method. In 2018, Norwegian Hull Club has chosen to change the accounting method, and investments in associates are accounted for using the equity method. The investments are initially recognised at cost and adjusted thereafter to recognise The Club’s share of the post-acquisition profits or losses of the investee in profit or loss. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by Norwegian Hull Club, including fair value adjustments according to IAS40.

Pension cost, funding and obligations
The liability recognised 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. These 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 recognised as 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 that 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. Change 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, constitutes tax expenses for the year.

Risk equalisation
The opportunity to make provisions to the risk equalisation has been removed from 01.01.2017. At dissolution, the risk equalisation was divided into other equity and deferred tax. The latter is however subject to uncertainty, and tax treatment of the dissolution for mutual companies in marine line of business has not been concluded by The Norwegian Ministry of Finance. The treatment in the accounts assume maximum taxation.

Note 2 – Change in accounting principle

Norwegian Hull Club has chosen to change the accounting method for associated companies using the equity method and, as a consequence of this change in principle, the balance per 31.12.2017 has been restated. The change in principle affects the balance sheet on Other shares and Other equity, as shown in the table below:

	Original 2017	Restated 2017	Change
Other shares	1 281 925	5 197 211	3 915 286
Other equity	282 714 115	286 629 400	3 915 285

The change in principle also affects the Statement of Comprehensive Income on Financial income and Other comprehensive income for both 2017 and 2018, as shown in the table below:

Associated companies	2017	2018
Opening Balance 1 January	4 642 581	5 197 211
Share of this year's profits	317 569	374 771
Exchange differences on translation reported as Other comprehensive income	237 062	-313 141
Closing Balance as of 31 December	5 197 211	5 258 840

The associated company is Olav Kyrresgt 11 AS, and The Club's share is 33.3%.

Note that the financial statements for associated company have been adjusted to ensure consistency with the policies adopted by Norwegian Hull Club, including fair value adjustments according to IAS40.

Note 3 – Number of Employees / Benefits / Employee loans / Audit / Pensions

Number of employees	NHC
31.12.2017	123
31.12.2018	122

Remuneration to executives, Board of Directors, Committee members and auditor per 31.12.2018:

	Salary	Other benefits	Loan	Bonus	Pension cost
Hans Christian Seim, CEO	495 478	18 442	304 822	115 116	75 584
Per Gustav Blom, CFO	225 388	18 442	-	60 480	45 702
Åge Solberg, CCO	215 862	8 606	435 698	43 923	40 210
Atle Fjeldstad, CUO	265 468	18 442	415 899	59 164	45 995
Hilde Førland, CHRO	164 124				
Ole Jørgen Eikanger, CBDO*	42 189	1 537		54 396	41 336

*Ole Jørgen Eikanger started in ITS per March 2019, the above represent the salary received from Norwegian Hull Club in 2018
The pension and profit sharing figures in the table above represent the actual payments in 2018.

Board of Directors with sub Committees:	
Hans Olav Lindal (Chair)**	55 325
Øystein Beisland	21 515
Siri Pettersen Strandenes*/***	54 710
Rebekka Glasser Herlofsen*/***	22 990
Morten Ulstein**	27 662
Benedicte Bakke Agerup*/**/***	26 740
Magne Morken	10 758
Sveinung Drivenes (employee repr.)*/***	43 645
Anna Erlandsen (employee repr.)	21 515
Total remuneration	**284 861**

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

Election Committee	
Atle Bergshaven (Chair)	14 753
Helge Kraft	9 835
Stig Remøy	4 918
Nils P Dyvik	9 835
Elisabeth Grieg	4 918
Total remuneration to Election Committee	**44 260**

Committee	
Atle Bergshaven (Chair)	3 688 per meeting
Other members	2 459 per meeting
Total remuneration to Committee	**93 437**

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

Employee salary and loans

All employees	2018	2017
Salary	14 130 148	13 287 105
Payroll tax	3 294 095	3 443 252
Bonus	1 778 074	1 945 923
Other benefits	286 639	297 827
Pension cost	3 794 953	3 732 105
Total	**23 283 909**	**22 706 213**

The Club has extended ordinary loans to employees totalling USD 7.5 million. Interest rates equal the lowest rate allowable if the loans are not to be taxed as employee benefit. All real-estate loans are secured by real-estate collateral. The real-estate loans have 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.

Variable remuneration

The Club has established the 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 emphasised, including the achievement of objectives within the employee's department.

Audit

	2018	2017
Audit Fee	81 619	68 831
Tax advice fee	79 264	67 949
Other services provided by auditor	2 305	10 357
In total	**163 188**	**147 137**
(The figures in the table above are presented inclusive VAT).		

Pension cost, funding and obligations

The Club dissolved the defined benefit plan 31.12.2015, and the unfunded pension obligations were invested in Holberg Fondene on behalf of the employees. The Club has established a defined contribution hybrid pension scheme for all employees from 01.01.2016. In addition, The Club also has an individual top pension scheme for salaries above 12G. The cost for Norwegian Hull Club in respect of the hybrid scheme for 2018 was USD 1 351 617, and USD 351 618 related to the additional top pension scheme. The total investments in Holberg Fondene amounted to USD 5.8 million per 31.12.2018, which is recognised in the balance sheet as an asset (other receivables) and a liability (payables other accounts). The cost for AFP (early retirement pensions) for 2018 was USD 160 095 (USD 169 425 for 2017).

Additionally, The Club has pension obligations for some pensioners. These are non-funded obligations. 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 recognised in the balance sheet immediately, through Other Comprehensive Income (OCI). However, in 2017 and 2018 accounts, these items have been regarded as insignificant for reclassification.

Notes for IAS19 disclosures per 31.12.2018:

		Non-funded obligations	
1.	**Net pension cost**	**2017**	**2018**
	Current service cost	143 157	145 103
+	Recognised past service cost	158 540	-
=	Service cost	301 697	145 103
+	Net interest expense/(income)	70 104	76 023
+	Administrative expenses related to management of plan assets	-	-
+	Payroll tax (PT)	52 424	31 179
+	Financial tax	-	11 056
=	**Cost in financial statement**	**424 224**	**263 360**

		Non-funded obligations	
2.	**Change in defined benefit obligation (DBO)**	**2017**	**2018**
	DBO at the beginning of year	3 433 694	3 443 126
-	Currency effect DBO		-191 604
+	Service cost	144 169	135 839
+	Interest cost on DBO	70 600	71 169
+	Past service cost	159 661	-
+	Remeasurements	97 933	104 880
+	Acquisition/(disposals)	-	-
-	Benefits paid	462 932	314 428
=	**DBO at end of year**	**3 443 126**	**3 248 982**
	TBO at end of year	**3 836 498**	**3 520 636**

3.	**Obligation in financial statement**	**2017**	**2018**
	Net defined benefit obligation (asset)	3 443 126	4 100 763
-	Currency effect benefit obligation		851 781
+	Payroll tax	485 481	458 107
+	Financial tax on contribution	172 156	162 449
+	Remeasurements at end of year		
=	**Obligation in financial statement**	**4 100 763**	**3 869 538**

4.	**Reconciliation**		
	Balance sheet provision (prepayment) at beginning of year	3 917 845	4 100 763
-	Currency effect balance sheet provision	-	228 200
+	Cost in financial statement	445 947	246 547
-	Contributions/benefits paid during year (including PT)	528 205	358 762
-	Financial tax on contribution	23 147	15 721
+	Remeasurements recognised in OCI	288 323	124 912
-	Impact of (acquisition) / disposals	-	-
-	Other movements in the balance sheet	-	-
=	**Balance sheet provision (prepayment) at end of year**	**4 100 763**	**3 869 538**

5.	Assumptions	01.01.2018	31.12.2018
	Number of employees	4	4
	Number of pensioners	8	5
	Contractual Pension Scheme (AFP) probability	-	-
	Resignation rate (over/under 40 years)	0-8 %	0-8 %
	Tariff	K2013/KU	K2013/KU
	Estimated return on plan assets	2.3 %	2.6 %
	Discount rate	2.3 %	2.6 %
	Salary increase	2.5 %	2.75 %
	Increase of pension from the Norwegian National Insurance	2.25 %	2.5 %
	Pension increase	fluctuating	fluctuating
	Payroll tax	14.1 %	14.1 %
	Financial tax	5 %	5 %

6.	Remeasurements	2017	2018
	Remeasurements at beginning of year (financial tax reconciliation)	170 479	-
+	Actuarial loss / (gain) on DBO from demographic assumptions	-	-
+	Actuarial loss / (gain) on DBO from financial assumptions	20 657	17 297
+	Actuarial loss / (gain) on DBO from experience adjustments	95 161	150 728
-	Remeasurements recognised in OCI	286 298	133 431
=	**Remeasurements at end of year**	**-**	**-**

Note 4 – Fixed Assets

Depreciation is calculated using 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. Deprecia-tion is classified as other insurance related expenses.

	Equipment and fixtures	Properties	Total
Acquisition cost 1.1	10 893 437	2 777 085	13 670 522
Additions	536 129	-	536 129
Disposals	-37 127	-	-37 127
Acquisition cost 31.12	11 392 439	2 777 085	14 169 524
Accumulated depreciation 1.1	6 614 323	-	6 614 323
Ordinary depreciation	815 831	-	815 831
Disposals depreciation	-2 895	-	-2 895
Accumulated depreciation 31.12	7 427 259	-	7 427 259
Book value 31.12	**3 965 180**	**2 777 085**	**6 742 265**

Note 5 – Subsidiaries and Associated Companies

In Norwegian Hull Club the cost method is used for the following companies:

Company	Insurance Technology Solutions AS	Marine Benefits AS	NHC Prosjekt AS
Business office	Bergen	Bergen	Bergen
Ownership share/Voting share	100 %	100 %	100 %
Result in subsidiaries and associated companies	-162 143	-367 884	-
Book value	874 940	2 060 659	378 086
Equity	73 061	2 185 037	378 086

The turnover and equity in the subsidiaries is regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts. Subsidiaries' financial information has been included based on unaudited financial statements as of 31 December 2018. The figures presented in the table above are all results before tax.

IT services purchased from ITS AS amounts to USD 0.8 million for 2018.

Net receivables / liabilities to group and associated companies:
Balances due to Marine Benefits AS is USD 0.5 million. Balance due from Marine Benefits is USD 3.2 million (as of 31.12.2017 USD 2.8MUSD). This is a short-term claims fund. In addition there is a long term loan of USD 1.0 million due from Marine Benefits. The term and conditions for the loan comprise a floating rate of interest, 3-month LIBOR + 2.0 % p.a. The loan shall be repaid no later than 30.12.2023.

Balance due to ITS AS is USD 0.8 million, due to group contribution. Balance due from ITS AS is a long term loan of 0.6 million. The term and conditions for the loan comprise a floating rate of interest, 3-month LIBOR + 2.0 % p.a. The loan shall be repaid no later than 30.12.2023.

Balances due from Olav Kyrresgt. 11 AS totalling USD 1.7 million as of 31.12.2018 (as of 31.12.2017 USD 1.5 million).

Note 6 – 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 are also carefully assessed.

Operational risk
The risk that The Club's operational guidelines are inappropriate or its employees deviate from the guidelines. A set of guidelines has been established to manage the operational risk. The Club defines critical risks and establishes procedures to eliminate or reduce the risk. 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 risks, namely 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 is in compliance with all relevant regulations in terms of capital management, capital adequacy and so forth at any given time. Norwegian Hull Club reviews the investment risk continuously. Furthermore, it 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 obligations. 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 31st of December 2018.

The ocean-marine line of business is characterized as a mature market. 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 debts figures are very low. However, USD 0.6 million is set as provision for bad debt at 31.12.18 (2017: USD 0.5 million). The medical insurance for seafarer business has limited credit risk and is considered as not significant.

Overview of insurance-related receivables:

	Direct insurance 2018			Direct insurance 2017	
		in % of total			in % of total
Not Due	75 019 298	77.2 %	Not Due	69 842 069	77.4 %
Due 2018	20 358 283	20.9 %	Due in 2017	18 382 404	20.4 %
Due 2017	1 270 247	1.3 %	Due in 2016	1 130 051	1.3 %
Due before 2017	572 901	0.6 %	Due before 2016	891 960	1 %
In total	**97 220 729**	**100 %**	**In total**	**90 246 484**	**100 %**

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 programme shall have a minimum rating of "A" (Standard & Poor's/ AM Best).

Market risk
Being a marine-insurance company operating in a global business such as 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 Euro 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, Norwegian Hull Club is also exposed to currency risk since more or less all of the operating costs are in NOK. Currency forward contracts are used in order to manage the currency exposure.

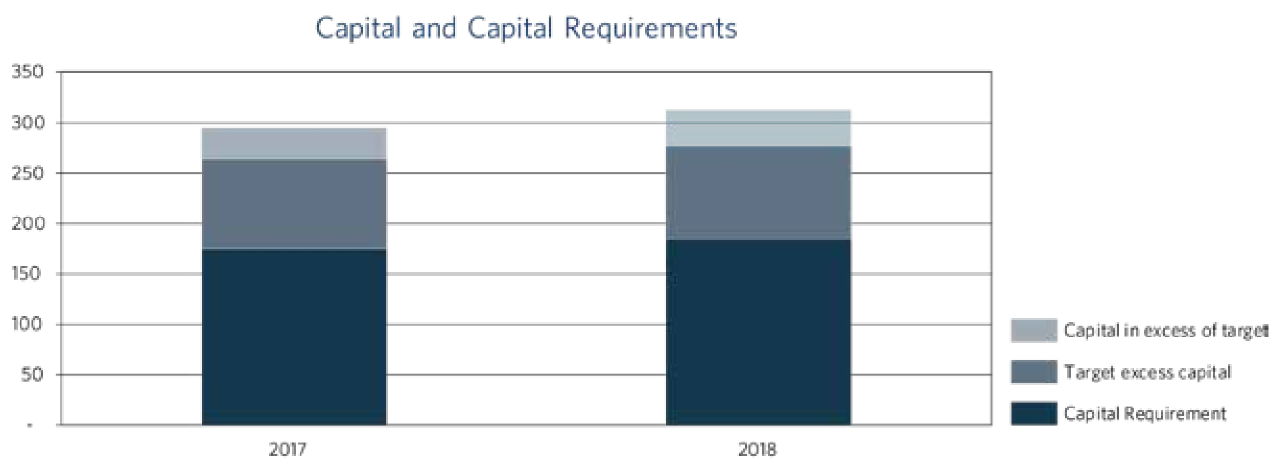
In order to limit the interest rate risk, the investment-grade fixed-income portfolio shall have an average interest rate duration between + / - 1 year relative to benchmark. The applied benchmark include securities with a remaining term to final maturity between 1-3 years. At the end of 2018, the actual duration of the investment-grade fixed-income portfolio was 1.84 years while benchmark duration was 1.90 years. The value of the investment grade fixed income portfolio will approximately increase / decrease by 1.84 % if interest rates shift + / - 1.0 % -point across the interest rate curve. The effect on the statement of comprehensive income will be +/- USD 4.7 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. Assets are invested in currencies in order to match corresponding liabilities.

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.

The Club shall, over time, have a working capital (as deposit 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 in assets that can be liquidated 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 and 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 31.12.2018, The Club's capital exceeds the S&P A-rating requirement by USD 125 million (2017: USD 117 million). The Club's minimum capital requirement is determined as described above and the excess amounts are shown in the figure below:



Formal capital and capital requirements under Solvency II regulations are set in note 14.

Note 7 – 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:

	31.12.2018		31.12.2017	
	Book Value	**Market Value**	**Book Value**	**Market Value**
Stocks, shares, bonds and other financial instruments in total	408 756 772	408 756 772	405 705 380	405 705 380
Loans and receivables	9 566 944	9 566 944	10 328 877	10 328 877
Bank deposits investment portfolio	1 462 744	1 462 744	3 784 382	3 784 382
	419 786 460	**419 786 460**	**419 818 639**	**419 818 639**

31.12.2018	**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	-	408 756 772	-	408 756 772
Loans and receivables	9 566 944	-	9 566 944	-
Bank deposits investment portfolio	1 462 744	-	1 462 744	-
Total	**11 029 688**	**408 756 772**	**11 029 688**	**408 756 772**

31.12.2017	**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	-	405 705 380	-	405 705 380
Loans and receivables	10 328 877	-	10 328 877	-
Bank deposits investment portfolio	3 784 382	-	3 784 382	-
Total	**14 113 259**	**405 705 380**	**14 113 259**	**405 705 380**

Financial assets at fair value through P&L	**31.12.2018**	**31.12.2017**
Listed securities	341 983 407	82 522 383
Unlisted securities	66 322 759	29 532 849

For more detailed information on carrying and fair values for financial instruments, please see notes 8 and 9.

Fair value hierarchy

Government bonds, corporate bonds and other financial instruments that are traded in active markets where the fair value are 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 maximise 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 being priced by using standard and well/recognised 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 investment 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 NAV from the most recent quarterly report are adjusted for capital distributions and/or capital calls in the period until 31.12.18, 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. Minimum yearly, the values of all properties in the funds are assessed by a publicly authorised real estate agent or valuator. 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 non-observable market data
Financial assets at fair value through profit or loss:			
Equity funds	-	41 084 630	-
Private equity funds	-	-	20 263 732
Real estate funds	-	-	35 105 924
Bonds	241 252 276	69 833 877	-
Loans	765 732		
Financial derivatives	-	450 602	-
In total	**242 018 008**	**111 369 108**	**55 369 656**

The market value of the Private Market Investment portfolio has changed from USD 24.2 million as per. 31.12.17 to USD 20.3 million as per. 31.12.18. Drawdowns and new investments in the period were USD 4.5 million, while dividends and repaid investments amounted to USD 9.9 million.

The market value of the real estate funds have changed from USD 36.6 million per. 31.12.17 to USD 35.1 million per. 31.12.18. New investment and drawdowns in the period were USD 0.2 million. Redemptions in the period were USD 0.02 million. Dividends and repaid investments amounted to USD 1.9 million.

Note 8 – Stocks and Shares

	Currency	ISIN	Org.number	Acquisition cost	Book value	Market value
Equity fund						
Skagen Kon-Tiki	NOK	NO0010140502		2 658 108	2 346 097	2 346 097
Cantillon Global Equity Fund	USD	IE00B3KF5S87		9 196 887	11 548 280	11 548 280
Nordea Stabile Aksjer Global Etisk	NOK	FI0008800990		7 474 579	11 683 568	11 683 568
Orbis SICA V Global Equity Fund	USD	LU0334985271		2 670 684	3 233 797	3 233 797
Sands Capital EMG Fund	USD	IE00BDFMDW42		2 646 136	3 109 327	3 109 327
Longview Global Equity Fund	USD	LU0507273943		6 676 363	9 163 561	9 163 561
Equity fund in total				**31 322 756**	**41 084 631**	**41 084 631**
Private investments						
Storebrand International Private Equity VI	NOR			120 809	190 625	190 625
Nordea Private Equity II	EUR			1 644 675	375 327	375 327
Nordea Private Equity III	EUR			1 523 159	998 646	998 646
Barings Global Private Loan Fund II	EUR			5 943 312	5 803 952	5 803 952
Partner Group Secondary 2008	EUR			1 698 830	1 799 430	1 799 430
Bluebay Direct Lending Fund II SLP	EUR			2 717 823	3 189 150	3 189 150
Partner Group Infrastructure	EUR			1 275 940	2 048 096	2 048 096
Union Real Estate Fund	NOK			630 415	1 857 792	1 857 792
Partners Group Direct Mezzanine	USD			3 532 664	4 000 710	4 000 710
Private equity in total				**19 087 628**	**20 263 732**	**20 263 732**
Real estate fund						
Aberdeen Eiendomsfond Norge I IS	NOK		090 068 733	23 497 632	19 938 228	19 938 239
Aberdeen Eiendomsfond Norge I AS	NOK		997 592 816	239 376	201 383	201 383
Aberdeen Eiendomsfond Asia	NOK		890 687 792	4 021 054	281 571	281 571
Pareto Eiendomsfelleskap AS	NOK		992 043 415	140 652	122 434	122 434
Pareto Eiendomsfelleskap IS	NOK			12 998 722	12 120 966	12 120 966
Prime Office Germany	NOK		990 405 131	2 799 845	68 848	68 848
Union Core REF IS	NOK		916 162 332	2 394 910	2 348 801	2 348 801
Union Core REF AS	NOK			24 576	23 694	23 694
Real estate in total				**46 116 766**	**35 105 924**	**35 105 935**
Stocks and shares in total				**96 527 150**	**96 454 287**	**96 454 298**

Remaining commitments (in local currency):		
Nordea Private Equity II	EUR	346 484
Nordea Private Equity III	EUR	277 890
Partners Group Secondary 2008	EUR	1 157 463
Bluebay Direct Lending Fund II SLP	EUR	1 898 626
Barings Global Private Loan Fund II	EUR	930 000
Partners Group Infrastructur	EUR	360 501
Partners Group Mezzanine	USD	177 331
Union Real Estate Fund	NOK	6 714 388

Note 9 – Bonds and Foreign Exchange Contracts

	Currency	Nominal	Acquisition cost	Market value/Book value incl. acc. int.
Bonds discretionary mandates				
Government bonds	USD	89 661 875	88 427 228	89 074 003
Corporate bonds	USD	152 099 783	152 127 570	152 178 258
Bonds discretionary mandates in total		**241 761 658**	**240 554 798**	**241 252 260**
Loans				
Syndicated loans	USD	797 954	795 959	765 732
Loans in total	USD	797 954	795 959	765 732
Investment grade bond funds				
Gramercy Corp EM Debt Fund	USD		2 754 991	2 851 868
Nordea SICA V 1 US Corporate Bond Fund	USD	-	11 754 131	12 572 232
Investment grade bond fund in total		**-**	**14 509 122**	**15 424 100**
High yield bond funds				
Gramercy High Yield Corp EM Debt Fund	USD	-	1 908 102	1 919 744
Barings Cap GlobalHY BondFund Tranche A	USD	-	3 482 476	4 138 685
Shenkman Finsbury High Income	USD	-	8 810 848	9 967 924
Nordea US High Yield	USD	-	3 901 723	4 041 178
High yield bond funds in total		**-**	**18 103 150**	**20 067 533**
Money market funds				
Holberg Likviditet OMF	NOK	-	9 339 765	8 538 550
Money market funds in total		**-**	**9 339 765**	**8 538 550**
Government Bond funds				
BlueBay EM Bond Fund	USD	-	9 149 922	9 941 321
Ashmore SICAV EM Sovereign Debt Fund	USD	-	16 495 230	15 862 376
Government bonds funds in total		**-**	**25 645 152**	**25 803 697**
Bonds in total		**-**	**308 947 946**	**311 851 872**
Other financial instruments				
Foreign currency exchange contracts		**-**	**-**	**450 602**

There are no open interest rates futures as of 31.12.2018.

Overview over currency swap contracts:

		Amount sold*		
Due date	**EUR**	**GBP**	**JPY**	**NOK**
20.02.2019	15.6	10.9	327.8	83.7
19.03.2019	-	-	-	42.9

**amount in millions*

Note 10 – Taxes

Tax expense for the year	2018	2017
Taxes payable	759 619	-
Change in deferred tax	- 5 963 950	9 584 444
Total tax expense for the year	**- 5 204 331**	**9 584 444**

Specification of tax expense for the year		
Earnings before tax	4 128 498	29 832 794
Conversion effect	20 892 119	-17 373 305
Earnings before tax	**25 020 617**	**12 459 489**
Permanent differences (due to none tax-deductible expenses)	742 212	644 040
Permanent differences (tax-except investment - "fritaksmodellen")	-8 949 555	8 492 479
Change in temporary differences	21 322 175	4 017 397
Used loss carried forward	-35 096 974	-25 613 404
Basis taxes payable in statement of comprehensive income	**3 038 476**	**-**
Group Contribution	-771 960	-
Taxable income	**2 266 516**	**-**
Taxes payable 25%	**566 629**	
Taxes payable - balance sheet		
Tax payable in tax expense	759 619	-
Effect of Group Contribution	-192 990	-
Tax payable - balance sheet	**566 629**	-

Specification of the basis for deferred tax /tax asset		
Fixed Assets	2 002 642	1 879 604
Receivables	-605 000	-520 000
Pension liabilities	-4 040 684	-4 246 406
Bonds and financial derivatives	25 938 082	16 507 903
Risk provision	286 509 761	337 103 400
Stocks and shares	284 782	165 659
P/L Accounts	33 982	-44 981
Net temporary differences	310 123 566	350 845 180
Loss carried forward	-	-16 865 814
Basis for deferred tax asset in the balance	**310 123 566**	**333 979 366**
Deferred tax / tax asset 25 %	**77 530 891**	**83 494 842**

Specification of tax expense for the year	2018	2017
25% tax on net income	6 255 154	3 114 872
Correction previous year's provision	-	-
Currency effect deferred tax	-4 646 344	3 776 496
Effect of correction in deferred tax	-4 761 306	408 946
Effect of change of tax percentage deferred tax	-	-
Tax effect from permanent differences	-2 051 836	2 284 130
Estimated tax expense	**-5 204 331**	**9 584 444**

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 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:

Value of guarantee	Maximum value	Estimate net liabilities
Guarantees provided by the undertaking, including letters of credit	**105 590 698**	**18 728 887**

Note 12 – Claims Expenses

	31.12.2018	31.12.2017
Gross accrued claims	149 767 798	237 355 516
Reinsurers' share of gross claims	-33 676 223	-111 329 033
Claims for own account	**116 091 575**	**126 026 483**
Run off gain (+)/loss (-) gross	-8 713 920	-18 955 398
Run off gain (+)/loss(-) for own account	1 176 206	-4 933 920

Accrued claims equals paid claim and changes in reserves.

Note 13 – Technical Reserves for Own Account

	31.12.18	31.12.17
Unearned gross premium provision	83 164 845	77 407 114
Reinsured proportion of gross premium provision	-17 997 870	-14 397 660
Unearned premium provision for own account	**65 166 975**	**63 009 454**
Gross claims provision	227 474 826	198 755 426
Reinsured proportion of gross claims provision	-67 071 675	-55 349 537
Claims provision for own account	**160 403 151**	**143 405 889**
Total risk provision etc.	**225 570 126**	**206 415 343**

Note 14 – Solvency II Capital Requirements & Position

The below table summarises the solvency conditions in terms of Solvency Capital Requirement (SCR), Minimum Capital Requirement (MCR) and Own Funds in USD 1000.

Solvency II - capital requirements and position

	2018		2017	
	SCR	**MCR**	**SCR**	**MCR**
Eligible own funds	350 145	307 962	286 613	286 613
Capital requirement	142 165	35 541	142 494	35 624
Difference	207 980	272 421	144 119	250 989
Ratio	246 %	866 %	201 %	805 %

For further details please see the Solvency Financial Condition Report.

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:

	Solvency II	Statutory Accounts	Comment
Unearned Gross Premium	83 164 845	83 164 845	
Expected Profit in unearned premium	-4 455 931	-	Negative = profit
Expected Profit in written 2019 business	-1 838 877	-	Negative = profit
Expected Profit in long-term policies	257 623	-	Negative = profit
Non due premium receivables	-79 939 683	-	Reclassification
Discounting	-2 695 968	-	
Gross Premium Provision	**-5 507 990**	**83 164 845**	

Note 16 – Reinsurers' Result

	31.12.2018	31.12.2017
Reinsurers' share of gross premiums	30 886 158	30 722 603
Reinsurers' share of gross claims	33 676 223	111 329 033
Commissions incurred	-	
Reinsurers' result	-2 790 065	-80 606 430

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

	31.12.2018	31.12.2017
Norway	35 763 984	36 756 614
Countries covered by the EEA agreement	79 350 435	82 662 158
Other countries	51 245 971	48 268 460
Total	**166 360 389**	**167 687 232**

Note 18 – Earned Premium and Claims Per Lines of Business

	Marine	Medical	Total
Gross earned premium	149 033 863	17 326 526	166 360 389
Reinsurance premiums	27 325 411	3 560 747	30 886 158
In total	**121 708 452**	**13 765 779**	**135 474 231**
Gross claims	-128 304 935	-12 748 943	-141 053 878
Run off gain (+) / loss (-) gross	-9 026 729	312 809	-8 713 920
Gross accrued claims	**-137 331 664**	**-12 436 134**	**-149 767 798**
Reinsurers share of gross claims	**30 928 871**	**2 747 352**	**33 676 223**
Claims for own account	**-106 402 794**	**-9 688 781**	**-116 091 575**

Note 19 – Insurance Provisions Per Lines of Business

	Marine	Medical	Total
Unearned gross premium provision	80 015 957	3 148 888	83 164 845
Gross claims provision	221 952 337	5 522 489	227 474 826

AUDITOR'S REPORT

To the General 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, which comprise the balance sheet as at 31 December 2018, the statement of comprehensive income, development in equity and statement of cash flow 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 2018, 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, including 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 information in the annual report, except 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 in accordance with law and regulations, including 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, including 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 concerning the financial statements, the going concern assumption and the proposed allocation of the total comprehensive income 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, 26 March 2019
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

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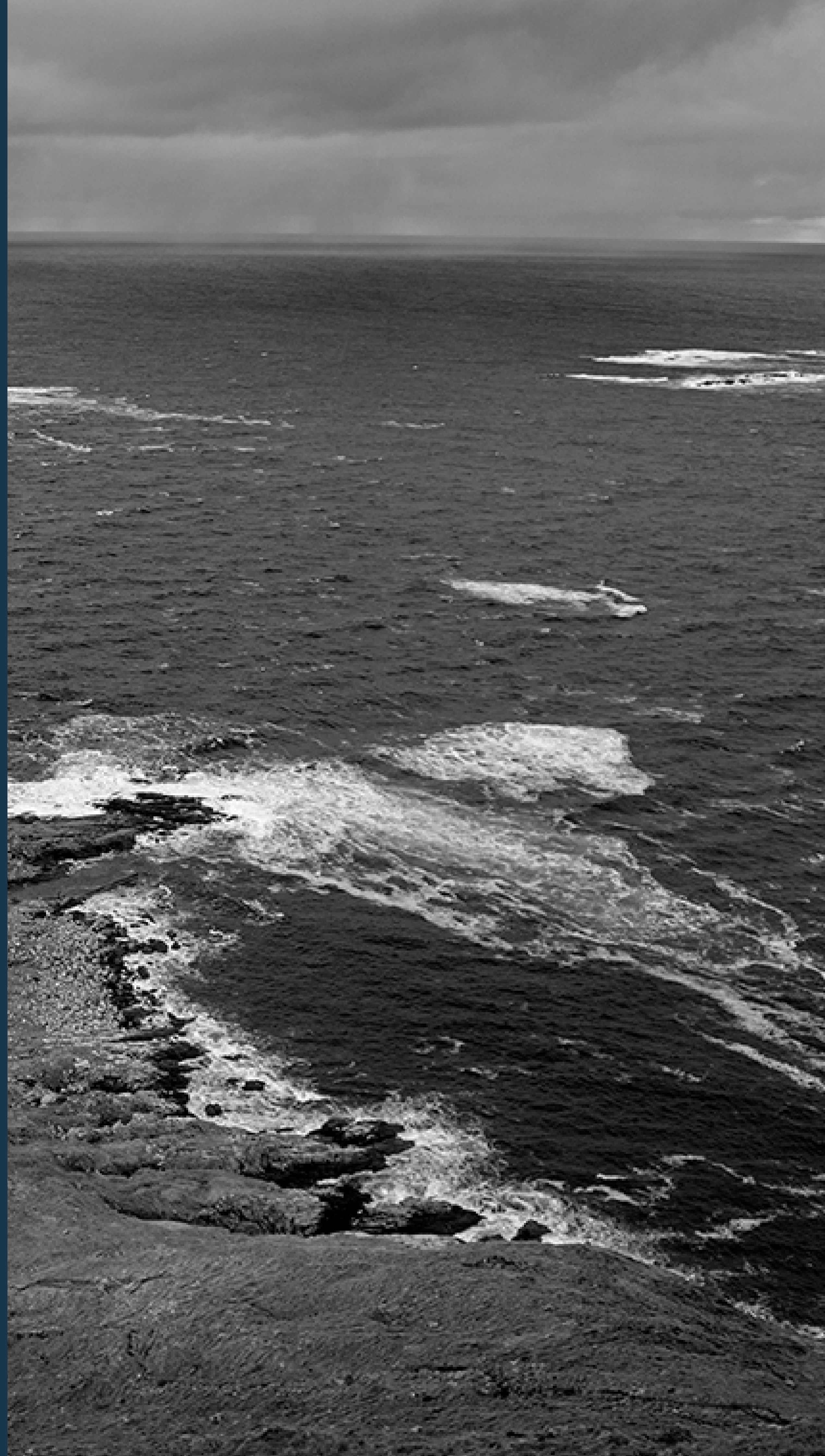

CORPORATE GOVERNANCE

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.

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 Norwegian Hull 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; it shall regularly consider the appropriateness of the risk management system; it 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 and members of the Board of Directors shall, in general, not be re-elected after ten years of service.

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