ANNUAL REPORT

2017

NORWEGIAN HULL CLUB

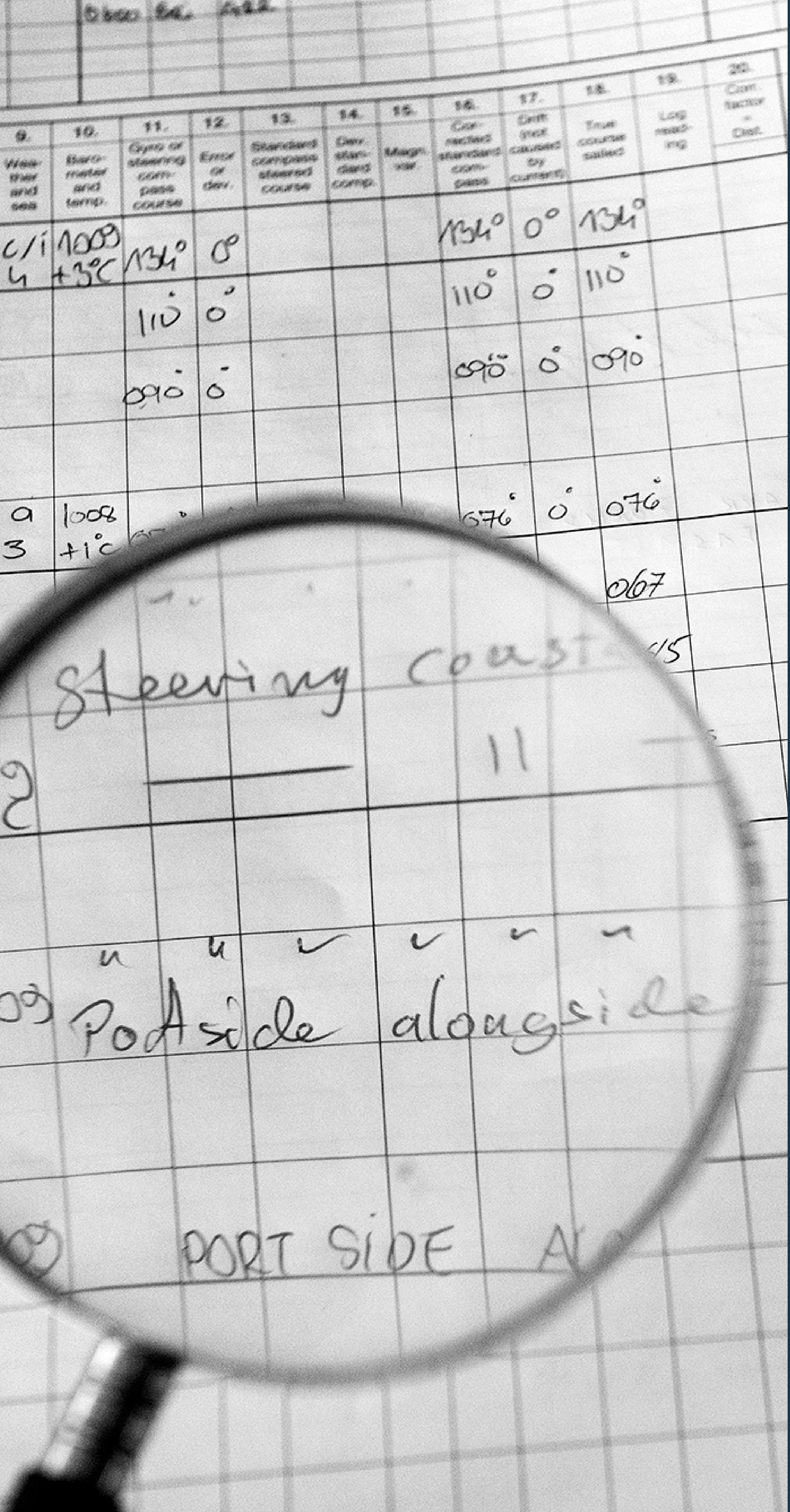


TABLE OF CONTENTS

Management Team, March 2018 - *(l-r) Åge Solberg, Per Gustav Blom, Hilde Førland, Hans Christian Seim, Ole Jørgen Eikanger, Atle Fjeldstad*

CEO'S REVIEW

As we look back on 2017, I want to start my review by thanking everyone who helped ensure Norwegian Hull Club finished the year with a satisfactory outcome. In many ways 2017 was an extreme year for The Club.

Our most important assets continue to be our employees; your knowledge, experience and dedication never stop making me proud. In the past year, you have exceeded expectations despite an activity level greater than any other in Norwegian Hull Club's history.

Although we have been providing services and expertise to our members for 180 years, resting on our laurels has never been an option. We have never carried out so many market activities and launched so many new products as in 2017. At the same time, we executed important changes in the organisation. On top of this, our business model passed the test when a significant claim in the third quarter tested its robustness. So thank you for living up to our slogan, "Expect more", every day.

profit before tax of USD 29.8 million, and therefore a further strengthening of our capital base, is a satisfactory outcome in what we consider to finally be the year of change in a soft market; not least a year in which we experienced a 100-year event capital wise. It is in challenging times that relationships are put to the test and our long-time standing relationships with our reinsurers remain. We take this opportunity to thank them for their support.

Despite challenging conditions, our market share continues to grow with an increasing number of insured units and corresponding claims lead units. The revised market strategy adopted last year is already showing positive results in different geographical locations.

We doubled our number of events around the world and spent more time with brokers and clients than ever, to better understand the short and long-term challenges they face. Via these meetings and through close, long-term relationships with both clients and brokers, we gain vital input and feedback. These enable us to develop concepts that respond to their needs by offering relevant insurance policies, exercises, emergency response and claims-handling services. We are thankful for these close relations and will work hard to stay relevant to our clients and members, while also committing to long-term business relationships, in the years to come.

One example of a concept we have developed and introduced to the market over the past year is our cyber-risk approach. Cyber-risk awareness increased exponentially following several large marine events in 2017. We were one of the first marine insurers to respond, offering cyber buy-back and cyber-extortion policies, exercises and a claims response to the market, after preparing and building cyber-risk competence internally over a longer period of time.

Being a mutual marine insurer, experience transfer is one of our key priorities. Our Loss Prevention and Emergency Response department carried out more than 250 different activities last year. In 2018, it will launch two new exciting programmes. The established Loss Prevention Committee continues its work and maintains focus on priority safety areas. The most recent addition was the launch of our FPSO Loss Prevention Committee. At its first meeting, many of the FPSO operators insured with the Club participated. In addition to this, we work alongside the maritime industry on several different industry projects and initiatives.

Competence is one of Norwegian Hull Club's core values and our initiatives to build and share knowledge are not limited to our industry. Through internships, exchange programmes and seminars, we stay in touch with educational institutions and increase knowledge about marine insurance among new generations. Building competence is also at the heart of our corporate social responsibility programme. The Thade School Project is a non-profit, religious and politically independent project based in Thade, Nepal. Run by two sister organisations based in Sweden and Nepal, this project offers all children in the district equal opportunities in primary education. We are proud to be a main supporter of this initiative.

Recruiting and retaining the best talent will remain vital in the future. Developing knowledge, competence and management skills requires constant high focus in order to maintain the level of expertise that Norwegian Hull Club is known for. The recruitment of Hilde Førland as the company's Chief Human Resources Officer, in January 2018, was an important step in securing this. We are delighted to have her on board.

Our ecosystem and business models are under constant change, hence our strong focus on digital solutions that will support the transformation over time. Our project to meet the needs of tomorrow started in 2015. Improved client service is the main priority as we continue our work to increase the efficiency of processes and transactions. In February we strengthened our subsidiary ITS AS, provider of a marine and energy insurance system to 14 clients. Its network and platform are ideal for the exchange of ideas on how to meet and possibly shape the changes our market will face in the future.

Our subsidiary, Marine Benefits, celebrated 10 years' presence in Manila this autumn. Looking back it has been a real success story, serving close to 100,000 people enrolled in its medical plan programme. The product is fully Maritime Labour Convention compliant, with a responsive claims-handling system in order to provide excellent service and reduce client cost. We have high ambitions to improve this business model by use of digital tools, increasing efficiency and keeping it simple and smart.

The financial strength of The Club remains exceptional. Equity as per 31.12.17 is USD 290.8 million excluding the reservation for deferred tax of USD 83.5million. Solvency Capital Requirement has a margin of 161%. In order to provide best-in-class services to our members, a sustainable and robust capital base is important, both in terms of stability and potential for further growth and expansion.

A gross earned premium of USD 167.7 million indicates a levelling out of the reduction in top line, and we expect a modest growth the coming year. The combined ratio ended at 104%, which is above our cross-cycle target of 95%. As we see the end of a soft market - and with a combined ratio of 92% if the one major 100-year-event claim is excluded - we are confident that the underwriting portfolio performance is sustainable going forward.

In August, Standard & Poor´s reaffirmed The Club´s "A" rating (stable outlook) and our capital adequacy is in excess of the "AAA" requirement. This enables The Club to grow further when business opportunities arise.

Looking ahead, Norwegian Hull Club's commitment to its members and clients – "Expect More" - remains our guiding light. Both The Club's employees and its members and clients will come to recognise our hallmarks even further: a financially strong partner with a long-term relationship view and innovative solutions.

"Looking ahead, Norwegian Hull Club's commitment to its members and clients – Expect More - remains our guiding light. "

Hans Christian Seim
CEO

KEY FIGURES

All figures in USD 000's

	2017	2016 PBR*	2016	2015	2014 PBR*	2013	2012
Gross earned premiums	167 687	168 967	165 500	191 496	203 825	219 365	210 961
Gross claims	237 356	135 466	135 466	176 903	104 988	127 264	178 745
Gross result	**-69 668**	**33 501**	**30 034**	**14 593**	**98 837**	**92 100**	**32 216**
Premiums for own account	136 965	142 306	138 839	161 839	171 179	185 234	181 336
Claims for own account	126 026	122 141	122 141	125 704	105 811	123 227	156 973
Insurance result f.o.a.	**10 938**	**20 165**	**16 698**	**36 135**	**65 368**	**62 007**	**24 363**
Other income	8 142	6 981	6 981	7 991	9 907	10 609	9 197
Operating expenses	25 100	24 224	24 224	17 975	29 779	29 189	27 078
Technical result f.o.a.	**-6 020**	**2 923**	**-545**	**26 152**	**45 496**	**43 427**	**6 483**
Net financial income	**35 853**	**18 164**	**18 164**	**-17 614**	**-7 804**	**9 257**	**33 407**
Operating result	**29 833**	**21 086**	**17 619**	**8 539**	**37 692**	**52 685**	**39 890**
Total assets	677 911	671 572	671 572	664 975	652 979	630 213	572 879
Provision for risk equalisation + Equity	290 756	270 508	270 508	257 700	319 451	298 073	253 499
Loss ratio for own account	92 %	87 %	89 %	78 %	64 %	67 %	87 %
Expense ratio	12 %	11 %	11 %	6 %	12 %	10 %	10 %
Combined ratio	**104 %**	**98 %**	**100 %**	**84 %**	**76 %**	**77 %**	**96 %**
Gross loss ratio	142 %	80 %	82 %	92 %	52 %	58 %	85 %
Return on investment portfolio (denominated currency)	8.6 %	5.1 %	5.1%	-2.6 %	-1.5 %	2.2 %	10.9 %
Deviation from benchmark	0.4 %	0.1 %	0.1 %	-	-0.3 %	-0.1 %	-0.3 %

** PBR= Premium Before Return Premium*

BOARD OF DIRECTORS' REPORT

Business Strategy

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

The Club covers vessels, upstream energy assets and yachts for Hull & Machinery, Loss of Hire, Total Loss, War and Builder's/Construction Risks. Norwegian Hull Club also offers Medical Insurance for Seafarers, Crew Contractual Liability Insurance and fixed P&I and FD&D. In addition, The Club has a growing portfolio of Special Risks products. The majority of The Club's premium income comes from international members and clients. Norwegian Hull Club's registered office is in Bergen, Norway.

Management

Extensive activities and projects were executed in 2017 including market plans and cost-efficiency programmes, as well as strategic reorganisation and alignment processes across all departments. A continuous focus on optimising the organisation of all operations, recruiting talent, as well as retaining skilled and motivated employees, remains a key prerequisite for The Club to deliver on its promises and stay relevant.

Operational Review

Underwriting

During the past two-to-three years, an overcapacity in the global marine and energy insurance markets caused a continuous reduction in insurance rates over the same period. This soft market trend seemed to have come to an end in the final months of 2017. The underwriting year was, to a large extent, influenced by the losses of the HIM (Harvey, Irma, Maria) hurricanes. The majority of these losses affected the marine market and, consequently, the correction seen in the market appeared to come as a result of these events. Norwegian Hull Club maintained its position and saw rates improve in the second half of the year. Gross premium income was lower than expected but higher compared to the previous year - the main reason being a combination of reduced insured values, lower rates and vessels in lay-up.

The Club also focused on developing new products during 2017, within existing lines of business, as well as offering various bespoke insurance solutions categorised as Special Risks. These initiatives have been well received by clients as well as brokers. They also contributed to increased external awareness of Norwegian Hull Club adding additional distinctive features to its concept.

The Club also continued its diversification strategy and, throughout 2017, established a new line of business capacity within the renewable energy sector. As of 1 January 2018, Norwegian Hull Club will be underwriting Offshore Wind Parks.

Claims

In general, a slight decrease in the frequency of reported claims was seen compared to previous years. The reported claims costs were substantially higher than previous years due to the impact of Hurricane Irma in the Caribbean in September 2017. The reported claims costs were also affected by one large increase in reserves on an old pending claim in the energy segment.

Quick settlements continued to be a focus area. We are pleased to observe that, in 2017, The Club continued to deliver quicker settlements than its peers under lead H&M and LOH policies. We will initiate digital initiatives in 2018 to further increase this gap.

The Loss Prevention – Emergency Response Department was organisationally included in the Claims Department, increasing experience transfer while bringing emergency support functions closer to Claims. The transition further strengthened the alignment focus and process. Loss Prevention – Emergency Response continued to deliver a high number of activities globally for members and clients.

A total of 717 adjustments were finalised on policies where Norwegian Hull Club is claims lead. This was the highest number for five years. The claims-lead role for a large number of insured units provides knowledge that Norwegian Hull Club seeks to share with clients through experience-transfer activities.

Investments

Financial markets performed strongly in 2017 and investors were rewarded for taking risks. The same investors disregarded possible negative factors such as geopolitical risks, a controversial new President in the White House, Brexit and financial markets that were not cheap by any standards.

As it happened, there was no major political event that created a real negative sentiment. Macro-economic figures generally improved throughout the year, in some regions substantially. The effects were significant increases in corporate earnings that supported higher equity markets. In fact, the 24 % increase in global equity prices and 37 % increase in emerging markets equities were only slightly higher than the respective increases in corporate earnings.

In the US, which most often leads financial markets in the rest of the world, the positive equity sentiment is supported by the tax reform in the fourth quarter that will increase companies' earnings. Bond investors seem more concerned that a major tax reduction may lead to larger budget deficits and could also spur inflation as there is little slack in the economy. There is also concern about the effect of the up-coming de-leveraging of the Federal Reserve's USD 4.5 trillion balance sheet and the central bank's announcement that it is pushing forward with a more aggressive timetable for rate hikes, forecasting three increases in 2018. Longer rates have therefore increased since the middle of the third quarter.

Norwegian Hull Club's investment portfolio returned 8.62 in USD. All asset classes delivered positive returns. The best-performing asset classes were public equities, private market investments, emerging market government bonds and real estate. The portfolio also benefited from manager selection.

The Club's investment portfolio is invested in several currencies, predominately USD, EUR and NOK, reflecting the currency composition of premium income. A weaker USD had a positive effect on financial income in 2017. In the local currencies in which the portfolio is invested, the weighted return was 6.48 %.

Reinsurance

A panel of long-term reinsurers with solid financial security

Board of Directors 2017 - *(l-r) Morten Ulstein, Siri P. Strandenes , Øystein Beisland, Hans Olav Lindal, Sveinung Drivenes, Benedicte Bakke Agerup, Anna F. Erlandsen* helps protect the economic interests of The Club. Reinsurance reduces risk exposure, protects capital and ultimately secures The Club's ability to fulfill its promise to members and clients, long and short term, whilst supporting new products and reducing volatility in existing business lines.

A close partnership with reinsurers, based on mutual trust and confidence, is key to success in this regard. A large claim in 2017 proved that our reinsurance panel can respond in a proactive and timely manner to The Club's needs.

Other Activities

Marine Benefits AS

Marine Benefits AS is a subsidiary of The 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.

Insurance Technology Solutions AS

Insurance Technology Solutions AS is a subsidiary of Norwegian Hull Club that develops and operates software systems for the marine insurance industry. At the end of 2017, the company had 14 clients.

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 risks, both the probability and consequences of events are assessed. Key functions are established according to Solvency II requirements, comprising independent Compliance Officer, Risk Manager, Actuary and Internal Auditor roles.

The Board of Directors decides Norwegian Hull Club's strategy and risk profile, including capital targets and maximum risk levels. 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 or higher skills within the workforce are met through talent development or recruitment of new employees.

Insurance risk

Insurance risk is the possibility that the premium charged is not sufficient to cover claims incurred and that provisions for claims already incurred are not sufficient to cover the ultimate cost. Clear limits 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 The Club's overall risk. Stress tests are carried out to ensure that The Club can withstand the impact of severe negative scenarios.

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

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

Operational risk

Operational risk is the probability 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. A compliance function helps ensure that The Club does not incur public sanctions, financial losses or loss of reputation from breach of laws, regulations or standards.

For further details on risks, please see the Notes to the Accounts.

Internal Control

Internal control is a continuous process throughout the organisation. 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, the annual accounts are prepared under the assumption that the enterprise is a viable going concern.

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

Results

The 2017 profit before tax was USD 29.8 million. The gross loss ratio was 142 %, as a result of the large claims incurred in the third quarter. The loss ratio for own account was 92 %. This corresponds to an insurance result for own account of USD 10.9 million. The technical result from insurance was minus-USD 6.0 million.

Premium income and claims

Gross premium earned was USD 167.7 million, which was slightly below 2016. Premium earned for own account was USD 137.0 million. The decrease in premiums was mainly due to rate reductions. Gross claims incurred were USD 237.4 million and claims for own account amounted to USD 126.0 million.

Financial items

Financial income was USD 38 million. Of this, USD 34.9 million was related to the investment portfolio, with the balance comprising foreign exchange items and other financial income. Administration expenses related to financial assets were USD 2.1 million.

Operating expenses

Personnel, marketing and other operating expenses amounted to USD 25.1 million, USD 0.9 million higher than in 2016. Most of the expenses are incurred in NOK. Calculated in NOK, operating expenses increased by 0.7 % from 2016.

Appropriation of result

After tax, the total comprehensive income for the year was USD 20,248,351 which the Board of Directors proposes be transferred to Other equity.

Balance sheet

As per 31 December 2017, equity was USD 290.8 million.

Cash flow

The cash flow generated by operating activities was minus-USD 14.6 million after a plus-USD 9.3 million change in financial assets. Cash flow generated by investments in fixed assets, subsidiaries and employee loans was USD 1.9 million. The change in the cash balance during the year was minus-USD 12.9 million.

Tax from dissolution of provision for risk equalisation

Following a change in accounting regulation, 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. The effect on the tax accounts is still not clear. In February 2018 the Norwegian Ministry of Finance published a consultation paper in which it proposed special treatment of true mutual marine insurance associations competing internationally. Whether an association is a true mutual marine association will be determined by the tax authority in question. The deadline for responding to the consultation paper is 7 May 2018. Changes in taxation are proposed to be effective from fiscal year 2018.

Rating

On 29 August 2017, 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 2017 the margin was 66 %. This enables The Club to pursue a continuous growth strategy.

Organisation and Environment

At the end of 2017, Norwegian Hull Club had a staff of 123 employees. Personnel turnover was 5.7 %. Sick leave including long-term absence equated to 1.6 % of total working hours. Including the subsidiaries Marine Benefits and ITS, the total number of employees was 183. Norwegian Hull Club pursues diversity in the organisation.

Amongst our 123 employees, 12 nations are represented, while the gender ratio at the end of 2016 was 37% female to 63% male. The Club aims to be a workplace in which no discrimination occurs, in compliance with the Discrimination and Accessibility Act.

There were no accidents involving either The Club's employees or property during the year. The working environment is considered good. Day-to-day operations do not contaminate the external environment. However, The Club insures vessels and units that may contribute to environmental pollution.

Members

No member represents more than 6 % of the votes at the General Meeting. The 10 largest members represent 26.9 % of the votes.

Events After 2017 Year End

No events have occurred in 2018 that significantly affect the capital 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 efficient claims handling.

More efficient use of technology and easier access to data will also have an influence on Norwegian Hull Club and the way marine and energy insurance is structured and executed going forward. Focus and resources are allocated in order for The Club to pro-actively adapt to this digitization and transformation phase. These surroundings require 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 continued, relentless effort to remain relevant for its members and clients. Norwegian Hull Club will concentrate on securing its capital base and growing the business volume over time in a profitable and sustainable manner.

Operational focus will be on diversifying into profitable areas, reducing costs, continuously streamlining operations, quick and efficient claims handling, improving The Club's distribution network through geographical positioning, 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 depressed 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 a re-energised focus on growing our business in international markets, the Board of Directors believes Norwegian Hull Club is well placed for long-term profitable and sustainable growth.

Bergen, 19 March 2018

Hans Olav Lindal
Chair of the Board

Benedicte Bakke Agerup

Anna F. Erlandsen

Sveinung Drivenes

Siri P. Strandenes

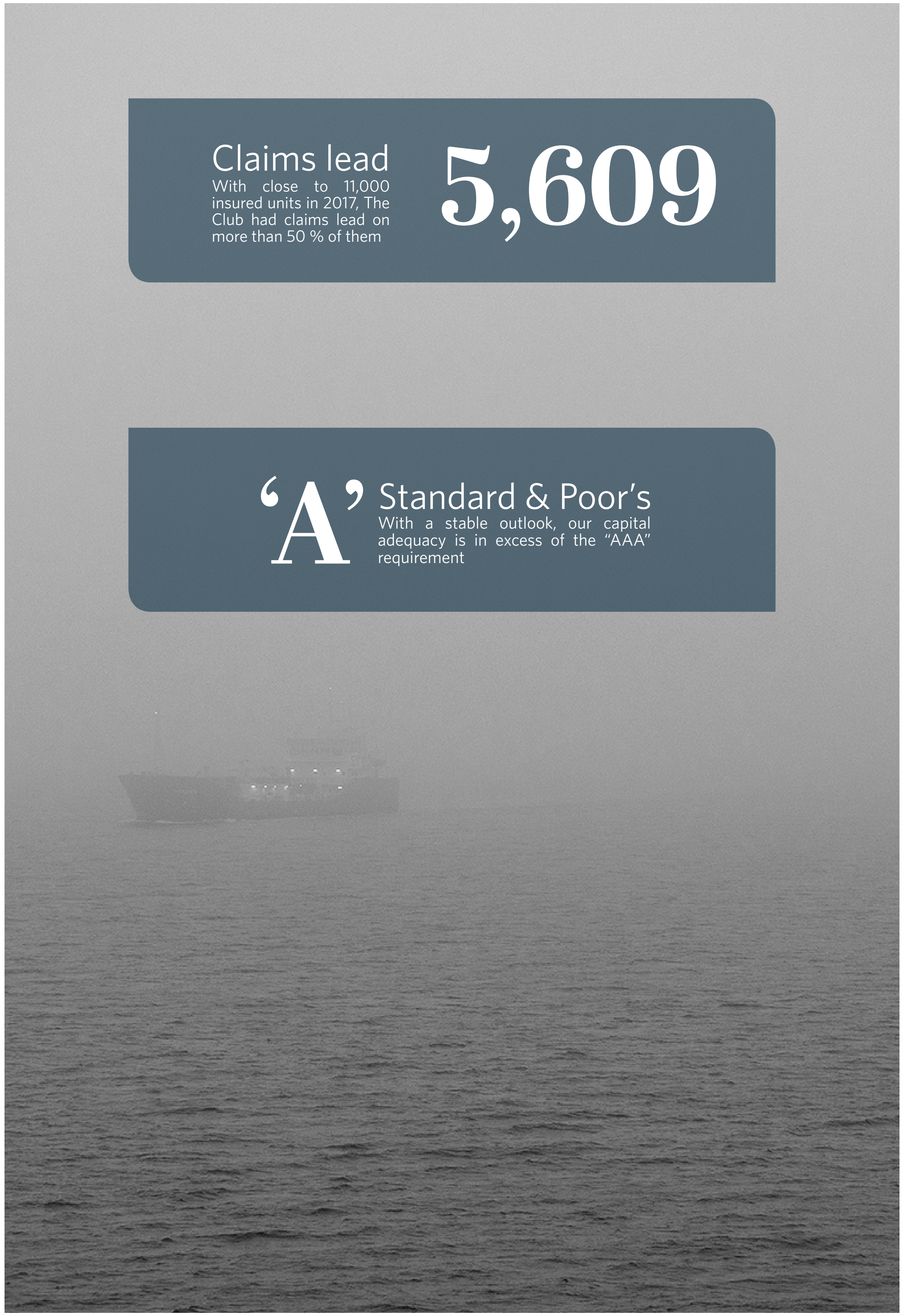
Øystein Beisland

Morten Ulstein

Hans Christian Seim
CEO

STATEMENT OF COMPREHENSIVE INCOME

All figures in USD				Restated
		Notes	**2017**	**2016**
	Gross premiums earned	*17*	167 687 232	165 499 871
	Reinsurance premiums	*16*	-30 722 603	-26 661 083
A	Premiums for own account		136 964 629	138 838 787
B	Other insurance related income		8 142 037	6 980 549
	Gross accrued claims		237 355 516	135 466 184
	Reinsurers share of gross claims	*16*	-111 329 033	-13 325 678
C	Claims for own account	12	126 026 483	122 140 506
D	Insurance related expenses for own account	*1*	12 430 962	11 960 025
E	Other insurance related expenses		12 669 132	12 263 695
F	**Operating result technical accounts (A+B-C-D-E)**		**-6 019 911**	**-544 889**
	Financial income		9 877 532	12 445 271
	Realized gains and losses		-5 950 116	2 511 897
	Adjustment investment portfolio		34 075 247	5 390 191
G	Total financial income		38 002 663	20 347 359
H	Administration expenses financial assets		2 149 957	2 183 157
I	**Profit before income tax (F+G-H)**		**29 832 794**	**17 619 313**
J	Tax expenses (income)	9	9 584 444	5 122 038
K	**Profit for the year (I-J)**		**20 248 351**	**12 497 275**
L	Other comprehensive income- actuarial loss pension plan		-	-
M	**Total comprehensive income for the year**		**20 248 351**	**12 497 275**
	Other equity		*20 248 351*	*12 497 275*
	Total		*20 248 351*	*12 497 275*



BALANCE SHEET

Assets

All figures in USD			Restated
	Notes	31.12.2017	31.12.2016
Deferred tax benefit		-	-
Total intangible assets		**-**	**-**
Shares in subsidiaries	4	2 734 715	2 356 629
Other shares	4	1 281 925	1 281 925
Mortgage loans	2	10 328 877	11 237 446
Stocks and shares	7	105 060 721	92 700 249
Bonds	8	300 644 660	321 048 685
Financial derivatives		-	1 233 759
Bank deposits investment portfolio	1	3 784 382	9 499 804
Total financial assets		**423 835 279**	**439 358 496**
Reinsured proportion of gross premium provisions	13	14 397 660	12 325 862
Reinsured proportion of gross claims provision	13	55 349 537	52 284 697
Total reinsured proportion of insurance provisions		**69 747 197**	**64 610 560**
Insurance related receivables	5	90 246 484	77 414 010
Reinsurance receivables		12 396 722	4 554 899
Disbursements		46 403 527	41 154 027
Other receivables		9 137 339	8 392 758
Total receivables		**158 184 072**	**131 515 694**
Properties	3	2 777 085	3 708 173
Equipment and fixtures	3	4 279 113	5 050 838
Cash and bank deposits		17 776 057	24 987 608
Total other assets		**24 832 255**	**33 746 619**
Accrued interest		1 312 040	1 600 912
Total assets		**677 910 844**	**670 832 281**

Equity and Liabilities

All figures in USD			Restated
	Notes	31.12.2017	31.12.2016
Equity		8 042 072	8 042 072
Other equity		282 714 115	262 465 764
Currency adjustment equity			
Total equity	10	**290 756 186**	**270 507 836**
Unearned gross premium provision	13	77 407 114	74 069 727
Gross claims provision	13	198 755 426	225 565 149
Unearned commission provision	13	-	-
Total gross insurance provisions		**276 162 540**	**299 634 876**
Pension liability	2	4 246 406	3 729 225
Withheld payroll tax, social security etc.	1	3 187 549	2 723 830
Deferred tax	9	83 494 842	73 910 398
Taxes payable		-	-
Total tax etc. payable		**90 928 797**	**80 363 453**
Payables direct insurance accounts		629 909	3 906 416
Payables reinsurance		6 975 016	4 937 338
Payables other accounts		12 458 397	11 482 363
Total payables		**20 063 321**	**20 326 116**
Total equity and liabilities		**677 910 844**	**670 832 281**

Bergen, 19 March 2018

Hans Olav Lindal
Chair of the Board

Benedicte Bakke Agerup

Anna F. Erlandsen

Sveinung Drivenes

Siri P. Strandenes

Øystein Beisland

Morten Ulstein

Hans Christian Seim
CEO

STATEMENT OF CASH FLOW

All figures in USD

	2017	2016
Profit for the year before tax	29 832 794	17 619 313
Change in net technical reserves	-28 608 974	-21 890 455
Net profit on sale of fixed shares	-	-
Change in disbursements	-5 249 501	5 572 239
Net profit on sale of fixed assets	-78 766	-58 805
Change in net pension liabilities	517 181	-5 221 820
Change in net receivables	-20 929 081	22 230 385
Depreciations and impairment of assets	687 291	906 822
Taxes paid	-53 903	-45 576
Net cash flow from operations before financial assets	**-23 882 958**	**19 112 103**
Change in net bonds	20 404 025	-19 980 361
Change in net stocks and shares	-12 360 472	847 913
Change in net financial derivatives	1 233 759	976 827
Net cash flow from financial assets	**9 277 312**	**-18 155 620**
A Net cash flow from operational activities	**-14 605 646**	**956 483**
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	1 015 522	345 929
Change in mortgage loans	908 569	2 133 283
B Net cash inflow/outflow from investment activities	**1 924 090**	**2 479 212**
C Net financing activities - dividend paid to members	**-**	**-**
D Effect of changes in exchange rates on cash and cash equivalents	**-245 418**	**112 767**
A+B+C+D Net change in cash and cash equivalents	**-12 926 974**	**3 548 462**
Cash and cash equivalents 01.01	34 487 412	30 938 950
Cash and cash equivalents	**21 560 438**	**34 487 412**

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, as well as Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance.

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

The financial statements of the Norwegian Hull Club as of 31 December 2017 consist of the statement of comprehensive income, balance sheet, statement of cash flows and notes to the accounts.

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

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

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

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

Accounting principles for material items
Premium recognition / premium reserve

Premium is 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. 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 31.12.2017.

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 2018 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 and provisions for losses incurred but not yet reported at the end of the fiscal year. Provisions for known losses are assessed individually by the claims 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 regulation ("Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance") the Club has implemented a provision to cover indirect claims cost. The Club has calculated unallocated loss adjustment expenses to 7 % of outstanding claims as a claims provision (for the medical plan 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.

Insurance related expenses for own account
Insurance related expenses for own account do not include any sales commissions.

Foreign exchange
USD is The Club's functional and presentation currency. The major part of The Club's premium income and claim cost are 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 income statement.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are 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 8.21 (NOK / USD). The average exchange rate used in the statement of comprehensive income was 8.26 (NOK / USD).

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

Exemptions to the Basic Assessment and Valuation Principles

Financial current assets
Norwegian Hull Club uses the opportunity that is given insurance companies in "Regulations for annual accounts for insurance companies approved by the Norwegian Ministry of Finance"to present all financial assets at fair value through profit and loss in accordance with the fair value option, if not otherwise decided before investment in a financial asset is made. This means that the fair value adjustments on financial assets are recognized in income before other comprehensive income. Financial instruments are valued at fair market value. Such financial instruments are equities (both listed and unlisted), bonds and other interest generating investments, real estate funds and money market funds. Foreign exchange contracts are 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 derecognised 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. Realized 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 and associated companies are valued using the cost method in the Norwegian Hull Club accounts. Cost increases when the parent gives the subsidiary increased equity capital by subscription for share issue or group contribution. Dividends / group contribution received is normally recognized as income, but only to the extent that dividends / group contribution received from subsidiary does 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.

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 they reverse within the same time frame. However, deferred tax liabilities on net pension assets are treated separately. Temporary differences that will constitute a future tax deduction give rise to a deferred tax asset. Changes in deferred tax liability and deferred tax asset, together with taxes payable for the fiscal year adjusted for errors in the previous year's tax calculations, constitute 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 a high level of uncertainty, and tax treatment of the dissolution has not been concluded by The Norwegian Ministry of Finance.

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

Number of employees	NHC
31.12.2016	122
31.12.2017	123

Remuneration to executives, Board of Directors, Committee members and auditor per 31.12.2017:

	Salary	Other benefits	Loan	Profit sharing	Pension cost
Hans Christian Seim, CEO	430 400	18 153	340 076	113 294	72 549
Arne Birkeland, CAO	239 071	18 153	-	68 287	44 008
Ole Jørgen Eikanger, CBDO	219 201	18 153	137 042	42 385	42 195
Per Gustav Blom, CFO	219 124	18 153	-	59 824	44 849
Åge Solberg, CCO	199 964	8 471	319 863	30 272	36 516
Atle Fjeldstad, CUO	234 786	18 153	471 133	48 858	43 250

The pension and profit sharing figures in the table above represent the actual payments in 2017.

Board of Directors with sub Committees:	
Hans Olav Lindal (Chair)**	57 485
Øystein Beisland	10 589
Siri Pettersen Strandenes*/***	50 224
Njål Sævik	10 589
Morten Ulstein	21 179
Benedicte Bakke Agerup*/**/***	52 644
Sveinung Drivenes (employee repr.)	10 589
Anna Erlandsen (employee repr.)	21 179
Roar Sanden (employee repr.)*/***	25 112
Total remuneration	**259 590**

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

Election Committee	
Atle Bergshaven (Chair)	14 523
Helge Kraft	9 682
Stig Remøy	7 261
Jens Ismar	7 261
Elisabeth Grieg	7 261
Total remuneration to Election Committee	**45 988**

Committee	
Atle Bergshaven (Chair)	3 631 per meeting
Other members	2 420 per meeting
Total remuneration to Committee	**73 823**

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

Employee salary and loans

All employees	2017	2016
Salary	13 287 105	13 219 315
Payroll tax	3 443 252	2 768 195
Profit sharing	1 945 923	1 811 209
Other benefits	297 827	283 118
Pension cost	3 732 105	3 055 853
Total	22 706 213	21 137 690

The Club has extended ordinary loans to employees totalling USD 8.3 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 a repayment period of 20 years.

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

Remuneration / profit sharing

The Club recognises a liability for profit sharing, based on the requirements on compensation schemes in financial institutions, given in relevant Norwegian regulation. 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 will annually assess the need for adjustment in the compensation scheme, based on changes to 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

	2017	2016
Audit Fee	68 831	83 240
Tax advice fee	67 949	17 609
Other services provided by auditor	10 357	110 594
In total	**147 137**	**211 443**
(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 The Club in respect of the hybrid scheme for 2017 was USD 1 100 211, and USD 378 853 related to the additional top pension scheme. The total investments in Holberg Fondene amounted to USD 6.3 million as per 31.12.2017, 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 2017 was USD 169 425 (USD 170 702 for 2016).

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 2016 and 2017 accounts, these items have been regarded as insignificant for reclassification.

Notes for IAS19 disclosures per 31.12.2017:

		Non-funded obligations	
1.	**Net pension cost**	**2016**	**2017**
	Current service cost	2 142	143 157
+	Recognized past service cost	503 551	158 540
=	Service cost	505 693	301 697
+	Net interest expense/(income)	87 207	70 104
+	Administrative expenses related to management of plan assets	-	-
+	Payroll tax (PT)	83 599	52 424
+	Financial tax	-	-
=	**Cost in financial statement**	**676 499**	**424 224**

		Non-funded obligations	
2.	**Change in defined benefit obligation (DBO)**	**2016**	**2017**
	DBO at the beginning of year	5 973 925	3 433 694
+	Service cost	2 086	144 169
+	Interest cost on DBO	84 912	70 600
+	Past service cost	490 298	159 661
+	Remeasurements	153 240	97 933
+	Acquisition/(disposals)	-2 955 777	-
-	Benefits paid	480 301	462 932
=	**DBO at end of year**	**3 268 383**	**3 443 126**
	TBO at end of year	**3 268 383**	**3 836 498**

3.	**Obligation in financial statement**	**2016**	**2017**
	Net defined benefit obligation (asset)	3 268 383	3 443 126
+	Payroll tax	460 842	485 481
+	Financial tax on contribution	-	- 172 156
+	Remeasurements at end of year	-	-
=	**Obligation in financial statement**	**3 729 225**	**4 100 763**

4.	**Reconciliation**		
	Balance sheet provision (prepayment) at beginning of year	6 816 248	3 917 845
+	Cost in financial statement	658 694	445 947
-	Contributions / benefits paid during year (including PT)	548 023	528 205
-	Financial tax on contribution	-	23 147
+	Remeasurements recognised in OCI	174 847	288 323
-	Impact of (acquisition) / disposals	3 372 541	-
+	Other movements in the balance sheet	-	-
=	**Balance sheet provision (prepayment) at end of year**	**3 729 225**	**4 100 763**

5.	**Assumptions**	**01.01.2017**	**31.12.2017**
	Number of employees	4	4
	Number of pensioners	11	8
	Contractual Pension Scheme (AFP) probability	0 %	0 %
	Resignation rate (over/under 40 years)	0-8 %	0-8 %
	Tariff	K2013/KU	K2013/KU
	Estimated return on plan assets	2,10 %	2,30 %
	Discount rate	2,10 %	2,30 %
	Salary increase	2,25 %	2,50 %
	Increase of pension from the Norwegian National Insurance	2,00 %	2,25 %
	Pension increase	fluctuating	fluctuating
	Payroll tax	14,10 %	14,10 %
	Financial tax	5,00 %	5,00 %

6.	**Remeasurements**	**2016**	**2017**
	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	53 987	20 657
+	Actuarial loss / (gain) on DBO from experience adjustments	125 587	95 161
-	Remeasurements recognised in OCI	179 573	286 298
=	**Remeasurements at end of year**	**-**	**-**

During the year The Club has made additional provisions of USD 145 643 to compensate certain employees related to the transfer from defined benefit plan to the hybrid scheme. The provision is recognised as pension liabilities in the balance sheet per 31.12.2017.

Estimated pension cost and liability for an early retirement agreement for one senior employee assumes that the employee resigns at the age of 65. Annual early retirement will be paid over the statement of comprehensive income of NHC and will constitute 66 % of salary less earned and funded retirement pension from 65 to 67 years, as well as deductions for contractual pension (assumed resignation after the age of 62). According to the agreement, the employee has the right to resign at age 60.5 years per 01.01.2019. If the employee resigns before age 65, calculated pension cost and liability will increase proportionally depending on the date of resignation.

Note 3 – Fixed Assets

	Equipment and fixtures	Properties	Total
Acquisition cost 1.1	10 977 871	4 311 820	15 289 690
Additions	197 659	-	197 659
Disposals	-282 093	-699 605	-981 698
Acquisition cost 31.12	10 893 437	3 612 215	14 505 652
Accumulated depreciation 1.1	5 927 033	-	5 927 033
Ordinary depreciation	751 011	-	751 011
Disposals depreciation	-63 720	-	-63 720
Accumulated depreciation 31.12	6 614 323	-	-
Accumulated impairment 1.1	-	-603 647	-
Impairment	-	-231 483	-
Accumulated impairment 31.12	-	-835 130	-
Book value 31.12	4 279 113	2 777 085	7 056 198

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

Note 4 – Subsidiaries and Associated Companies

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

Company	Insurance Technology Solutions AS	Marine Benefits AS	NHC Prosjekt AS	Olav Kyrresgt. 11 AS
Business office	Bergen	Bergen	Bergen	Bergen
Ownership share/Voting share	100 %	100 %	100 %	33%
Result in subsidiaries and associated companies	81 633	538 777	-	-274 900
Book value	295 969	2 060 659	378 086	1 281 925
Equity	238 570	2 959 897	378 086	2 866 037

The activity in these companies is regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts. Subsidiaries and associated companies' financial information has been included based on unaudited financial statements as of 31 December 2017. The figures presented in the table above are all result before tax.

IT services purchased from ITS AS amounts to USD 0.8 million for 2017.

Net receivables / liabilities to group and associated companies:

Balances due to Marine Benefits AS was USD 1.2 million as of 31.12.2017 (as of 31.12.2016 USD 1.6 million). The term and conditions for the loan comprise a floating rate of interest, 3-month LIBOR + 1,5 % p.a. The loan shall be repaid within 2018. Balance due from Marine Benefits is USD 2.8 million (as of 31.12.2016 USD 1.9 million). This is a short-term claims fund. Balances due from Olav Kyrresgt. 11 AS totalling USD 1.5 million as of 31.12.2017 (as of 31.12.2016 USD 1.4 million).

Note 5 – Risk

Underwriting risk

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

Reserve risk

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

Reinsurance risk

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

Operational risk

The risk that The Club's operational guidelines are inappropriate or that its employees deviate from the guidelines. A set of guidelines have been established to manage the operational risk. The Club defines critical risks and establishes procedures to eliminate or reduce 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 at any given time is in compliance with all relevant regulations in terms of capital management, capital adequacy and– so forth. The Club reviews the investment risk continuously. Furthermore, The Club has developed stress tests in order to calculate the sensitivity and potential write down of the investment portfolio and will make sure that the results of these tests are within the risk tolerance limits and parameters adopted by the Board.

Credit Risk

Credit risk is the risk that The Club's customers or counterparties to financial instruments will cause The Club financial loss by failing to honour their obligation. Theoretically, The Club's maximum credit exposure in terms of financial assets is the aggregated book value of debt investments. In order to reduce the credit risk, banks shall have a minimum rating of "A" (Standard & Poor's), and the bond portfolios shall be sufficiently diversified and have an adequate rating level from a holistic point of view.
Bonds that are valued at fair value have on average an A rating (Standard & Poor). Banks had on average an A+ rating as of 31st of December 2017.

The ocean marine line of business is characterised 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 0.5 million is set as provision for bad debt at 31.12.17(2016: 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 2017			Direct insurance 2016	
		in % of total			in % of total
Not Due	69 842 069	77,4 %	Not Due	65 775 360	85,0 %
Due 2017	18 382 404	20,4 %	Due in 2016	10 182 119	13,2 %
Due 2016	1 130 051	1,3 %	Due in 2015	947 812	1,2 %
Due before 2016	891 960	1,0 %	Due before 2015	508 720	0,7 %
In total	**90 246 484**	**100 %**	**In total**	**77 414 010**	**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 program shall have a minimum rating of 'A' (Standard & Poor's/ AM Best).

Market risk

Being a marine insurance company operating in a global business 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, the 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 exposure, the part of the investment portfolio that is invested in fixed income instruments shall have a maximum average duration of six years. As at the end of 2017, the actual duration of the fixed income portfolio was 2.15 years. Thus, the value of the fixed income portfolio will approximately increase / decrease by 2.15% if interest rates shift +/- 1.0% -point across the interest curve. The effect on the statement of comprehensive income, will with the before mentioned change in interest rate, be +/- USD 6.5 million.

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

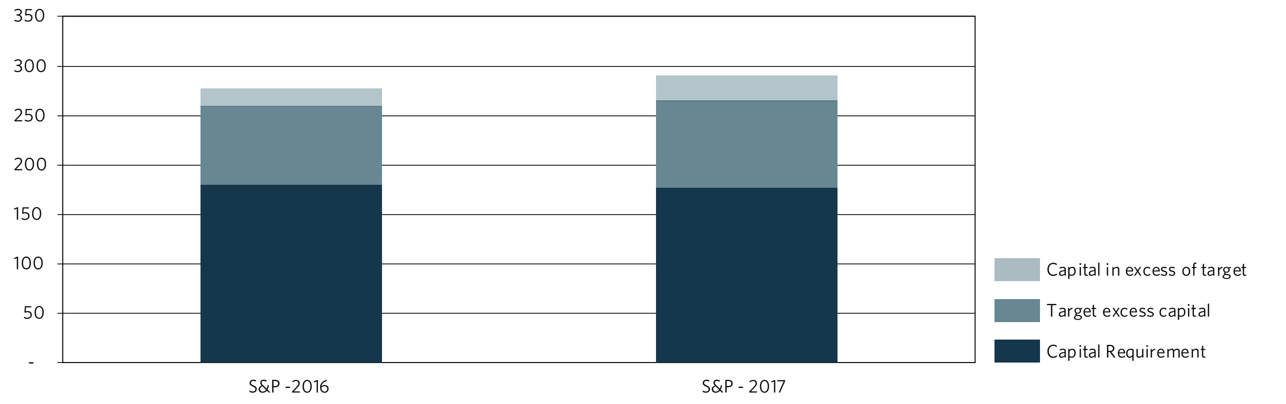
Liquidity risk

Liquidity risk is the risk that The Club will not be able to meet obligations when due. The liquidity risk in the investment portfolio is considered to be low. 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 31.12.2017 the Club's capital exceeds the S&P A-rating requirement by USD 117 million (2016: USD 99 million). The Club's minimum capital requirement is determined as described above and the excess amounts are shown in the following table:

Capital and Capital Requirements



Note 6 – Financial Assets:

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

	31.12.2017		31.12.2016	
	Book Value	**Market Value**	**Book Value**	**Market Value**
Stocks, shares, bonds and other financial instruments in total	405 705 380	405 705 380	414 982 693	414 982 693
Loans and receivables	10 328 877	10 328 877	11 237 446	11 237 446
Bank deposits investment portfolio	3 784 382	3 784 382	9 499 804	9 499 804
	419 818 639	**419 818 639**	**435 719 943**	**435 719 943**

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**

31.12.2016	**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	-	414 982 693	-	414 982 693
Loans and receivables	11 237 446	-	11 237 446	-
Bank deposits investment portfolio	9 499 804	-	9 499 804	-
Total	**20 737 250**	**414 982 693**	**20 737 250**	**414 982 693**

Financial assets at fair value through P&L	**31.12.2017**	**31.12.2016**
Listed securities	315 320 702	330 741 544
Unlisted securities	90 384 678	84 241 148

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

Fair value hierarchy

Government bonds, corporate bonds and other financial instruments that are traded in active markets where the fair value 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, 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 authorized 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 not-observable market data
Financial assets at fair value through profit or loss:			
Equity funds	-	44 208 887	-
Private equity funds	-	-	24 201 142
Real estate funds	-	-	36 650 690
Bonds	190 986 234	109 658 427	-
Financial derivatives	-	-	-
In total	**190 986 234**	**153 867 314**	**60 851 833**
Financial debt:			
Financial derivatives	-	-591 455	-
In total	**-**	**-591 455**	**-**

The market value of the Private Market Investment portfolio has changed from USD 20.8 million per. 31.12.16 to USD 24.2 million per. 31.12.17. Drawdowns and new investments in the period were USD 7.7 million, while dividends and repaid investments amounted to USD 6.3 million.

The market value of the real estate funds have changed from USD 29.4 million per 31.12.2016 to USD 36.6 million per. 31.12.17. New investment and drawdowns in the period were USD 6.3 million. Redemptions in the period were USD 2.3 million. Dividends and repaid investments amounted to USD 1.6 million.

There are no open interest rates futures as of 31.12.2017.

Note 7 – Stocks and Shares

	Currency	ISIN	Org.number	Acquisition cost	Book value	Market value
Equity fund						
Skagen Kon-Tiki	NOK	NO0010140502		1 739 739	1 795 700	1 795 700
Cantillon Global Equity Fund	USD	IE00B3KF5S87		9 196 887	11 943 192	11 943 192
Nordea Stabile Aksjer Global Etisk	NOK	FI0008800990		7 930 611	13 356 148	13 356 148
Orbis SICAV Global Equity Fund	USD	LU0334985271		2 670 684	4 083 310	4 083 310
Sands Capital EMG Fund	USD	IE00BDFMDW42		2 642 164	3 617 553	3 617 553
Longview Global Equity Fund	USD	LU0507273943		6 391 067	9 412 985	9 412 985
Equity fund in total				**30 571 153**	**44 208 888**	**44 208 888**
Private investments						
Storebrand International Private Equity VI	NOR			150 837	284 234	284 234
Nordea Private Equity II	EUR			1 898 766	1 271 162	1 271 162
Nordea Private Equity III	EUR			1 802 502	1 710 435	1 710 435
Barings Global Private Loan Fund II	EUR			2 066 779	2 126 336	2 126 336
Partner Group Secondary 2008	EUR			11 909 275	2 238 340	2 238 340
Bluebay Direct Lending Fund II SLP	EUR			3 086 596	3 680 350	3 680 350
Partner Group Infrastructure	EUR			2 589 222	3 366 721	3 366 721
Union Real Estate Fund	NOK			3 470 589	5 384 902	5 384 902
Partners Group Direct Mezzanine	USD			3 814 937	4 138 661	4 138 661
Private equity in total				**30 789 504**	**24 201 142**	**24 201 142**
Real estate fund						
Aberdeen Eiendomsfond Norge I IS	NOK		090 068 733	23 497 617	20 660 078	20 660 078
Aberdeen Eiendomsfond Norge I AS	NOK		997 592 816	239 376	208 581	208 581
Aberdeen Eiendomsfond Asia	NOK		890 687 792	4 021 054	542 765	542 765
Pareto Eiendomsfelleskap AS	NOK		992 043 415	166 256	150 593	150 593
Pareto Eiendomsfelleskap IS	NOK			12 998 722	12 638 883	12 638 883
Prime Office Germany	NOK		990 405 131	2 956 434	235 458	235 458
Union Core REF IS	NOK		916 162 332	2 223 905	2 192 214	2 192 214
Union Core REF AS	NOK			22 464	22 119	22 119
Real estate in total				**46 125 828**	**36 650 690**	**36 650 690**
Stocks and shares in total				**107 486 484**	**105 060 721**	**105 060 721**

Remaining commitments (in local currency):

Nordea Private Equity II	EUR	346 484
Nordea Private Equity III	EUR	276 579
Partners Group Secondary 2008	EUR	1 157 463
Bluebay Direct Lending Fund II SLP	EUR	1 732 880
Barings Global Private Loan Fund II	EUR	4 230 000
Partners Group Infrastructur	EUR	360 501
Partners Group Mezzanine	USD	177 331
Union Real Estate Fund	NOK	6 714 388
Union Core Real Estate Fund	NOK	1 950 178

Note 8 – Bonds and Foreign Exchange Contracts

	Currency	Nominal	Acquisition cost	Market value/Book value incl. acc. int.
Corporate bonds				
Government	USD	40 704 543	40 600 141	40 611 277
Finance institutions and corporate	USD	80 543 598	81 088 661	81 151 283
Other	USD	68 620 837	69 489 606	69 223 636
Corporate bonds in total		**189 868 978**	**191 178 409**	**190 986 195**
Investment grade bond funds				
Gramercy Corp EM Debt Fund	USD	-	2 754 991	3 058 105
Barings Active Short Duration Fund	USD	-	32 000 000	33 185 866
Nordea SICAV 1 US Corporate Bond Fund	USD	-	13 994 035	15 565 990
Investment grade bond fund in total		**-**	**48 749 026**	**51 809 961**
High yield bond funds				
Gramercy High Yield Corp EM Debt Fund	USD	-	1 908 102	2 084 339
Barings Cap GlobalHY BondFund Tranche A	USD	-	3 482 476	4 228 326
Oaktree Global HY Bond Fund IB Class	USD	-	2 420 706	2 974 656
Shenkman Finsbury High Income	USD	-	7 401 421	8 797 507
Nordea US High Yield	USD	-	2 501 723	2 797 356
High yield bond funds in total		**-**	**17 714 428**	**20 882 184**
Money market funds				
Holberg Likviditet OMF	NOK	-	11 784 380	11 842 608
Money market funds in total		**-**	**11 784 380**	**11 842 608**
Government Bond funds				
BlueBay EM Bond Fund	USD	-	7 149 922	8 427 652
Ashmore SICAV EM Sovereign Debt Fund	USD	-	15 711 541	16 696 059
Government bonds funds in total		**-**	**22 861 463**	**25 123 711**
Bonds in total		**-**	**292 287 706**	**300 644 660**
Other financial instruments				
Foreign currency exchange contracts		**-**	**-**	**-591 455**
Interest rate swap		**-**	**-**	**-**

There are no open interest rates futures as of 31.12.2017.

Overview over currency swap contracts:

	Amount sold			
Due date	**EUR**	**GBP**	**JPY**	**NOK**
16.01.2018	3,5	1,5	-	-
20.02.2018	-	9,3	329,4	31,7

**amount in millions*

Note 9 – Taxes

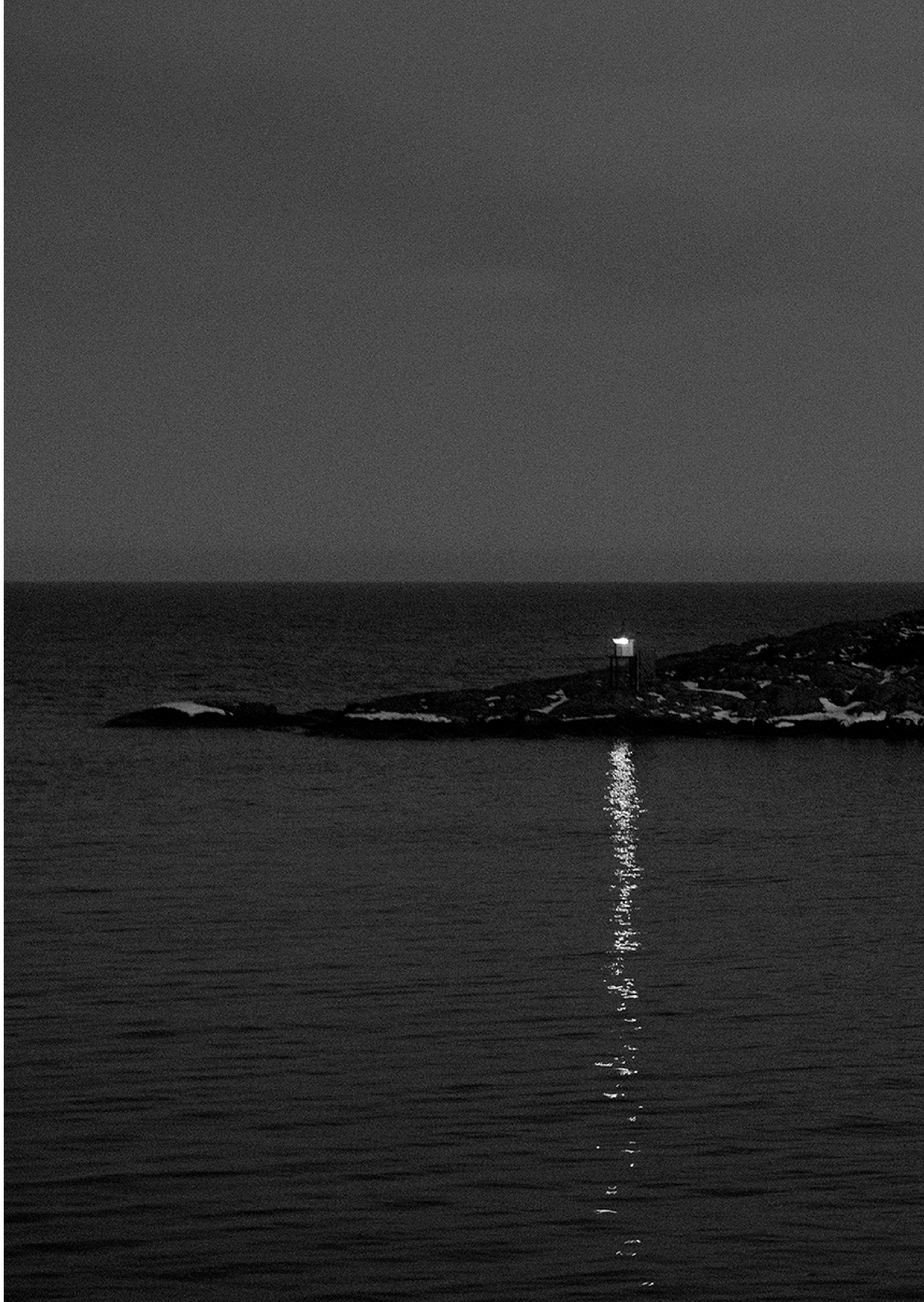
Tax expense for the year	2017	2016
Taxes payable		
Tax charge previous year	-	-
Change in deferred tax	9 584 444	5 122 038
Total tax expense for the year	**9 584 444**	**5 122 038**

Specification of tax expense for the year		
Earnings before tax	29 832 794	17 619 313
Conversion effect	-17 373 305	-699 279
Earnings before tax	**12 459 489**	**16 920 034**
Permanent differences (due to none tax-deductible expenses)	644 040	338 851
Permanent differences (tax-except investment - "fritaksmodellen")	8 492 479	1 459 544
Change in temporary differences	4 017 397	-10 250 634
Used loss carried forward	-25 613 404	- 8 467 795
Basis taxes payable in statement of comprehensive income	**-**	**-**
Group Contribution	-	-
Taxable income	**-**	**-**

Specification of the basis for deferred tax /tax asset		
Fixed Assets	1 879 604	1 812 468
Receivables	-520 000	-510 000
Pension liabilities	-4 246 406	-3 729 225
Bonds and financial derivatives	16 507 903	32 617 576
Risk provision	337 103 400	307 270 606
Stocks and shares	165 659	173 739
P/L Accounts	-44 981	-
Net temporary differences	350 845 180	337 635 165
Loss carried forward	-16 865 814	-41 993 574
Basis for deferred tax asset in the balance	**333 979 366**	**295 641 591**
Deferred tax / tax asset 25 %	**83 494 842**	**73 910 398**

Specification of tax expense for the year		
25% tax on net income	3 114 872	4 230 008
Correction previous years provision	-	-
Currency effect deferred tax	3 776 496	(86 514)
Effect of correction in deferred tax	408 946	528 944
Effect of change of tax percentage deferred tax	-	-
Tax effect from permanent differences	2 284 130	449 599
Estimated tax expense	**9 584 444**	**5 122 038**

The Norwegian Ministry of Finance has not concluded on the tax treatment of the provision for risk equalization and therefore no changes in tax treatment have been implemented. Hence tax rules are still the same and Norwegian Hull Club has used consistent principles with previous years for tax purposes. The provision for risk equalisation has been included in temporary differences.



Note 10 – Equity

	Owners' fund	Other Equity	Total Equity
Equity at 1.1.2016	8 042 072	259 658 085	257 700 157
Reversed dividend (accounting year 2014)	-	310 403	310 403
Profit for the Year	-	12 497 275	12 497 275
Adjusted equity at 31.12.2016	**8 042 072**	**262 465 764**	**270 507 836**
Equity at 01.01.2017	8 042 072	262 465 764	270 507 836
Profit for the Year	-	20 248 351	20 248 351
Equity as at 31.12.2017	**-**	**282 714 115**	**290 756 186**

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:

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

	31.12.2017	31.12.2016
Guarantee liability regarding claims:	-	-
Gross guarantees issued	90 412 424	80 991 710
Counter-guarantees from co-insurers	61 125 340	58 572 592
Guarantees for own account	**29 287 083**	**22 419 118**

Note 12 – Claims Expenses

	31.12.2017	31.12.2016
Gross accrued claims	237 355 516	135 466 184
Reinsurers' share of gross claims	-111 329 033	-13 325 678
Claims for own account	126 026 483	122 140 506
Run off gain (+)/loss (-) gross	-18 955 398	-2 673 503
Run off gain (+)/loss(-) for own account	-4 933 920	-167 614

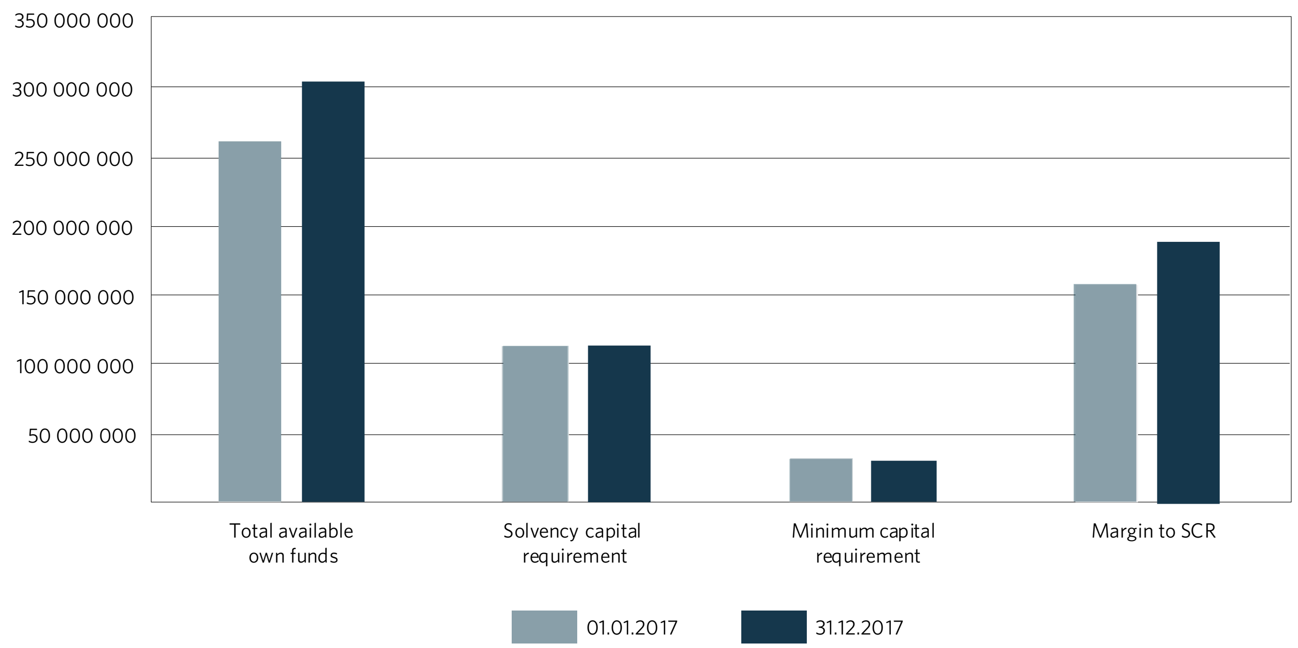
Note 13 – Technical Reserves for Own Account

	31.12.17	31.12.16
Unearned gross premium provision	77 407 114	74 069 727
Reinsured proportion of gross premium provision	-14 397 660	-12 325 862
Unearned premium provision for own account	**63 009 454**	**61 743 865**
Gross claims provision	198 755 426	225 565 149
Reinsured proportion of gross claims provision	-55 349 537	-52 284 697
Total risk provision etc.	**206 415 342**	**235 024 317**

Note 14 – Equity Capital Adequacy Ratio

The table below is based on figures as at 01.01.2017. The Solvency II regulation is principle based. Calculations are based on NHC's understanding of the Solvency II regulation and how it is implemented in Norway. The calculation of the solvency margin is changed compared to the previously requirements for the capital (the former FSA model). The figures in the table below are adjusted for proposed return premium.

Solvency II Capital Position



Solvency II - capital requirements and position

	01.01.2017	31.12.2017
Initial funds	8 042 072	8 042 072
Total basic own funds after deductions	260 107 611	294 465 212
Total available own funds	268 149 682	302 507 284
Solvency Capital Requirement	112 983 737	112 983 737
Minimum Capital Requirement	32 540 159	30 769 027
Margin to SCR	155 165 945	189 523 547
Ratio of eligible own funds to SCR	230 %	261 %
Ratio of eligible own funds to MCR	799 %	957 %

Note 15 Solvency II Balance sheet

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

	Statutory accounts	Solvency II	Deviation	Explanation
	31.12.2017	**31.12.2017**		
Investment portfolio	409 489 763	409 489 763	-	
Disbursements	46 403 527	46 403 527	-	
Bank deposits	17 776 057	17 776 057	-	
Reinsurance receivables	12 396 722	4 554 899	-	
Premium receivables, due	73 563 838	-	-73 563 838	Reclassification (from asset to reduced liability)
Premium receivables, non-due	16 682 646	16 682 646		Unchanged
Other receivables	9 137 339	9 137 339	-	
Reinsurance recoverables	**69 747 197**	**65 350 262**	-4 396 935	
- RBNS, IBNR and CBNI	*69 747 197*	*69 747 197*	-	Unchanged
- Expected credit loss reinsurance	-	*-15 004*	*-15 004*	Revaluation
- Discounting and Expected reinsurance profit	-	*-3 906 741*	*-3 906 741*	Revaluation
- Payables reinsurance	-	*-6 975 016*	*-6 975 016*	*Reclassification (from liability to reduced asset)*
- Unearned commission provision	-	-	-	*Reclassification (from liability to reduced asset)*
Other assets	22 713 755	22 713 755		
Total assets	**677 910 844**	**581 211 488**	*96 699 357*	
Equity/own funds	300 394 533	259 431 539	-40 962 994	
Outstanding claims reserve	**198 755 426**	**194 502 372**	-4 253 054	Revaluation
- RBNS, IBNR and ULAE	*198 755 426*	*198 755 426*	-	
- Discounting Included in Claim Provision	-	*-4 253 054*	*-4 253 054*	Revaluation
Premium provisions	**77 407 114**	**-4 463 235**	-81 870 349	
- Unearned Premium	*77 407 114*	*77 407 114*	-	
- Discounting and Expected Profit in Future Premium	-	*-8 306 510*	*-8 306 510*	Revaluation
- Deduction of non-due premium receivables	-	*-73 563 838*	*-73 563 838*	Reclassification (from asset to reduced liability)
Risk margin	**-**	**17 852 198**	*17 852 198*	Revaluation
Unearned commission provision	**-**	**-**	**-**	Reclassification (from liability to reduced asset)
Payables reinsurance	6 975 016	-	-6 975 016	*Reclassification (from liability to reduced asset)*
Other liabilities	94 378 756	94 378 756	-	
Technical mismatch		108	108	
Total equity and liabilities	**677 910 844**	**561 701 738**	*116 209 106*	

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

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

Note 16 – Reinsurers' Result

	31.12.2017	31.12.2016
Reinsurers' share of gross premiums	30 722 603	26 661 083
Reinsurers' share of gross claims	111 329 033	13 325 678
Reinsurers' result	-80 606 430	13 335 405

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

	31.12.2017	31.12.2016
Norway	36 756 614	38 459 829
Countries covered by the EEA agreement	82 662 158	80 531 433
Other countries	48 268 460	46 508 608
Total	**167 687 232**	**165 499 871**

Note 18 – Earned Premium and Claims Per Lines of Business

	Marine	Medical	Total
Gross earned premium	152 453 487	15 233 745	167 687 232
Reinsurance premiums	26 746 863	3 975 740	30 722 603
In total	**125 706 623**	**11 258 005**	**136 964 629**
Gross claims	-206 386 104	-12 014 015	-218 400 119
Run off gain (+) / loss (-) gross	-16 814 574	- 2 140 823	-18 955 398
Gross accrued claims	**-223 200 678**	**-14 154 838**	**-237 355 516**
Reinsurers share of gross claims	**108 289 354**	**3 039 680**	**111 329 033**
Claims for own account	**-114 911 324**	**-11 115 159**	**-126 026 483**

Note 19 – Insurance Provisions Per Lines of Business

	Marine	Medical	Total
Unearned gross premium provision	73 208 796	4 198 318	77 407 114
Gross claims provision	193 359 870	5 395 556	198 755 426

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 showing a total comprehensive income for the year of USD 20 248 351. The financial statements comprise the balance sheet as at 31 December 2017, the statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, 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 the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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

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

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

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the total comprehensive income for the year is consistent with the financial statements and complies with the law and regulations.

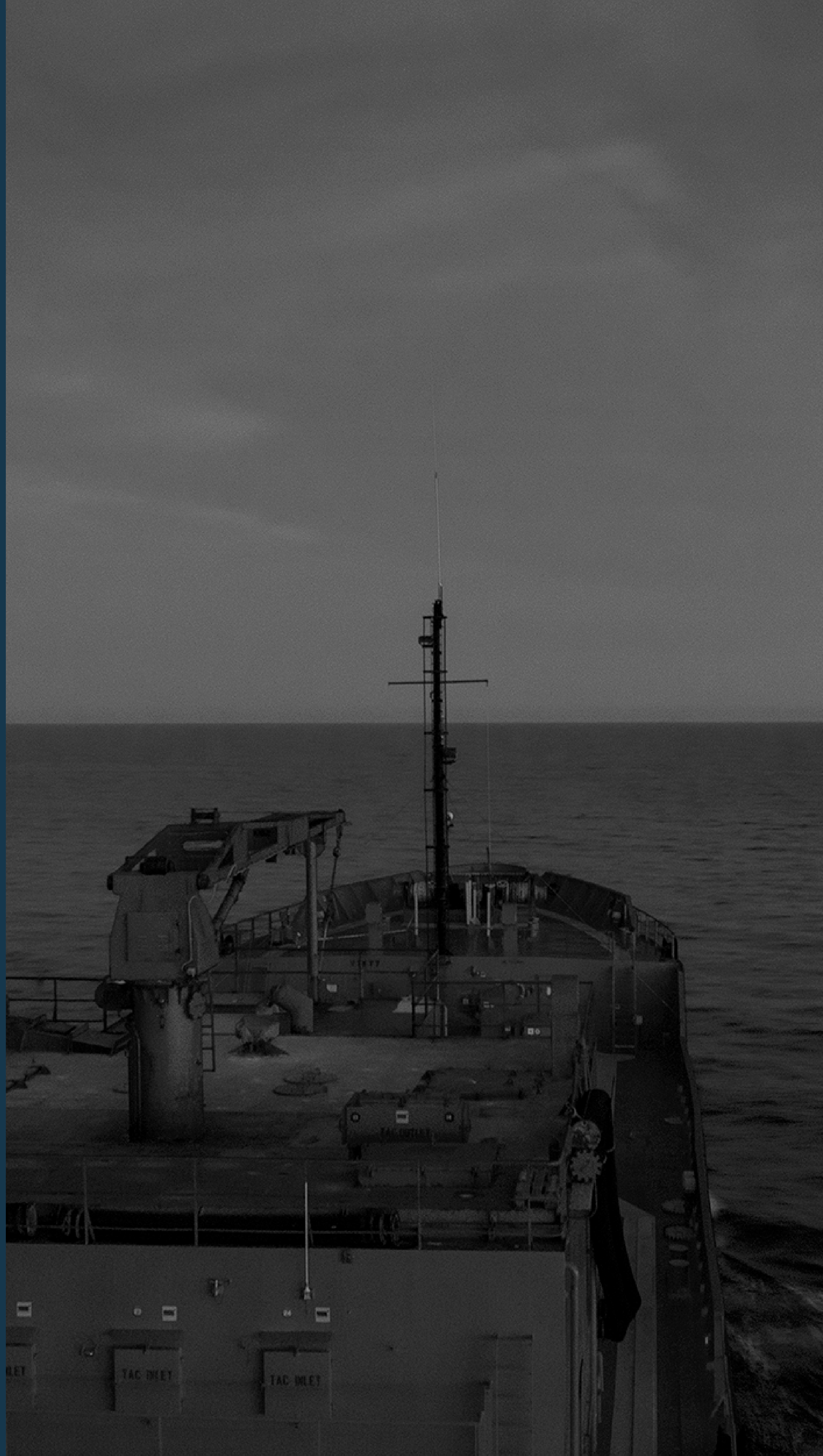
Opinion on Registration and Documentation

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, 19 March 2018
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(3)



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.

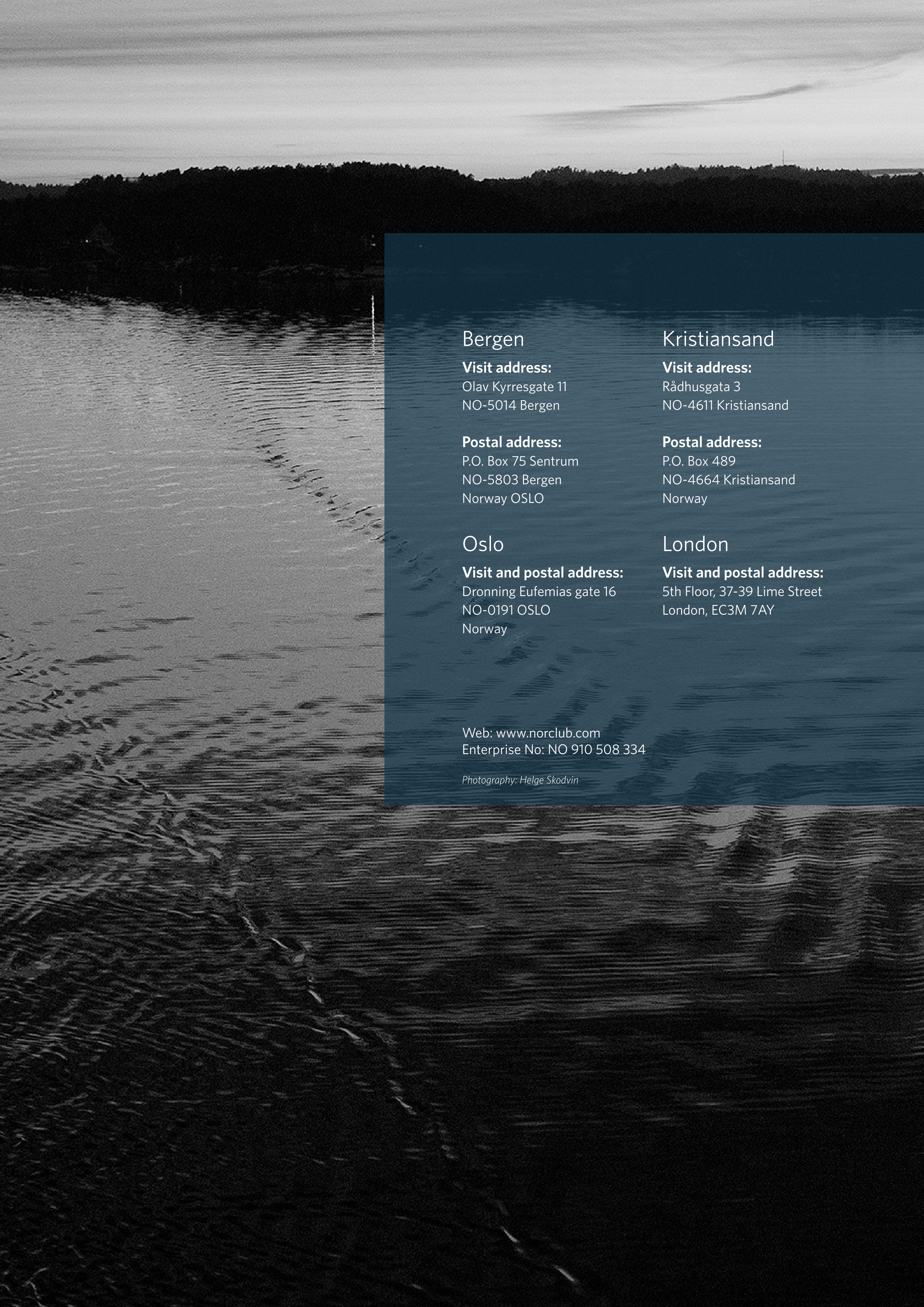
Compensation Committee

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, members of the Supervisory Committee and members of the Board of Directors shall in general not be re-elected after ten years of service.



Bergen

Visit address:
Olav Kyrresgate 11
NO-5014 Bergen

Postal address:
P.O. Box 75 Sentrum
NO-5803 Bergen
Norway OSLO

Kristiansand

Visit address:
Rådhusgata 3
NO-4611 Kristiansand

Postal address:
P.O. Box 489
NO-4664 Kristiansand
Norway

Oslo

Visit and postal address:
Dronning Eufemias gate 16
NO-0191 OSLO
Norway

London

Visit and postal address:
5th Floor, 37-39 Lime Street
London, EC3M 7AY

Web: www.norclub.com
Enterprise No: NO 910 508 334

Photography: Helge Skodvin