West of England

Financial Highlights 20 February 2018

Free Reserve growth to record

$308.5m

3 Year Average Combined ratio at

95.6%

Investment Return of

4.8%

Standard & Poor's

A-

rated security

Capital remains significantly in excess of **S&P AAA rating levels**

Financial Strength

The Club reported a strong financial result for 2018 with the Free Reserve increasing to $308.5m, its highest ever level. This underlined the strength of the balance sheet and the Club's robust financial health, with capital continuing to be significantly in excess of both the S&P "AAA" rating levels and the requirements of Solvency II.

The Club now covers in excess of 123 million GT (owned and chartered) with the increase primarily from organic growth from existing Members, although a number of new Members were welcomed at renewal and during the course of the policy year. The increasing average size of covered vessels means that growth in the actual number of vessels was more conservative, ensuring the Club maintains a high-quality membership.

The Club simplified the method of charging calls for 2018, moving to a Net Estimated Mutual Call (EMC), although it maintained its unique policy of charging the cost of the International Group reinsurance separately generating tangible savings for our Members.

Claims

Whilst Members' attritional claims continue to develop within the Club's expectations and at the same low levels seen since 2011, there was an unprecedented number of large claims in 2017 compared to previous policy years. These included a significant number of losses arising from collisions and navigational errors. The Club's reinsurance programme responded as expected, so that any deterioration of these larger losses is protected and thereby taking volatility out of the balance sheet.

In addition, there was an adverse development on the Pool in the second half of 2017 due to two particular casualties, the "Kea Trader" and "Sanchi", presented by other Clubs.

Although this claims experience has produced a combined ratio of 116% for 2017, the three-year average is 95.6%, which remains within the Club's primary operating objective of achieving a combined ratio of below 100% over a three-year rolling period.

The Club remains cautious in its expectations of future claims and has therefore maintained the reserving strength on its balance sheet at similar levels to previous policy years.

Investment Performance

Despite the Club's conservative asset allocation, the Club had a positive investment return of 4.8%, its highest in over five years.

The Club's Board have recently approved the sale of its London office building, Tower Bridge Court, and the anticipated gain on the sale will be realised in next year's result.

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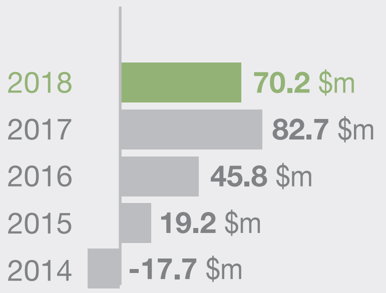
3 Year Average Combined Ratio
Year to 20 February

2018	**95.6%**
2017	**89.4%**
2016	**93.9%**
2015	**100.2%**
2014	**104.0%**
2013	**109.7%**
2012	**118.5%**

Free Reserve
Year to 20 February

2018	**308.5** $m
2017	**306.5** $m
2016	**276.7** $m
2015	**243.7** $m
2014	**216.2** $m
2013	**197.4** $m
2012	**179.4** $m

S&P Model result compared to "AAA" Target



Rating Strength

Rating agencies Standard and Poor's ("S&P") and AM Best both re-affirmed the Club's financial strength rating of A- in November and January respectively.

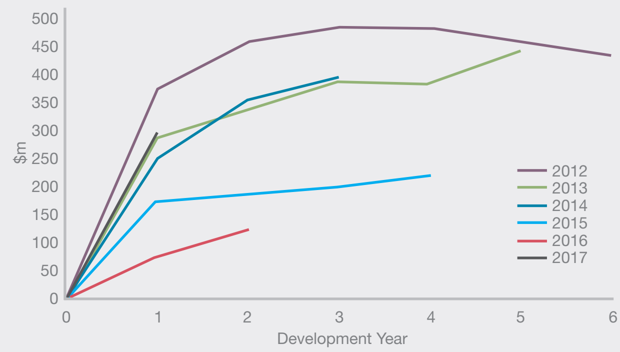
Looking Forward

The Club will continue to respond to the changing insurance requirements of the Membership through development of new products and covers.

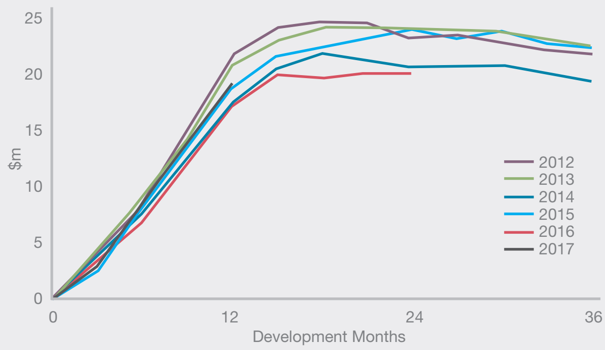
Whether the claims development in 2017 was an aberration or an indication of an increase in claims across the industry, the Club remains well positioned to deal with any change, with strong capital supported by conservative underwriting, reserving and asset management discipline.

The approach therefore is to maintain capital at a level necessary to meet the pressures ahead, whilst remaining strongly committed to being a dedicated mutual providing cost effective cover for its Members through excellent, high quality service.

Pool Development



Attritional Claims Development



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