

Note 1 Accounting principles

BASIC PRINCIPLES

The financial statements, which have been presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2010, consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations and congruence. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time 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.

The Norwegian Hull Club uses the opportunity that is given in Norwegian accounting regulation ("Forskrift om årsregnskap m.m. for forsikringsselskaper" § 5-6) which gives the Club the option to use simplified application of international accounting standards.

According to 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 and Marine Benefits AS. Norwegian Hull Club owns 100% of the latter two companies. The activity in these companies is regarded as insignificant addition to the group's business, and has therefore not been consolidated in the accounts.

ACCOUNTING PRINCIPLES FOR MATERIAL ITEMS

PREMIUM AND COMMISSION

RECOGNITION / PREMIUM RESERVE
Premium and commission are recognised when earned. 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 recorded net of commission. The insurance contracts that the Club issues are defined in line with

Norwegian accounting regulation ("Forskrift om årsregnskap m.m. for forsikringsselskaper").

PREMIUM FROM MULTI-YEAR POLICIES

Norwegian Hull Club has written multi-year policies. The premium for the insurance years 2011 and later is not recorded in the accounts.

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. Claims reserves are recorded after the deduction of received and/or expected cover under reinsurance agreements. Reinsurance contracts do not free the ceding Club from its obligations to the insured.

PROVISION FOR RISK EQUALISATION

The premium reserve and claims reserve are intended to cover anticipated future claims payments. The provision for risk equalisation is intended to provide a cushion to absorb the Club's finances against unforeseen increases in claims, and represents part of the Club's capital together with its equity and the other provisions described below.

ADMINISTRATION PROVISION

Up to and including 2007 the administration provision covered administration costs if the Club ceases operations. In line with new regulations, the provision has been reclassified to equity.

ACCOUNTS RECEIVABLE

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 have been made.

FIXED ASSETS AND DEPRECIATION

Fixed assets are recorded in the accounts at original cost, with deductions for accumulated depreciation and write-down. 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. Ordinary depreciation is made in accordance with the reducing balance principle. Upgrading of leased office premises is depreciated over the lease period. Depreciation is classified as operating costs.

CLAIMS INCURRED BUT NOT REPORTED

The reserve for claims incurred but not reported is calculated according to the "The Incremental Loss Ratio Method", with insured value as the measure of exposure. The method generates reserves based on the Club's loss triangles and changes in written insured value.

MARKETING EXPENSES

Marketing expenses do not include any sales commissions.

LINE OF BUSINESS

Norwegian Hull Club operates in the ocean marine line of business.

FOREIGN EXCHANGE

USD is the Club's functional currency and the figures are presented in USD, which is the Club's presentation currency. The Club uses USD for internal financial reporting. The major part of the Club's premium income and the Club's 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 at the exchange rate on the transaction date. 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.

Receivables and liabilities (including technical insurance obligations) in foreign currency are translated into USD at the year-end exchange rate. Foreign exchange gains and losses that relate to payables, receivables and cash and cash equivalents are presented in the profit and loss account under financial item as unrealized currency gain/loss. All other foreign exchange gains and losses are posted in the profit and loss account under items they relate to foreign securities and financial instruments are valued in USD at the year-end exchange rate.

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 5.86(NOK/USD). The average exchange rate used in the profit and loss account was 6.05(NOK/USD).

CASH AND CASH EQUIVALENTS

Cash and bank deposits are included in cash and cash equivalents in the cash flow statement. The working capital credit facility amounts to USD 1.7 million, and is not used at year end. In addition, Norwegian Hull Club has another credit facility of USD 60 million covering both bank guarantees and ordinary credits. Restricted deposit amounts to USD 2.02 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 (Annual account regulation § 3-3 and IAS 39, Item 9) to review all financial assets at fair value over the result

NOTES TO THE ACCOUNTS

in accordance with the fair value option, if not before investment in a financial asset is decided otherwise. For Norwegian Hull Club this applies to bonds which are classified as hold-to-maturity. This means that the fair value adjustments on financial assets are taken to income before other income components.

Norwegian Hull Club will also use the opportunity to review all financial assets at fair value over the result in accordance with the fair value option for financial assets that are acquired before the transition to using the assessment rules contained in IAS 39, which follows the changes in the financial statements Regulations 4 April 2008. The application of fair value option on the basis of any transitional rule, also includes all financial assets as stated in the restated comparative figures even though these had to be discontinued today. Therefore financial instruments are valued at fair market value. Such financial instruments are equities (both listed and unlisted), bonds, hedge funds, real estate funds and money market funds. Foreign exchange contracts are valued at fair market value as well. Bonds classified as hold to maturity are valued at amortised cost.

Financial assets are accounted for on the transaction date. Realized gains/losses on financial instruments are presented on a separate line at fair value through profit or loss. Interest and dividends income are included in finance income for financial assets at fair value through profit or 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 Club has a pension plan that entitles its members to defined future benefits, called defined benefit plans. The calculation of the benefits are based on straight line enumeration, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in salaries and pensions, the size of defined benefit contributions from the government and actuarial assumptions regarding mortality, voluntary retirement and so on. Plan assets are stated at fair market values. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from underfunded pension plans are included in the balance sheet as long-term interest free debt, while overfunded plans are included as long-term interest free receivables, if it is likely that the overfunding can be utilised.

The defined benefit plan was closed for new employees from 1 January 2006. From this date new employees are covered by a defined contribution plan.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, is classified as an operating cost, and is presented under the item payroll and related cost.

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. Change in deferred tax liability and deferred tax asset, together with taxes payable for the fiscal year adjusted for errors in previous year's tax calculations constitutes tax expenses for the year.

ALLOCATED RETURN ON INVESTMENTS

The allocated return on investments is calculated on the basis of the average of total technical reserves during the year using the average yield on Norwegian government bonds with three years duration. Allocated return on investments is transferred from the non-technical to the technical account. In 2010 the allocated return on investments was 2.46%.

Note 2 Number of employees/Benefits/Employee loans/Audit / Pensions

| NUMBER OF EMPLOYEES | NHC |
|---------------------|-----|
| 31.12.09 | 89 |
| 31.12.10 | 92 |

| Benefits | Managing Director | Board of Directors | Committee | Supervisory committee | Election committee |
|----------------|-------------------|--------------------|-----------|-----------------------|--------------------|
| Salary | 441 942 | | | | |
| Other benefits | 22 600 | 177 411 | 27 046 | 23 159 | 8 933 |

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

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.

EMPLOYEE LOANS

The Managing Director has a loan of USD 710 596, including an interest free loan of USD 276 041. The loan is secured by real-estate collateral. Managing Director is entitled to a share of yearly profit, based on the same criteria as the profit sharing plan applicable to other employees. The Club has extended ordinary loans to employees totalling USD 10 849 003. The real-estate loans have repayment period of 20 years.

No loss from employee loans is expected. Therefore, no provisions have been made.

NOTES TO THE ACCOUNTS

AUDIT

The audit fee for 2010 was USD 133 397. Tax advice fee amounted to USD 23 987 and the fee for other services provided by the auditor was USD 23 407.

PENSION COST, FUNDING AND OBLIGATIONS

The Club has set up a defined benefit plan with a life insurance company to provide pension benefits for its employees. The plan provides entitlement to benefits based on future service from the commencement date of the plan. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Plan. Full retirement pension will amount to approximately 66% of the plan pension-qualifying income (limited to 12G). The plan also includes entitlement to disability, spouses and children's pensions. The retirement age under the plan is aged 67 years. The defined benefit plan was closed for new employees from 1 January 2006. From this date new employees are covered by a defined contribution plan. The Club may at any time make alterations to the terms and conditions of the pension plan and undertake that they will inform the employees of any such changes. The benefits accruing under the plan are funded obligations.

The Club also has pension obligations for employees with salaries exceeding 12G. The funded plan was closed with effect from 1 January 2007, and replaced by an unfunded plan covered from operations. The Club also has an early retirement pension agreement with employees, from 65 years. These are non-funded obligations. Additionally the Club has pension obligations for some pensioners. These are non-funded obligations.

All pension plans are calculated in accordance with the Norwegian GAAP (NRS 6). Changes in the pension obligations as a result of changed actuarial assumptions and variations between actual and anticipated return on pension funds, will be entered on the average remaining earnings period according to the "corridor" regulations. The Club has pension plans that cover a total of 82 employees and 27 pensioners.

ASSET ALLOCATION IN VITAL FORSIKRING ASA

| | 31.12.07 | 31.12.08 | 31.12.09 | 30.09.10 |
|--------------|----------|----------|----------|----------|
| Equities | 24,8 % | 3,8 % | 13,5 % | 17,20 % |
| Bonds | 49,2 % | 58,7 % | 59,0 % | 49,10 % |
| Money market | 10,4 % | 20,7 % | 10,9 % | 16,90 % |
| Real estate | 15,6 % | 16,8 % | 16,6 % | 16,80 % |

INVESTMENT RETURN IN VITAL FORSIKRING ASA

| | 31.12.07 | 31.12.08 | 31.12.09 | 30.09.10 |
|--|----------|----------|----------|----------|
| | 9,5 % | 0,3 % | 5,5 % | 3,7 % |

NET PENSION COST

| | 2010 | 2009 |
|--|------------------|------------------|
| Service cost | 1 085 367 | 1 418 221 |
| Interest cost | 1 062 678 | 1 289 141 |
| Estimated return on plan assets | -761 459 | -884 055 |
| Social Security Tax | 195 509 | 257 086 |
| Cost of administration | 94 792 | 76 986 |
| Amortisation of past service cost | -150 185 | -275 411 |
| Amortisation of actuarial losses/gains | 338 050 | 576 936 |
| Net pension cost | 1 864 751 | 2 458 905 |

CHANGE IN PROJECTED BENEFIT OBLIGATION

| (FUNDED OBLIGATIONS) | 2010 | 2009 |
|------------------------------------|----------------|----------------|
| Projected Benefit Obligation (PBO) | 18 919 076 | 14 367 234 |
| Market value of plan assets | -14 820 306 | -14 211 606 |
| Social Security Tax | 577 927 | 21 944 |
| Unrecognised past service cost | - | - |
| Unrecognised actuarial loss/gain | -4 442 775 | 805 744 |
| Net obligation | 233 921 | 983 317 |

CHANGE IN PROJECTED BENEFIT OBLIGATION

| (UNFUNDED OBLIGATIONS) | 2010 | 2009 |
|------------------------------------|------------------|------------------|
| Projected Benefit Obligation (PBO) | 9 228 418 | 5 730 891 |
| Market value of plan assets | - | - |
| Social Security Tax | 1 301 207 | 808 056 |
| Unrecognised past service cost | - | - |
| Unrecognised actuarial loss/gain | -6 235 699 | -3 228 856 |
| Net obligation | 4 293 926 | 3 310 091 |

FINANCIAL ASSUMPTIONS

| | 31.12.10 | 30.09.09 |
|---|--------------|------------|
| Discount rate | 3,80 % | 5,40 % |
| Rate of salary increase | 4,00 % | 4,25 % |
| Rate of pension increase | 0 % / 3,75 % | 0 %/4,00 % |
| Increase of National Insurance Basic Amount (G) | 3,75 % | 4,00 % |
| Estimated return on plan assets | 4,60 % | 900,00 % |

ACTUARIAL ASSUMPTIONS

| | | |
|--|----------|----------|
| Resignation rate (over/under 40 years) | 0-8 % | 0-8 % |
| Contractual Pension Scheme (AFP) probability | i.a. | n.a. |
| Linear earning of pension entitlements | | |
| Tariff | K2005/KU | K2005/KU |

NOTES TO THE ACCOUNTS

Note 3 Fixed assets

| | Equipment and fixtures | Properties | Total |
|--------------------------------|---------------------------|------------------|------------------|
| Acquisition cost 1.1 | 8 604 757 | 978 140 | 9 582 897 |
| Additions | 1 773 158 | 518 535 | 2 291 693 |
| Disposals | -276 739 | | -276 739 |
| Scrap value | -280 767 | | |
| Acquisition cost 31.12 | 9 820 409 | 1 496 675 | 11 597 851 |
| Accumulated depreciation 1.1 | 6 110 854 | | 6 110 854 |
| Ordinary depreciation | 793 264 | | 793 264 |
| Depreciation sold assets | -47 414 | | -47 414 |
| Depreciation scrap value | -280 767 | | |
| Accumulated depreciation 31.12 | 6 575 937 | - | 6 856 704 |
| Currency adjustment | - | | - |
| Book value 31.12 | 3 244 472 | 1 496 675 | 4 741 147 |

Ordinary depreciation is made in accordance with the reducing balance principle. Upgrading of leased office premises is depreciated over the lease period. Depreciation is classified as operating costs.

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 | Olav Kyrresgt. 11 AS |
|---|--------------------------------------|-----------------------|-------------------------|
| Business office | Bergen | Bergen | Bergen |
| Ownership share / Voting share | 100 % | 100 % | 33 % |
| Result in subsidiaries and associated companies | 1 398 | -663 817 | 291 191 |
| Book value | 343 569 | 84 556 | 1 281 925 |
| Equity | 603 942 | 701 973 | 3 195 284 |

The activity in these companies is regarded as insignificant addition to the group's business, and has therefore not been consolidated in the accounts. The Club acquired 1750 shares in 2010 from MHG in Marine Benefits AS. The Club owns after this 100% of the shares in Marine Benefits AS. If more than 50% of the total shares in Marine Benefits AS are sold by the Club to a third party within a time period of four years, MHG(former minority shareholder) shall be entitle to 9,9% of any profit the Club derives from a sale. Subsidiaries and associated companies' financial information has been included based on unaudited financial statements as of 31 Dec 2010.

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 actuary models for pricing and risk assessment and adoption of a sound underwriting strategy.

RISK OF UNDER-RESERVING FOR CLAIMS

The risk that Club fails to provide sufficient funds to meet future claims. Actuaries use sophisticated models 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 Club's 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 failures 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 are in compliance with all relevant regulations in terms of capital management, capital adequacy and so forth. The Club reviews the investment risk continuously and formally at least once a month. 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 balance sheet carrying amounts of financial investments. In order to reduce the credit risk, banks shall have a minimum rating of "A" (by Standard & Poor's), and the bond portfolios shall be sufficiently diversified and have an adequate rating level from a holistic point of view.

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 have premium income from clients with a good history in terms of payment and the bad debts figures are very low. The same characteristics also apply for the reinsurance part of the business. No loss from debtors is expected. Therefore, no provisions have been made.

Credit risk in direct insurance

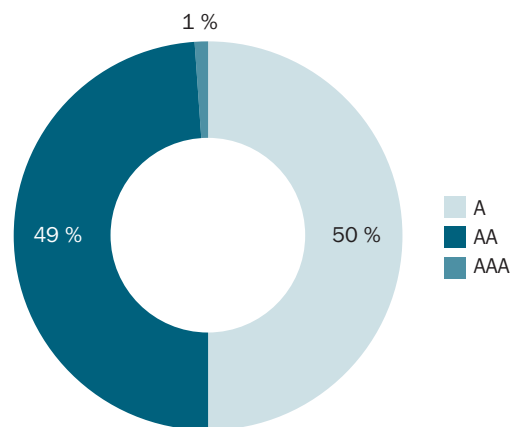
| | Direct insurance | Reinsurance |
|-----------------|------------------|-------------|
| Not due | 62,13 | |
| Due in 2010 | 4,04 | 2,97 |
| Due in 2009 | 1,28 | -0,05 |
| Due before 2009 | 0,31 | 0,29 |
| In total | 67,75 | 3,21 |

*Figures are presented in million USD

The reinsurance structure is established ahead of the insurance year. The Club is liable towards 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, the reinsurers shall have a minimum rating of "A" (by Standard & Poor's/ AM Best). A reinsurer will only occasionally have a rating below "A".

The figure shows the reinsurance allocation in respect of the achieved rating for the insurance year 2010.



MARKET RISK

Being a marine insurance company operating in a global business like 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 before mentioned currencies. Consequently, the investment portfolio is to some extent 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 due to the fact that more or less all of the operating costs are in NOK, whereas most of the income is in USD. Currency forward contracts may be used in order to limit the negative implications of a weak USD. The Club can sell up to two years' budget operating expenses in USD in order to cover operating expenses in NOK.

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 2010, the actual duration of the fixed income portfolio was 1.70 years. Thus, the value of the fixed income portfolio will increase / decrease by 1.70% if the interest rate curve moves down or up by 1.00% -point.

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. Roughly two thirds of the portfolio is invested in assets that under normal circumstances are highly liquid. These are money market funds, corporate bonds and equities. Furthermore, the duration of the hold to maturity portfolio which is approximately 7% of the investment portfolio is currently 1,4 years. The bonds in the HTM portfolio (US Government bonds and "AAA" and "AA" rated corporates) have different maturities, ranging from a couple of months to several years. Other type of investments of absolute return nature is considered to be illiquid, even though there exists secondary markets for most of them.

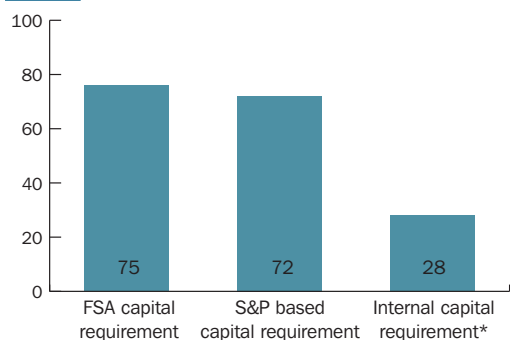
The liquidity strategy is adopted on the basis of the Norwegian liquidity regulation ("Forskrift om forsvarlig likviditetsstyring av 29. Juni 2007"). The Club shall over time have a working capital (as deposit in bank accounts) in the region of USD 10 million. In addition, the Club shall have established credit facilities of minimum USD 25 million. The Club has developed a scenario analysis with a list of event that have the most severe impact on the Club's liquidity position. In order to secure a sufficient degree of liquidity in the investment portfolio, at least 15% of the portfolio shall be saleable 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 and the Financial Supervisory Authority of Norway. The latter includes a model developed to mirror the anticipated capital requirements under the upcoming Solvency II regulations. The models 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 31.12.2010 the Club's capital exceeds the S&P A-rating requirement by USD 72 million and the FSA model by USD 75 million.

Note 6 Financial assets:



*Internal capital requirement is the necessary redundancy to secure less than 10% probability of breaching requirements in 12 months.

The Clubs financial assets are summarized in the table below and shows the assets as defined in IAS 39.

| | Book Value | Market Value |
|---|--------------------|--------------------|
| Fair Value (Stocks, shares, bonds and other financial instrument i total) | 239 576 406 | 239 576 406 |
| Bonds hold to maturity | 19 909 364 | 20 585 192 |
| | 259 485 770 | 260 161 598 |

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, corporate bond funds, high yield funds and hedge 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 recognized methods of pricing like 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 guidelines (International Private Equity and venture capital Valuation) 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 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 listed real estate agent or valuator. The assessed values of the properties adjusted for equity, debt 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.

NOTES TO THE ACCOUNTS

FAIR VALUE HIERARCHY

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 marked prices | Valuation techniques based on observable marked data | Valuation techniques based on not-observable marked data |
| Financial assets at fair value through profit og loss | 63 327 224 | 132 683 314 | 43 565 868 |
| Financial assets hold to maturity | 20 585 192 | | |
| SUM | 83 912 416 | 132 683 314 | 43 565 868 |

Hold to maturity bonds are in the valuation hierarchy valued at fair value and therefore will not match the book value on the time of reporting.

The market value of the Private Equity portfolio has changed from USD 12.2 million per. 31.12.09 to USD 18.9 million per. 31.12.10. Drawdowns in the period were USD 5.6 million, while dividends and repaid investments amounted to USD 1.0 million.

The market value of the real estate funds have changed from USD 17.4 million per 31.12.2009 to USD 24.7 million per 31.12.2010. New investment and drawdowns in the period were USD 8.6 million, while dividends and repaid investments amounted to USD 1.8 million.

Note 7 Stocks and shares

| | Currency | Acquisition cost | Book value | Market value |
|--|----------|-------------------|-------------------|-------------------|
| EQUITY FUND | | | | |
| Skagen Global II | USD | 3 185 618 | 6 810 899 | 6 810 899 |
| Skagen Kon-Tiki | NOK | 9 114 015 | 10 408 750 | 10 408 750 |
| Holberg Global | NOK | 1 649 790 | 2 179 907 | 2 179 907 |
| Nordea Pro Stable Return | EUR | 8 131 822 | 7 352 503 | 7 352 503 |
| Borea Recovery | NOK | 473 850 | 684 123 | 684 123 |
| Equity fund in total | | 22 555 096 | 27 436 182 | 27 436 182 |
| PRIVATE EQUITY | | | | |
| Storebrand International Private Equity VI | NOR | 1 316 572 | 1 342 371 | 1 342 371 |
| Nordea Private Equity II | EUR | 4 334 389 | 4 790 759 | 4 790 759 |
| Nordea Private Equity III | EUR | 2 304 419 | 2 259 254 | 2 259 254 |
| Borea Opportunity II | NOK | 595 117 | 753 290 | 753 290 |
| Partners Group Secondary 2008 | EUR | 8 151 959 | 7 931 725 | 7 931 725 |
| Sector Exspec | USD | 2 249 544 | 1 795 458 | 1 795 458 |
| Private equity in total | | 18 951 999 | 18 872 857 | 18 872 857 |
| HEDGE FUND | | | | |
| Thames River Warrior | USD | 3 505 890 | 5 121 488 | 5 121 488 |
| Thames River Warrior S-Class | USD | 841 490 | 606 445 | 606 445 |
| Sector Healthcare | USD | 5 073 195 | 7 033 539 | 7 033 539 |
| Hedge fund in total | | 9 420 574 | 12 761 472 | 12 761 472 |
| REAL ESTATE | | | | |
| Aberdeen Eiendomsfond Norge I | NOK | 11 237 712 | 12 470 627 | 12 470 627 |
| Aberdeen Eiendomsfond Asia | NOK | 4 049 320 | 2 519 256 | 2 519 256 |
| Boliginvest Tyskland | NOK | 2 997 961 | 1 947 344 | 1 947 344 |
| Pareto Eiendomsfelleskap AS | NOK | 63 848 | 68 301 | 68 301 |
| Pareto Eiendomsfelleskap IS | NOK | 4 455 901 | 4 886 060 | 4 886 060 |
| Prime Office Germany | NOK | 6 508 436 | 2 801 422 | 2 801 422 |
| Real estate in total | | 29 313 177 | 24 693 011 | 24 693 011 |
| Stocks and shares in total | | 80 240 846 | 83 763 522 | 83 763 522 |

Note 8 Bonds held to maturity

| | Risk weight | Currency | Nominal | Acquisition cost | Book value incl. accrued interests | Effective yield | | |
|--|-------------|----------|------------|------------------|------------------------------------|----------------------|------------------|------------|
| CORPORATE BONDS | | | | | | | | |
| Government bonds | 0 % | USD | 6 100 000 | 5 979 953 | 6 060 718 | 6 416 984 | | |
| Finance institutions and corporate Bonds held to maturity in total | 20%-100% | USD | 13 500 000 | 13 760 600 | 13 848 646 | 14 168 208 | | |
| | | | 19 600 000 | 19 740 553 | 19 909 364 | 20 585 192 | | |
| | | | 31.12.09 | New bonds | Bonds matured | Amort. cost (change) | Reclassification | 31.12.10 |
| Nominal | | | 33 100 000 | 13 500 000 | | | | 19 600 000 |
| All currencies | | | | | | | | |
| Amort. cost | | | 33 224 949 | -13 942 319 | 387 720 | | | 19 670 350 |

The average duration of the portfolio is 1.4 years and the effective yield is close to 4.36%.

NOTES TO THE ACCOUNTS

Note 9 Bonds and foreign exchange contracts

| | Risk weight | Currency | Nominal | Acquisition cost | Market value/Book value incl. acc. int. | Effective yield | Modified duration |
|---|-------------|----------|------------|--------------------|---|-----------------|-------------------|
| CORPORATE BONDS | | | | | | | |
| Government | 0 % | USD | 2 005 000 | 2 019 826 | 2 023 392 | | |
| Finance institutions and corporate | 20 % | USD | 36 017 673 | 37 393 325 | 38 405 898 | 2,57 % | 2,84 % |
| Other | 100 % | USD | 25 522 878 | 26 838 676 | 27 557 022 | | |
| Corporate bonds in total | | | 63 545 551 | 66 251 827 | 67 986 312 | | |
| INVESTMENT GRADE BOND FUNDS | | | | | | | |
| BlueBay Investment Grade Bond Fund | 100 % | EUR | | 13 133 812 | 14 937 375 | | |
| BlueBay Emerging Markets Corp. Bond Fund | 100 % | USD | | 15 252 361 | 16 450 661 | | |
| Nordea SICAV 1 US Corporate | 100 % | USD | | 7 000 000 | 7 498 619 | | |
| Threadneedle Target Return Fund | 100 % | USD | | 5 023 671 | 4 938 142 | | |
| Investment grade bond fund in total | | | | 40 409 844 | 43 824 797 | | |
| HIGH YIELD BOND FUNDS | | | | | | | |
| Thames River Capital High Income Fund | 100 % | USD | | 5 110 257 | 4 643 528 | | |
| Nordea High Yield | 100 % | USD | | 8 000 000 | 10 332 790 | | |
| Cavendish Opportunity Fund Ser.3 | 100 % | EUR | | 3 496 250 | 4 214 140 | | |
| Cavendish Opportunity Fund Ser.4 | 100 % | EUR | | 3 141 773 | 3 417 068 | | |
| High yield bond funds in total | | | | 19 748 280 | 22 607 526 | | |
| MONEY MARKET FUNDS | | | | | | | |
| Holberg Likviditet II | 20 % | NOK | | 17 840 976 | 19 316 369 | | |
| Money market funds in total | | | | 17 840 976 | 19 316 369 | | |
| OTHER FINANCIAL INSTRUMENTS | | | | | | | |
| Foreign currency exchange contracts | | | | 0 | 1 255 230 | | |
| Interest Rate Futures | | | | 0 | 822 650 | | |
| Bonds and other financial instruments in total | | | | 144 250 926 | 155 812 884 | | |

Note 10 Taxes

| TAX EXPENSE FOR THE YEAR | 2010 | 2009 |
|---|------------------|-------------------|
| Taxes payable | - | 271 903 |
| Tax charge previous year | -1 468 | -25 818 |
| Tax effect of used loss extraordinary tax break | 0 | -730 960 |
| Correction deferred tax previous year | 27 753 | -1 773 092 |
| Currency effect in deferred tax | 129 194 | -225 644 |
| Change in deferred tax | 3 003 972 | 42 728 |
| Total tax expense for the year | 3 159 450 | -2 440 884 |
| SPECIFICATION OF TAX EXPENSE FOR THE YEAR | | |
| 28% tax on net income | 11 391 198 | - |
| Conversion effect | 101 756 | -7 251 682 |
| Earnings before tax | 11 492 954 | -7 251 682 |
| Permanent differences(due to none tax-deductible expenses) | 831 527 | 418 296 |
| Permanent differences(tax-except investment - "fritaksmodellene") | -1 711 344 | 5 346 494 |
| Change in temporary differences | -9 928 624 | 21 384 460 |
| Used loss carried forward | -799 846 | -18 926 485 |
| Basis taxes payable in profit and loss account | -115 333 | 971 083 |
| Group contribution | 0 | -971 083 |
| Taxable income | -115 333 | 0 |
| Taxes payable | - | 271 903 |
| Estate tax | - | - |
| Taxes payable | - | 271 903 |
| Taxes payable - balance sheet | - | - |
| Tax payable in tax expense | - | 271 903 |
| Tax effect of Group contribution | - | -271 903 |
| Taxes payable - balance sheet | - | - |

Note 10 continues on next page

NOTES TO THE ACCOUNTS

| SPECIFICATION OF THE BASIS FOR DEFERRED TAX/TAX ASSET | 2010 | 2009 |
|---|------------------|-------------------|
| Asset | 139 183 | -371 008 |
| Receivables | -2 015 089 | -1 941 658 |
| Pension premium | -4 527 847 | -4 293 407 |
| Profit sharing provision | -413 040 | -2 769 958 |
| Stocks and shares | 10 762 824 | 3 382 874 |
| Results from shares in partnerships | 2 155 | -1 833 522 |
| Differences in results from shares in partnerships | - | -154 735 |
| Net temporary differences | 3 948 186 | -7 981 415 |
| Loss and dividend tax compensation carried forward | -900 678 | -260 070 |
| Basis for deferred tax asset in the balance | 3 047 508 | -8 241 485 |
| Deferred tax / tax asset | 853 302 | -2 307 616 |
| | | |
| SPECIFICATION OF TAX EXPENSE FOR THE YEAR | | |
| 28% tax on net income | 3 218 027 | -2 030 471 |
| Correction previous years provision | 26 284 | -1 798 910 |
| Currency effect deferred tax | 161 488 | -225 644 |
| Tax effect from permanent differences | -246 349 | 1 614 141 |
| Estimated tax expense | 3 159 450 | -2 440 884 |

Note 11 Equity

| | Owners' funds | Administration-reserve | Other equity | Total equity |
|----------------------------------|---------------|------------------------|--------------|--------------|
| Equity as at 01.01.2010 | 8 042 072 | 11 002 640 | 17 979 939 | 37 024 650 |
| Result for the year 2010 | | 0 | 8 231 747 | 8 231 747 |
| Change in administration reserve | | 235 259 | -235 259 | 0 |
| Dividend | | | -3 746 753 | -3 746 753 |
| Equity as at 31.12.10 | 8 042 072 | 11 237 899 | 22 229 673 | 41 509 644 |

Note 12 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 dependant 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.

| GUARANTEE LIABILITY REGARDING CLAIMS | 31.12.10 | 31.12.09 |
|--------------------------------------|-------------------|-------------------|
| Gross guarantees issued | 135 007 108 | 110 441 048 |
| Counter-guarantees from co-insurers | 84 515 584 | 64 106 819 |
| Guarantees for own account | 50 491 524 | 46 334 229 |

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

Note 13 Claims expenses

| | 31.12.10 | 31.12.09 |
|--|-------------------|--------------------|
| Gross paid claims | 109 219 572 | 134 874 410 |
| Change in outstanding gross claims reserve | -20 083 292 | -12 620 216 |
| Gross claims | 89 136 279 | 122 254 194 |
| | | |
| Paid claims for own account | 91 538 092 | 108 369 074 |
| Change in outstanding claims reserve for own account | -17 980 740 | -6 820 748 |
| Claims for own account | 73 557 352 | 101 548 325 |
| | | |
| Run off gain (+) / loss (-) gross | 2 719 269 | 4 449 052 |
| Run off gain (+) / loss(-) for own account | 9 312 439 | 9 122 709 |

NOTES TO THE ACCOUNTS

Note 14 Technical reserves for own account

| | 31.12.10 | Min. req. | 31.12.09 |
|---|--------------------|--------------------|--------------------|
| Unearned gross premium provision | 76 532 043 | 76 532 043 | 60 289 515 |
| Reinsured proportion of gross premium provision | -18 200 920 | -18 200 922 | -16 396 897 |
| Unearned commission provision | 1 279 671 | 1 279 671 | 994 733 |
| Gross claims provision | 159 329 164 | 141 408 316 | 179 412 456 |
| Reinsured proportion of gross claims provision | -35 756 985 | -31 384 014 | -33 654 433 |
| Provision for risk equalisation | 161 793 277 | 56 402 556 | 123 359 244 |
| Total risk provision etc. | 344 976 250 | 226 037 651 | 314 004 618 |

Note 15 Equity capital adequacy ratio

| | 31.12.10 | 31.12.09 |
|--|----------------|----------------|
| Risk adjusted basis of calculation | 269 390 548 | 210 589 135 |
| Split of gross basis of calculation | | |
| -risik kategori 0% | 63 013 549 | 67 424 970 |
| -risik kategori 20% | 102 780 464 | 119 158 722 |
| -risik kategori 35% | 13 903 163 | 12 458 214 |
| -risik kategori 50% | 85 484 934 | 67 438 414 |
| -risik kategori 100% | 201 225 881 | 148 677 808 |
| -off balance sheet items | 12 964 034 | 6 869 945 |
| Applicable equity | 28 019 083 | 23 994 426 |
| Equity capital adequacy ratio | 9,92 % | 11,03 % |
| Minimum requirement solvency margin | 30 765 537 | 34 266 726 |
| Solvency margin capital | 160 226 303 | 118 861 049 |
| Composition of solvency margin capital | | |
| -applicable equity | 29 454 432 | 23 994 426 |
| -from provision for risk equalisation | 130 771 872 | 94 866 623 |
| Solvency margin capital in percent of requirement | 520,8 % | 346,9 % |

Note 16 Reinsurer's result

| | 31.12.10 | 31.12.09 |
|---|-------------------|-------------------|
| Reinsurers' share of gross premiums | 48 823 335 | 41 057 605 |
| Reinsurers' share of change in provisions for unearned gross premiums | -1 804 023 | 1 504 248 |
| Earned premium | 47 019 312 | 42 561 853 |
| Reinsurers' share of gross claims | 17 681 479 | 26 505 337 |
| Reinsurers' share of change in gross claims reserve | -2 102 552 | -5 799 468 |
| Incurred claims | 15 578 927 | 20 705 869 |
| Commissions incurred | 2 710 304 | 1 858 852 |
| Reinsurers' result | 28 730 081 | 19 997 132 |

Note 17 Geographical distribution of gross premium written from direct insurance

| | 2010 | 2009 |
|--|--------------------|--------------------|
| Norway | 50 084 525 | 48 100 728 |
| Countries covered by the EEA agreement | 98 443 551 | 76 091 689 |
| Other countries | 41 054 668 | 31 815 482 |
| Total | 189 582 743 | 156 007 898 |

Note 18 Contingent events

Norwegian Hull Club has a claim amounting to USD 2.3 million on Lehman Re. Due to uncertainty, the claim has been written down to the best estimate.