



NORWEGIAN HULL CLUB

The background of the entire page is a black and white photograph. It shows a small motorboat with a cabin moving across a body of water, leaving a white wake. In the distance, a range of rugged, jagged mountains is covered in snow. The sky is a uniform, light grey.

# 3rd QUARTERLY REPORT 2017

## SUMMARY INTERIM REPORT 3Q2017

The result for Norwegian Hull Club (NHC) in the first nine months of 2017 is USD 17.8 million. Technical result of insurance operations is minus USD 14.9 million while the result from investment income and other financial items is USD 32.7 million.

The market situation, with depressed values of ships and other units insured combined with ample supply of capital to marine insurance putting downward pressure on premium income, continued in the third quarter. Gross premium income is therefore below the corresponding figure in 2016. The overall natural catastrophe insurance market losses in the third quarter is expected to have an impact on overall reinsurance capacity and pricing in the direct market going forward.

NHC has experienced losses in the aftermath of the hurricane Irma in the last quarter. Profitability on insurance operations is therefore beneath expectations. The combined ratio for the nine months period is 114 %.

Return on the investment portfolio is 5.3 % in local currencies (in which the portfolio is invested) and 7.7 % in USD. The USD return corresponds to USD 31.6 mill. The balance of financial income stems from interest earned on bank accounts and receivables as well as foreign exchange items.

Equity is USD 288.3 mill. at the end of September 2017.

## KEY FIGURES (USD 1 000)

	01.01.- 30.09.2017	01.01.- 30.09.2016	3Q2017	3Q2016	2016
Gross earned premiums	128 759	133 442	42 779	44 816	165 500
Gross claims	-219 943	-117 041	-145 712	-26 395	-135 466
Gross result	-91 184	16 401	-102 933	18 421	30 034
Premiums for own account	105 269	113 263	36 386	37 615	137 043
Claims for own account	-108 862	-98 350	-56 173	-25 336	-122 141
Insurance result for own account	-3 593	14 913	-19 787	12 280	14 903
Net operating expenses	-11 355	-11 848	-4 792	-3 282	-15 447
Technical result	-14 948	3 065	-24 579	8 998	-545
Net financial items	32 745	27 506	10 810	-8 128	18 164
<b>OPERATING RESULT</b>	<b>17 797</b>	<b>30 571</b>	<b>-13 769</b>	<b>870</b>	<b>17 619</b>
Loss ratio	103%	87%	154,4 %	67,4 %	89,1 %
Combined ratio	114%	97%	167,6 %	76,1 %	100,4 %
	<b>30.09.2017</b>	<b>31.12.2016</b>			
Investment portfolio	416 770	424 482			
Bank deposits	20 527	24 988			
Receivables	299 033	196 126			
Other assets	23 565	25 236			
<b>TOTAL ASSETS</b>	<b>759 895</b>	<b>670 832</b>			
Equity	288 305	270 508			
Claims provision	285 468	225 565			
Other provisions	85 846	74 070			
Payables and other liabilities	100 276	100 690			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>759 895</b>	<b>670 832</b>			

# STATEMENT OF COMPREHENSIVE INCOME

<b>(USD)</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
Gross premiums	128 759 239	133 442 096
Reinsurance premiums	-23 490 156	-20 179 146
<b>A Premiums for own account</b>	<b>105 269 082</b>	<b>113 262 950</b>
<b>B Other insurance related income</b>	<b>5 909 018</b>	<b>5 172 820</b>
Gross accrued claims	219 942 989	117 040 708
Reinsurers share of gross claims	-111 080 518	-18 690 521
<b>C Claims for own account</b>	<b>108 862 471</b>	<b>98 350 187</b>
Marketing expenses	7 901 545	7 748 120
Commissions earned		
<b>D Total insurance related expenses for own account</b>	<b>7 901 545</b>	<b>7 748 120</b>
<b>E Other insurance related expenses</b>	<b>9 362 265</b>	<b>9 272 823</b>
<b>F Operating result technical accounts before change in solvency capital (A+B+C-D-E)</b>	<b>-14 948 181</b>	<b>3 064 639</b>
Financial income	7 477 055	8 477 546
Realised gains and losses	-6 883 968	1 639 588
Adjustment investment portfolio	33 354 957	18 616 721
<b>G Total financial income</b>	<b>33 948 044</b>	<b>28 733 854</b>
<b>H Administration expenses financial assets</b>	<b>1 202 782</b>	<b>1 227 499</b>
<b>I Result from ordinary operations (F+G-H)</b>	<b>17 797 081</b>	<b>30 570 995</b>
<b>J Tax expenses (income)</b>	-	-
<b>K Result before other result components (I-J)</b>	<b>17 797 081</b>	<b>30 570 995</b>

# ASSETS

	30.09.2017	31.12.2016
Shares in subsidiaries	2 734 715	2 356 629
Other shares	1 281 925	1 281 925
Mortgage loans	10 859 076	11 237 446
Stocks and shares	108 881 734	92 700 249
Bonds and foreign exchange contracts	300 783 455	321 048 685
Financial derivatives		1 233 759
Bank deposits investment portfolio	7 105 070	9 499 804
<b>Total financial assets</b>	<b>431 645 975</b>	<b>439 358 496</b>
Reinsured proportion of gross premium provisions	16 038 697	12 325 862
Reinsured proportion of gross claims provision	110 861 755	52 284 697
<b>Total reinsured proportion of insurance provisions</b>	<b>126 900 453</b>	<b>64 610 560</b>
Insurance related receivables	97 781 240	77 414 010
Reinsurance receivables	2 219 441	4 554 899
Disbursements	59 250 772	41 154 027
Other receivables	12 880 992	8 392 758
<b>Total receivables</b>	<b>172 132 445</b>	<b>131 515 694</b>
Properties	2 777 732	3 708 173
Equipment and fixtures	4 507 942	5 050 838
Cash and bank deposits	20 526 936	24 987 608
Deferred tax	-	-
<b>Total other assets</b>	<b>27 812 610</b>	<b>33 746 619</b>
Accrued interest	1 403 295	1 600 912
<b>TOTAL ASSETS</b>	<b>759 894 777</b>	<b>670 832 281</b>

## EQUITY AND LIABILITIES

Equity	8 042 072	8 042 072
Other equity	280 262 845	262 465 764
<b>Total equity</b>	<b>288 304 917</b>	<b>270 507 836</b>
Unearned gross premium provision	85 845 590	74 069 727
Gross claims provision	285 468 097	225 565 149
Unearned commission provision		
<b>Total gross insurance provisions</b>	<b>371 313 686</b>	<b>299 634 876</b>
Pension liability	3 729 225	3 729 225
Withheld payroll tax, social security etc.	1 927 417	2 723 830
Deferred tax	73 910 398	73 910 398
Taxes payable	–	–
<b>Total tax etc. payable</b>	<b>79 567 040</b>	<b>80 363 453</b>
Payables direct insurance accounts	3 988 168	3 906 416
Payables reinsurance	4 564 042	4 937 338
Payables other accounts	12 156 924	11 482 363
<b>Total payables</b>	<b>20 709 134</b>	<b>20 326 116</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>759 894 777</b>	<b>670 832 281</b>

## CHANGES IN EQUITY

	Owners' funds	Other equity	Total equity
<b>Norwegian Hull Club</b>			
Equity at 31.12.2016	8 042 072	262 465 764	270 507 836
Allocation		17 797 081	17 797 081
<b>Equity</b>	<b>8 042 072</b>	<b>280 262 845</b>	<b>288 304 917</b>

## STATEMENT OF CASH FLOWS - USD

	<b>30.09.2017</b>	<b>30.09.2016</b>
Profit of the year before tax	17 797 081	30 570 995
Change in net technical reserves	9 388 917	-3 841 402
Net profit on sale of fixed shares	-	-
Change in disbursements	-18 096 745	1 525 258
Net profit on sale of fixed assets	-	-
Change in net pension funds	-	-5 731 015
Change in net receivables	-23 302 066	11 181 187
Depreciation	511 293	404 069
Taxes paid	-49 237	-36 433
<b>Net cash flow from operations before financial assets</b>	<b>-13 750 756</b>	<b>34 072 658</b>
Change in net bonds	20 265 229	-25 389 277
Change in net stocks and shares	-16 181 485	-5 523 222
Change in net financial derivatives	1 800 041	2 210 587
<b>Net cash flow from financial assets</b>	<b>5 883 786</b>	<b>-28 701 912</b>
<b>A Net cash flow from operational activities</b>	<b>-7 866 970</b>	<b>5 370 746</b>
<b>Cash generated / used by investing activities</b>		
Net receipts/payments related to purchase/capitalization of subsidiaries and associated companies	-	-
Net receipts/payments related to sale/purchase of fixed assets	863 252	-142 625
Change in mortgage loans	378 370	-618 962
<b>B Net cash inflow / outflow from investment activities</b>	<b>1 241 622</b>	<b>-761 588</b>
<b>C Effect of changes in exchange rates on cash and cash equivalents</b>	<b>-230 057</b>	<b>-9 304</b>
<b>A + B + C Net change in cash and cash equivalents</b>	<b>-6 855 406</b>	<b>4 599 855</b>
Cash and cash equivalents 01.01	34 487 412	30 938 950
<b>Cash and cash equivalents</b>	<b>27 632 006</b>	<b>35 538 804</b>

# EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

## NOTE 1 - ACCOUNTING POLICIES

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

The application of IAS 34 means that the report is limited relative to presentation of a full annual report. The main accounting policies are unchanged from the annual report 2016 and the annual report contains the full description of the accounting policies.

A new accounting regulation was implemented in 2016 and the dissolution of the equalisation reserve is a change of accounting principle and has been booked against deferred tax and equity. There is still discussions and uncertainty on how this change should be treated for tax purposes.

## NOTE 2- CLAIMS EXPENSES

	30.09.2017	30.09.2016
Gross claims	219 942 989	117 040 708
Claims for own account	108 862 471	98 350 187
Run off gain (+) / loss (-) gross	-17 532 456	63 094
Run off gain (+) / loss (-) for own account	2 074 516	978 286

### NOTE 3 - MARKET VALUE ADJUSTMENTS

	31.12.2016		30.09.2016		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
<b>Bonds</b>	321 048 685	321 048 685	300 783 455	300 783 455	(20 265 229)	(20 265 229)
<b>Stocks and shares</b>	92 700 249	92 700 249	108 881 734	108 881 734	16 181 485	16 181 485
<b>Derivatives</b>	1 233 759	1 233 759	-	-	(1 233 759)	(1 233 759)
<b>In total</b>	<b>414 982 693</b>	<b>414 982 693</b>	<b>409 665 189</b>	<b>409 665 189</b>	<b>(5 317 504)</b>	<b>(5 317 504)</b>

### NOTE 4 - OFF BALANCE ITEMS

	30.09.2017	31.12.2016
<b>GUARANTEE LIABILITY REGARDING CLAIMS</b>		
Gross guarantees issued	99 752 046	80 991 710
Counter-guarantees from co-insurers	69 226 669	58 572 592
Guarantees for own account	30 525 377	22 419 118

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

### NOTE 5 - MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

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



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2017