



NORWEGIAN HULL CLUB

3rd QUARTERLY REPORT 2016

SUMMARY INTERIM REPORT 3Q2016

The result for Norwegian Hull Club (NHC) in the first nine months of 2016 is USD 30.6 million. Technical result of insurance operations is USD 3.1 million while the result from investment income and other financial items is USD 27.5 million.

Gross premium income is below expectations due to a combination of reduced insured values on a part of the insured units and lower rates. Profitability on insurance operations is below expectations and lower than in the 2nd quarter due to increase in claims. The combined ratio for the first three quarters of 2016 is 97 %.

Return on the investment portfolio is 5.2 % in local currencies, that is weighted return in the denominated currencies. In USD, the return is 7.0 %, corresponding to USD 28.3 mill. The balance of financial income items stems from interest earned on bank accounts and receivables as well as currency items.

Equity is USD 288.3 mill at the end of September 2016. Compared to the financial statements as per 31 December 2015, the provision for risk equalization has been dissolved and estimated tax provided as deferred tax. The tax treatment of the provision for risk equalization in Norway is still not decided.

KEY FIGURES (USD 1 000)

	01.01.– 30.09.2016	01.01.– 30.09.2015	3Q2016	3Q2015	2015
Gross earned premiums	133 442	145 124	44 816	46 479	191 496
Gross claims	-117 041	-158 979	-50 502	-26 395	-176 903
Gross result	16 401	-13 854	-5 686	20 084	14 593
Premiums for own account	111 827	121 980	37 615	38 869	161 839
Claims for own account	-98 350	-107 667	-38 020	-25 336	-125 704
Insurance result for own account	13 476	14 313	-404	13 533	36 135
Net operating expenses	-10 412	-10 570	-3 684	-3 282	-9 983
Technical result	3 065	3 743	-4 088	10 251	26 152
Net financial items	27 506	-10 483	9 340	-8 128	-17 614
OPERATING RESULT	30 571	-6 739	5 253	2 123	8 539
Loss ratio	88%	88%	101,1 %	65,2 %	77,7 %
Combined ratio	97%	97%	110,9 %	73,6 %	83,8 %
	30.09.16	31.12.15			
Investment portfolio	433 424	405 486			
Bank deposits	27 644	22 280			
Receivables	214 651	208 945			
Other assets	28 897	28 264			
TOTAL ASSETS	704 615	664 975			
Equity	288 271	257 700			
Claims provision	239 586	214 768			
Other provisions	86 315	100 842			
Payables and other liabilities	90 443	91 665			
TOTAL EQUITY AND LIABILITIES	704 615	664 975			

STATEMENT OF COMPREHENSIVE INCOME

(USD)	30.09.16	30.09.15
Gross premiums	133 442 096	145 124 412
Reinsurance premiums	-21 615 571	-23 144 024
Change in provisions for unearned gross premiums	-	-
Reinsurers' share of change in provisions	-	-
A Premiums for own account	111 826 525	121 980 389
B Other insurance related income	5 172 820	4 210 943
Gross accrued claims	117 040 708	158 978 704
Reinsurers share of gross claims	-18 690 521	-51 311 224
Change in gross claims reserve	-	-
Reinsurers' share of change in gross claims reserve	-	-
C Claims for own account	98 350 187	107 667 480
Marketing expenses	7 748 120	11 573 697
Commissions earned	-1 436 425	-1 334 216
D Total insurance related expenses for own account	6 311 695	10 239 481
E Other insurance related expenses	9 272 823	4 541 061
F Operating result technical accounts before change in solvency capital (A+B+C-D-E)	3 064 639	3 743 310
Financial income	8 477 546	9 550 155
Realised gains and losses	1 639 588	3 128 368
Adjustment investment portfolio	18 616 721	-22 072 493
G Total financial income	28 733 854	-9 393 970
H Administration expenses financial assets	1 227 499	1 088 641
I Result from ordinary operations (F+G-H)	30 570 995	-6 739 301
J Tax expenses (income)	-	-
K Result before other result components (I-J)	30 570 995	-6 739 301

ASSETS

	30.09.16	Adjusted 31.12.15
Deferred tax benefit	–	–
Total intangible assets	–	–
Shares in subsidiaries	2 356 629	2 356 629
Other shares	1 281 925	1 281 925
Mortgage loans	13 989 691	13 370 728
Stocks and shares	99 071 384	93 548 163
Bonds and foreign exchange contracts	326 457 601	301 068 324
Financial derivatives	–	2 210 587
Bank deposits investment portfolio	7 894 730	8 658 944
Total financial assets	451 051 959	422 495 300
Reinsured proportion of gross premium provisions	15 462 045	15 777 252
Reinsured proportion of gross claims provision	57 365 102	42 918 070
Total reinsured proportion of insurance provisions	72 827 147	58 695 323
Insurance related receivables	87 107 705	97 950 899
Reinsurance receivables	2 069 696	3 449 729
Disbursements	45 201 007	46 726 265
Other receivables	7 445 298	2 122 956
Total receivables	141 823 706	150 249 849
Properties	4 428 108	4 382 372
Equipment and fixtures	5 065 931	5 327 374
Cash and bank deposits	27 644 075	22 280 005
Deferred tax	–	–
Total other assets	37 138 114	31 989 751
Accrued interest	1 774 239	1 544 749
TOTAL ASSETS	704 615 165	664 974 971

EQUITY AND LIABILITIES

	30.09.16	Adjusted 31.12.15
Equity	8 042 072	8 042 072
Other equity	280 229 080	249 658 086
Total equity	288 271 152	257 700 157
Unearned gross premium provision	85 376 225	99 807 321
Gross claims provision	239 585 863	214 768 004
Unearned commission provision	938 428	1 034 768
Total gross insurance provisions	325 900 517	315 610 094
Pension liability	3 220 030	8 951 045
Withheld payroll tax, social security etc.	1 810 950	1 952 437
Deferred tax	68 788 360	68 788 360
Taxes payable	-	-
Total tax etc. payable	73 819 341	79 691 843
Payables direct insurance accounts	476 455	401 086
Payables reinsurance	4 300 546	5 431 236
Payables other accounts	11 847 155	6 140 555
Total payables	16 624 156	11 972 877
TOTAL EQUITY AND LIABILITIES	704 615 165	664 974 971

CHANGES IN EQUITY

	Owners' funds	Other equity	Total equity
Norwegian Hull Club			
Equity at 01.01.2014	8 042 072	29 383 948	37 426 020
Adjustments pension liability		5 053 103	5 053 103
Adjusted result (change in equalisation reserve)		-5 053 103	-5 053 103
Allocation		912 365	912 365
Adjusted equity 31.12.2014	8 042 072	30 296 313	38 338 385
Equity at 1.1.2015	8 042 072	30 296 313	38 338 385
Adjustments dissolution risk equalisation provision		217 238 470	217 238 470
Allocation		2 123 302	2 123 302
Adjusted equity at 31.12.2015	8 042 072	249 658 085	257 700 157
Allocation		30 570 995	30 570 995
Equity	8 042 072	280 229 079	288 271 151

STATEMENT OF CASH FLOWS - USD

	30.09.16	30.09.15
Profit of the year before tax	30 570 995	–
Change in net technical reserves	–3 841 402	–5 338 045
Net profit on sale of fixed shares	–	–
Change in disbursements	1 525 258	979 910
Net profit on sale of fixed assets	–	–
Change in net pension funds	–5 731 015	–
Change in net receivables	11 181 187	–11 231 803
Depreciation	404 069	605 531
Taxes paid	–36 433	–81 876
Net cash flow from operations before financial assets	34 072 658	–15 066 284
Change in net bonds	–25 389 277	3 304 358
Change in net stocks and shares	–5 523 222	13 757 542
Change in net financial derivatives	2 210 587	5 905 348
Net cash flow from financial assets	–28 701 912	22 967 248
A Net cash flow from operational activities	5 370 746	7 900 964
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	–142 625	–191 163
Change in mortgage loans	–618 962	2 923 456
B Net cash inflow / outflow from investment activities	–761 588	2 732 293
C Effect of changes in exchange rates on cash and cash equivalents	–9 304	–590 826
A + B + C Net change in cash and cash equivalents	4 599 855	10 042 431
Cash and cash equivalents 01.01	30 938 950	54 081 219
Cash and cash equivalents	35 538 804	64 123 650

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 2015 and the annual report contains the full description of the accounting policies.

A new accounting regulation has been implemented in the first quarter of 2016 and this has adjusted the comprehensive income statement and balance sheet as of 31.12.2015. The dissolution of the equalisation reserve is a change of accounting principle and has been booked against deferred tax and equity.

Although, there is still discussions and uncertainty on how this change should be treated for tax purposes.

NOTE 2- CLAIMS EXPENSES

	30.09.16	30.09.15
Gross paid claims	117 040 708	158 978 704
Change in outstanding gross claims reserve	0	0
Gross claims	117 040 708	158 978 704
Paid claims for own account	98 350 187	107 667 480
Change in outstanding claims reserve for own account	0	0
Claims for own account	98 350 187	107 667 480
Run off gain (+) / loss (-) gross	-10 041 011	-1 403 324
Run off gain (+) / loss (-) for own account	-2 071 753	907 778

NOTE 3 - MARKET VALUE ADJUSTMENTS

	31.12.15		30.09.16		Change	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
Bonds	301 068 324	301 068 324	326 457 601	326 457 601	25 389 277	25 389 277
Stocks and shares	93 548 163	93 548 163	99 071 384	99 071 384	5 523 222	5 523 222
Derivatives	2 210 587	2 210 587	-	-	(2 210 587)	(2 210 587)
In total	396 827 073	396 827 073	425 528 985	425 528 985	28 701 912	28 701 912

NOTE 4 - OFF BALANCE ITEMS

	30.09.16	31.12.15
GUARANTEE LIABILITY REGARDING CLAIMS		
Gross guarantees issued	97 206 226	127 248 819
Counter-guarantees from co-insurers	67 104 068	97 620 472
Guarantees for own account	30 102 158	29 628 347

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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2016