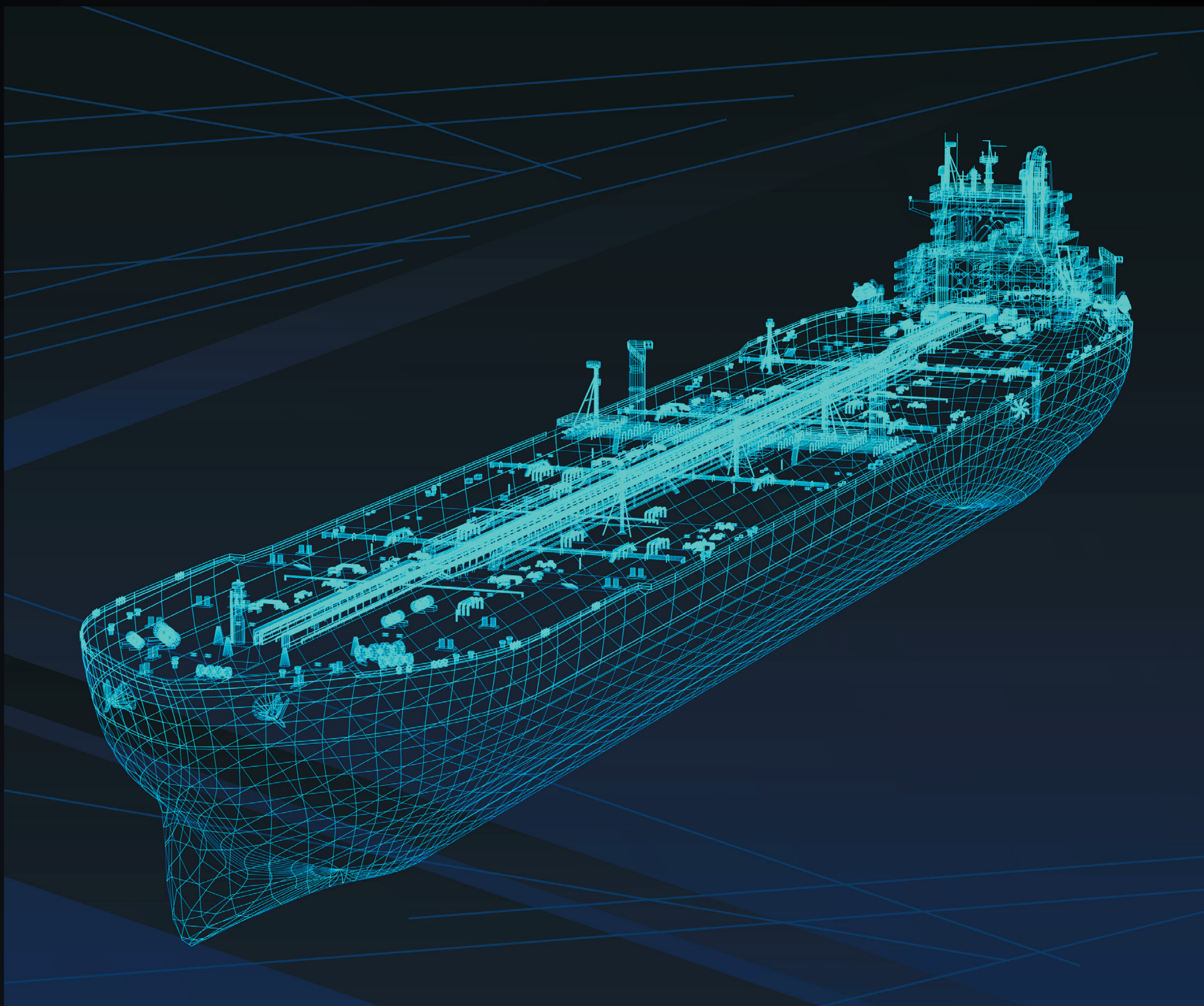
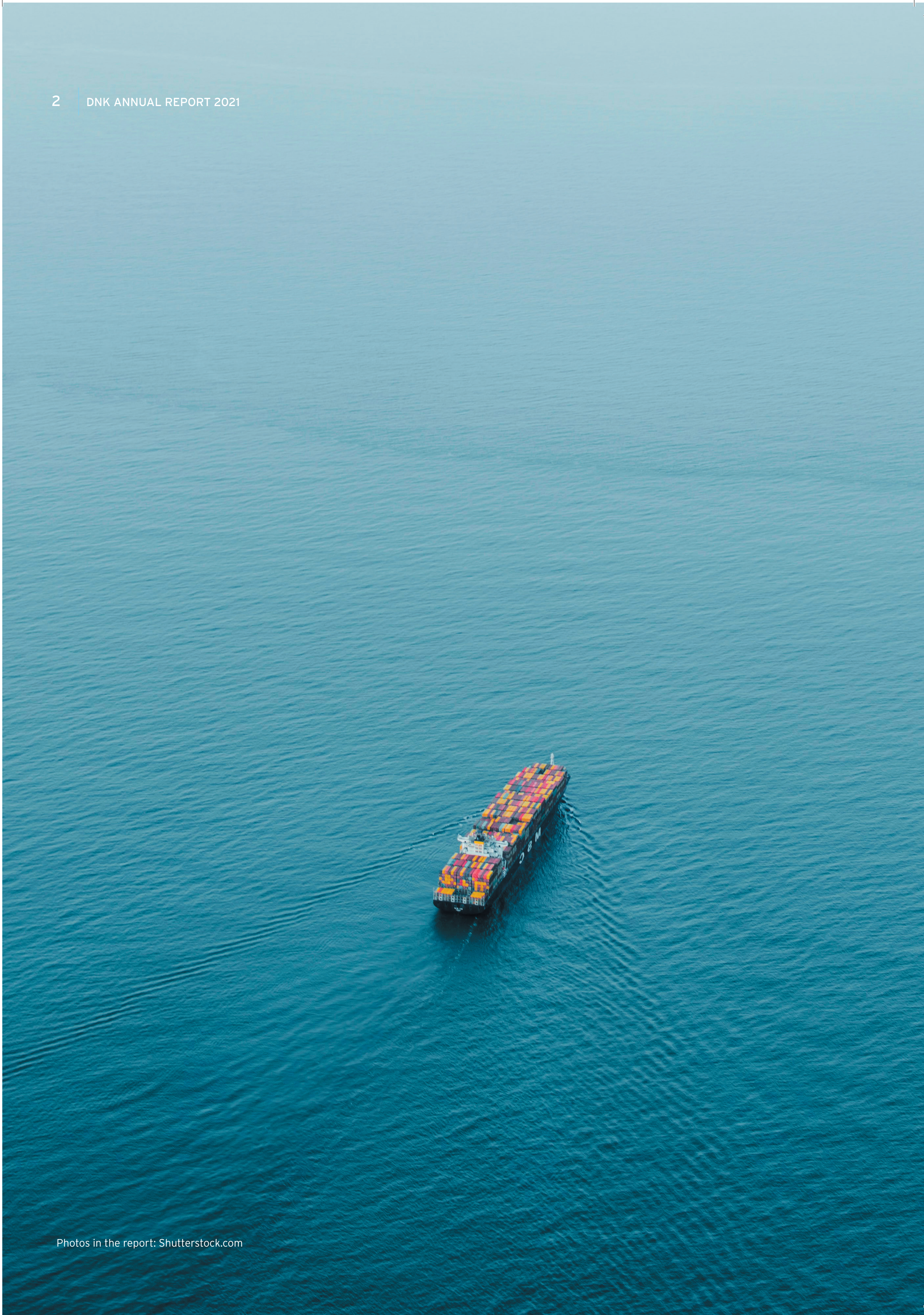
ANNUAL REPORT 2021



DEN NORSKE KRIGSFORSIKRING FOR SKIB
GJENSIDIG FORENING
The Norwegian Shipowners' Mutual
War Risks Insurance Association



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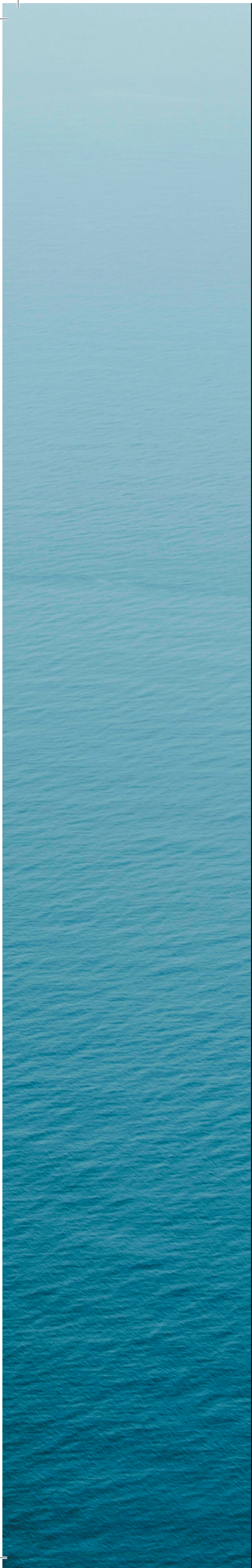

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86TH FINANCIAL YEAR

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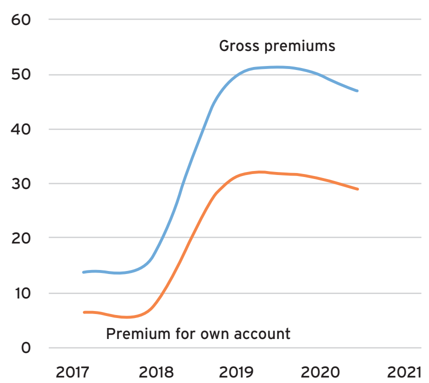

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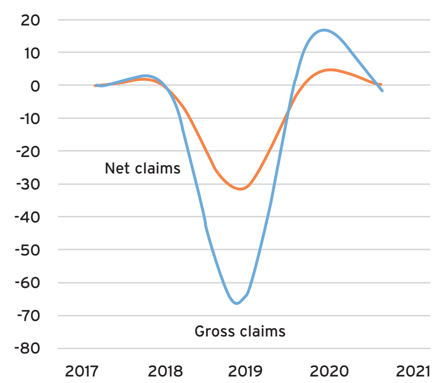

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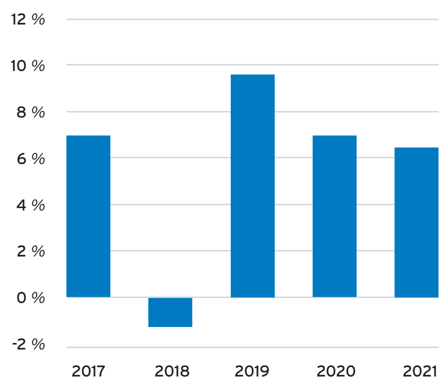

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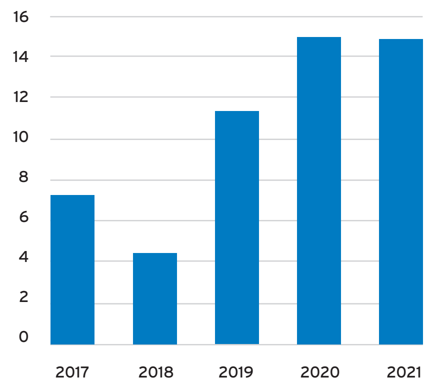

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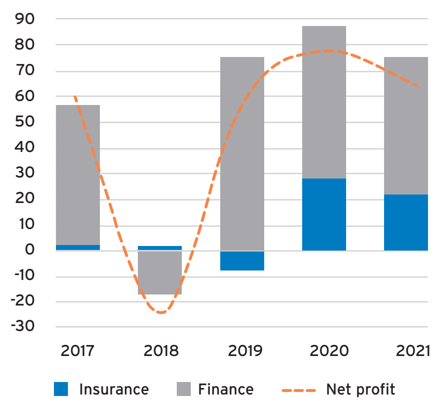

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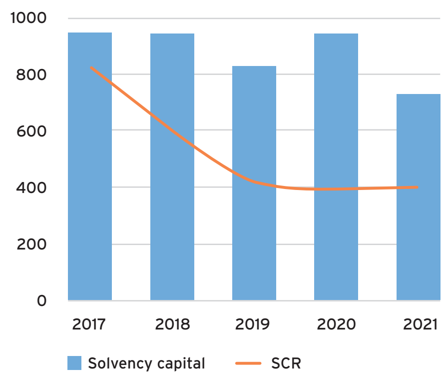


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ANNUAL REPORT

The Norwegian Shipowners' Mutual War Risks Insurance Association, ("DNK" or "the Association") is a mutual insurance company insuring members' interests in ships, drilling rigs and other similar mobile units against risks of war, terrorism, and piracy. The Association conducts its business from Oslo.

After several years of cautioning that geopolitical tensions could escalate and become a greater threat to the maritime industry, the Association notes, with regret, that the geopolitical risks have indeed accelerated through 2021 and into 2022.

Piracy incidents and kidnapping of crews continued in the wider Gulf of Guinea. The crew of one DNK member unit was kidnapped, but fortunately released safely after a period in captivity. Sadly, one crew member was killed as the pirates forced their entry.

Concerns about cyber-attacks, risk mitigation and availability of insurance capacity dominated discussions within DNK and increased in prominence throughout the year. With the increased digitalization of the maritime industry, and the rising sophistication and determination of the threat actors, this trend is expected to escalate. The Norwegian Maritime Cyber Resilience Centre (NORMA Cyber) was established in co-operation with The Norwegian Shipowners' Association and started operations in January 2021 to support member companies and the wider maritime community.

HIGHLIGHTS 2021

- At year-end 2021, DNK insured 3,454 ships and movable offshore units (compared with 3,543 in the previous year), with an aggregate insured value of USD 219 billion (232). An additional 0 newbuilds were covered (8).

- In 2021, 53 (80) security incidents occurred involving member vessels. They were related to activities by state actors, pirates, and insurgents. All incidents were resolved before incurring any losses.

- Member vessels were involved in 1 (3) major security crisis in 2021, which caused DNK to mobilize its Crisis Management Team. The incident was related to piracy.

- DNK conducted and produced 32 (27) in-depth threat assessments and intelligence products for its members in 2021. Furthermore, DNK responded to 152 (167) member requests concerning specific threat assessments.

- Annual premium and corresponding reinsurance rates remained unchanged in 2021. Additional premiums fell 6 % due to the introduction of discounts to the rate structure originally set after the attacks in the Persian Gulf in 2020. The premium adjustment before year-end was USD 14.9 million (14.9).

- The return on DNK's investment portfolio was 6.4 % in USD (6.9 %).

- The high capacity in the war risk insurance market is gradually tightening. Reinsurance contracts were renewed for 2022 at satisfactory terms, thus enabling the Association to maintain its competitive rates.

- DNK's solvency capital at year-end 2021 was a total of USD 735.4 million (948.5), of which USD 565.1 million was Tier 1 capital (790.4), and USD 170.3 million (158.1) was Tier 2 capital (mutual liability).

- The solvency capital requirement (SCR) at year-end 2021 was USD 392.0 million (385.6). Under Solvency II, DNK is subject to an additional capital requirement as the standard model does not fully capture the unsystematic risks inherent in war-related insurance cover. For 2021, this additional charge was USD 270.4 million (270.4). DNK's solvency capital margin was 188 % at year-end 2021.

- On October 22, the Financial Supervisory Authority of Norway approved DNK's application to distribute USD 300 million in equity to its members. The distribution of equity was largely completed by year-end 2021.

In 2018, the Ministry of Finance introduced a new tax legislation for insurance reserves. Approximately USD 170 million of deferred taxes, after tax loss carry-forwards, will be payable in equal instalments over a ten-year period. As a result, DNK has also introduced certain risk mitigation measures, primarily through increased reinsurance, to maintain its current insurance products. The Ministry of Finance may revise the new law to offer a tax-shield for mutual insurers, such as DNK. Any such amendment is subject to approval by the EFTA Surveillance Authority (ESA).

DNK has renewed its D&O insurance for Members of the Board and Directors from 2021 to 2022. The insurance covers potential liability arising against the Association and third parties. The cover is considered adequate, as it is based on an assessment of DNK's potential exposure.

EVENTS AFTER THE REPORTING PERIOD

The war in Ukraine represents an increased risk for insurance losses in 2022. The Black Sea, Russian and Ukrainian waters and the Sea of Azov were defined as "held covered", which implies that these areas are deemed highly problematic and there are no pre-determined rates. There are two vessels, insured by DNK, in the theatre of war. The vessels are at port. The crews have been safely evacuated out of Ukraine where they have been offered medical care before travelling to their home country. Work is ongoing with respect to securing the ships and their cargoes, to which there presently are no known damage. The combined insured value of the two vessels is USD 56 million, of which DNK's retention is USD 24 million.

Of an investment portfolio of USD 762 million, about 0,1 % in exposed to the Russian financial market. That represents a market value of approximately USD 0,7 million. DNK's portfolio consists of listed securities and pooled funds with daily pricing.

In the Board's opinion, the invasion of Ukraine on 24 February 2022 does not affect DNK's financial statements of 2021.

FINANCIAL RESULT 2021

Gross premium income in 2021 amounted to USD 47.0 million (51.2) after a USD 14.9 million (14.9) premium adjustment to members, or no-claims bonus ("NCB"). Before such NCB, overall gross premiums declined 6 % in 2021. Annual premiums did not change versus 2020, while additional premiums for calls in conditional trading areas fell 7 % before NCB. The number of transits through these areas declined 20 %, while the average rate increased 14 %. Annual premiums represented 11 % of DNK's gross premiums in 2021 (12 %) before the deduction of NCB.

Reinsurance costs decreased by USD 1.5 million which is in proportion to the decline in gross premiums in 2021. Premiums for own account, after NCB, amounted to USD 28.9 million in 2021 (31.6). Due to low claims in 2021 and reversal of claims provisions from 2020, DNK had gross claims costs of 1.3 million in 2021 versus gross claims income of USD 14.1 million in 2020. There was a gain in net claims of USD 0.5 million in 2021 versus a gain of USD 2.4 in the preceding year.

DNK's technical result amounted to USD 21.6 million (27.9) after administrative costs.

The operating profit from investment management, after administrative costs, was USD 53.5 million (59.2). The investment portfolio generated a return of 6.4 % in 2021 (6.9 %). While equities posted a gain of 24.4 %, the bond portfolio returned 0.0 %. On average, equities made up 27.5 % (25.4 %) of the portfolio, with the balance allocated to domestic and global bonds.

DNK's administrative costs increased USD 2.2 million to USD 15.2 million. The increase was primarily attributed to ongoing projects related to digitalization, vessel tracking, and loss-prevention within the cyber threat realm.

DNK's overall operating profit for the year was USD 75.1 million in 2021 (87.2). After USD 10.7 million in taxes (9.9), the total net result for 2021 was a gain of USD 64.4 million (77.3).

Cash flow from insurance activities was USD 11.2 million in 2021 (21.3). Premium income, reinsurance expenses and administrative costs were the main cash items. Cash flow from financing activities was USD 265.4 million (-13.8). Realized gains and losses from the sale of financial assets, reinvestments and administrative expenses constitute the major cash flow items in portfolio management. Net cash flow from operations was therefore USD 276.6 million (7.6), while cash flow from investment in fixed assets was USD -0.8 million (-0.4). After payment of an extraordinary dividend of USD 273.9 million (0.0), the net cash flow for the period was USD 2.0 million (7.1). At the end of 2021 bank deposits amounted to USD 17.6 million (15.6).

The financial statements are prepared and presented under the assumption that DNK is operating on a going concern basis. In accordance with the Norwegian Accounting Act section 4-5, first paragraph, the Board confirms that such assumption is present.

The Board is not aware of any events, after the balance sheet date, that may affect the submitted financial statements for 2021.

DISTRIBUTION OF EQUITY

DNK made a USD 300 million distribution of equity at year-end 2021. The capital distribution was unanimously adopted by the Extraordinary General Assembly on 30 October 2020. An application was subsequently sent to the Financial Services Authority of Norway (Finanstilsynet) the following December. DNK received regulatory approval on 22 October 2021 and payment commenced in December. By year-end 2021 DNK had paid out 91 % of the USD 300 million. The remaining amount will be distributed as soon as DNK receives payment detail from the relevant members. The distribution of equity is for accounting purposes treated as an extraordinary dividend.

COVID-19

DNK continued to monitor the development of the pandemic in order to advise senior management on company-wide preventive actions throughout 2021. The aim was to safeguard employees from being infected, and to minimize potential operational disruptions within DNK. Implemented actions have been continually adapted and aligned with regulatory requirements and recommendations in the combat of Covid-19. DNK's operations have not been adversely affected.

NEW TAX LEGISLATION

In 2018, Finansdepartementet (The Ministry of Finance) introduced new tax legislation on insurance reserves. The law implied a tax cost of USD 216 million payable over ten years in equal instalments. With available tax loss carry-forwards, taxes payable were reduced to USD 170 million. From 2019 the effect of the new law has been incorporated in the calculation of DNK's solvency capital and its solvency capital requirement (SCR).

As a result of the new tax law, DNK took a series of mitigation measures, primarily by transferring risks to the reinsurance markets.

Along with other marine insurers, DNK has stated that the new tax law is unsuited for insurers characterized by unsystematic risks, such as war risk insurance. Former insurance reserves accumulated to cover these types of risks have been taxed, while the underlying insurance risks are unchanged. The proposed tax law will increase the cost of capital for product lines characterized by unsystematic risks versus products with more systematic risk profiles. Finansdepartementet may present an amendment to the new law to provide a partial tax-shield for insurers with more volatile and unpredictable losses, such as DNK. The technical aspects of an amendment are currently being discussed with the ESA to clarify issues relating to potential illegal state aid. After a possible clearance from the ESA, an amendment may be subject to a domestic public hearing before being passed into law.

DNK has challenged the constitutionality of the new tax law as it retroactively taxes reserves built up over past decades.

INSURANCE ACTIVITIES

DNK has been able to maintain a comprehensive reinsurance policy and consequently offer a cuttingedge cover for its members. At the same time, DNK has upheld its commercial manoeuvrability and freedom. Offering market leading rates, and the best possible cover, is still of strategic importance to DNK. Feedback and interaction with the members through 2021 suggest that we are doing just that. In 2021, we received a record-breaking number of enquiries related to Cyber cover. So apparently, assessment of cyber risks and required mitigation measures has been a priority among DNK's members. While the all-risks cyber cover has been part of DNK's offering for more than a decade, 2021 represent the year we expanded with supporting intelligence and crisis management for this cover. The partnership with Norma Cyber adds timely insight and risk mitigation resources. To date, the marine insurance market has not seen broad cyber losses for vessels, but the risk is very much on DNK's mind through the collaboration with Norma Cyber.

The majority of DNK's members never sail in or through high-risk areas where additional premium applies. This group has enjoyed a sustainable low annual insurance premium from DNK, also in 2021. For members calling in high-risk areas, the rate will depend on the severity of the risk. Since 2019, the additional premium for calls in the Arabian/Persian Gulf has been at a consistent, high level. Repetitive actions by state actors in the region, means there are no plans for immediate reduction in rates. However, DNK has increased discounts and introduced a more favourable calculation methodology for the region. In other high-risk areas, only minor adjustments have taken place. DNK is well positioned to monitor premium levels and is committed to react swiftly when adjustments are called for.

Through the second year of the pandemic, DNK has maintained a reliable service. Members have expressed concern about the implications of COVID as operational issues have become more complex. One example relates to the concern for efficient and safe crew changes. DNK maintained a special premium discount for crew changes in UAE ports. The discount was discontinued at the end of 2021, as the presence of vaccines, certificates and efficiency in testing enabled reliable crew changes to resume.

The distribution of Raptor tracking devices to member vessels calling in high risk areas has now been completed. DNK is pleased to observe that the functionality is maintained through automatic production of reports and calculations of additional premiums. DNK has also experienced several additional benefits with respect to contingency support. Together with colleagues in the Intelligence and Operations Centre (IOC), DNK has through 2021 continued to bring seafarers in peril safely home.

SECURITY AND CONTINGENCY PREPAREDNESS

The Loss Prevention and Loss Mitigation Concept in DNK

DNK's Loss Prevention and Loss Mitigation capability is primarily facilitated by the Intelligence & Operations Centre (IOC) and by DNK's Crisis Management Team (CMT) when the latter is mobilized. The role of the IOC is to build an overall global intelligence picture to help support members in short and long-term decision making. This is done through a professional structure comprising an extended source-network, a structured and well recognized methodology and skilled intelligence analysts. The IOC also provides training for members and offers a 24/7 support service through its Duty Officer function. In addition, the extended IOC (the mobilized CMT) supports members with crisis management when needed.

Intelligence and operations-summary 2021

Piracy and kidnap for ransom (K&R) attacks represented the main threat to shipping in the Gulf of Guinea once again during 2021. Pirates based in the Niger delta continued and extended their presence and operations further out into the wider Gulf of Guinea. DNK's CMT was mobilized on one occasion to support a member experiencing a K&R attack in the Gulf of Guinea in 2021. One crew member was killed by the pirates during the attack on the vessel, while the kidnapped crew members were successfully released.

Shipping was again exposed to a threat from Iran in the Arabian/Persian Gulf, the Strait of Hormuz, the Gulf of Oman but also the Arabian Sea in 2021. Throughout the year, merchant vessels were exposed to weaponized Unmanned Aerial Vehicle (UAV) attacks and were harassed and aggressively approached by the Islamic Revolutionary Guard Corps Navy (IRGC-N). The UAV attacks caused the death of two crew members.

The shift experienced in 2020 in the Gulf of Aden, from financially motivated Somalia-based pirates to politically motivated Yemen-based threat actors, continued in 2021. However, 2021 has seen less security related activity in general in these waters compared to 2020.

In the Red Sea, the Yemen-based Houthi-Insurgents with their external state support maintained their ability in 2021 to attack both naval and merchant vessels. The main threat to shipping from the Houthi-Insurgents in 2021 was through Water Born Improvised Explosive Devices (WBIED). The Saudi-Coalition has claimed to have neutralized a large number of these WBIEDs throughout the year, but the threat remains. These waters also saw attacks on vessels directly related to the Iran-Israel conflict in 2021.

The escalating exchange of aerial attacks between Israel and Hamas on the Gaza Strip –Israeli border developed to a critical level in 2021. Initial concern was the provocation of a third intifada causing an indirect threat to shipping. The situation, however, de-escalated.

Major fighting in Libya, often close to several of the main ports, between the Libyan National Army (LNA) and the Government of National Accord (GNA) and their external supporters, drastically decreased in 2021 compared to 2020. The LNA has withdrawn from Western Libya and the development of a peace agreement and elections are in progress. The situation, however, continued to be fragile throughout the year. During 2021, the LNA made several arrests of merchant vessels entering an unofficial No-Sail-Zone north of Darna (East Libya).

Also in 2021, the jihadist terrorist group Ansar al-Sunna (al-Sunna) launched a coordinated attack on the city of Palma in the Cabo Delgado province in Mozambique and held control of the port city for several months causing a threat to shipping. Despite neighbouring countries and western allies coming to the support of Mozambique, the Terrorist threat from Ansar al-Sunna in the waters off Northern Mozambique could easily re-emerge.

Concerning Southeast Asia, armed robberies and petty thefts in the Singapore Strait continued to rise which led to an all-time high by the end of 2021. Although the nature of the threat has lesser consequence for crew and vessel than piracy in the Gulf of Guinea, these pirate-attacks have become increasingly worrying for shipping transit through the strait. Pirates based in Indonesia continued to be highly adaptable against security measures taken by the Malaysian, Singaporean and Indonesian security forces.

Tension between USA, Russia and China has caused increased concern for shipping throughout 2021. China has increased their presence and aggressive activities in the South China Sea and again threatened to invade Taiwan in 2021. The Russian approach to the Ukrainian question has also become more aggressive causing concern primarily in the Black Sea area in 2021. In both areas, US and their western allies have responded by increasing their own presence creating even more tension.

INVESTMENT MANAGEMENT

Financial markets in 2021

Overall, equity markets continued to deliver strong returns in 2021, despite the ongoing pandemic and challenges within global supply chains. The MSCI global equity index rose 24.4 % during 2021.

Higher inflation contributed to an increase in the general interest rate level, and DNK's net return on global bonds was 0.0 %.

So far, 2022 has had a turbulent start with the US Federal Reserve Bank's decision to tighten monetary policies, both through tapering market intervention and by indicating an intention to raise interest rates due to higher inflation and tight labor markets. Geopolitical tensions and ongoing challenges with respect to the persistent pandemic adds to the spike in market volatility of late.

Key market indices 2019-2021

The table below shows the annual and aggregate return over the past three years for market indices relevant to DNK's investment strategy. While the global equity index for developed markets rose 82.5 % over the past three years, medium term global bonds returned 6.1 %. The USD rose by 2.1 % against NOK in the same period.

Return/change in value %	2021	2020	2019	3 years
Global equities, MSCI, USD	24.4	14.3	28.4	82.5
Global bonds, Barclays, 1-3 years, USD	0.0	2.3	3.7	6.1
USD vs. NOK	2.8	-2.3	1.7	2.1

Investment strategy

The investment portfolio is globally diversified in tradable securities and mutual or pooled funds. There is a 25 % strategic allocation to equities, while the remaining 75 % is placed in bonds with an average maturity of 2 years and a minimum average rating of A-. Part of the portfolio may periodically deviate from the benchmark within set guidelines. By year-end 2021, the entire portfolio was allocated or hedged to USD.

Measured in USD, the portfolio return was 6.4 % in 2021 (6.9 %). Equities returned 24.4 % while bonds were a flat 0 %. DNK's portfolio return was 0.7 percentage points higher than its benchmark. The benchmark consists of indices that mirror the asset allocation in the investment strategy. It is used to monitor the risk and return characteristics of the portfolio.

One external manager, BlackRock, oversee most of DNK's fixed income portfolio. The investment management agreement regulates the interest rate risk, currency risk, credit risk, relative volatility, and concentration risk.

The equity portfolio consists of index funds that track the performance of the global developed markets in USD.

Risk measures

The Board has defined acceptable levels of market risk for the investment portfolio. Market risk is the annual loss potential calculated by a stress test in accordance with Solvency II, and by DNK's own Value at Risk model. Relative volatility is the degree of active risk in the portfolio versus the benchmark. The table below shows these risk measures at the end of the past three years.

Risk measures	2021	2020	2019
Stress test, USD million	-100.0	-144.8	-155.8
Value at Risk (VaR), USD million	-97.0	-164.3	-77.2
Relative volatility	0.8 %	1.0 %	0.3 %

The lower stress-test and VAR amount in 2021 reflects the net effect of (i) a reduction in the net asset value of the portfolio due to the USD 300 million equity distribution and (ii) a decline in market volatility.

CORPORATE GOVERNANCE

DNK is subject to supervision by Finanstilsynet. Corporate Governance issues and requirements are specified in the Association's Articles. The Board has approved policies to provide additional support for corporate governance in DNK.

The governing bodies are the General Meeting, the Board of Directors and the Nomination Committee. The Board of Directors constitutes both the Risk and Audit Committee and the Remuneration Committee.
DNK's Articles specify the Association's objectives and membership conditions and outline the scope and conduct of an annual general meeting. Each member's voting rights are proportional to its registered insured amount with DNK. No restrictions are placed on voting rights. The Articles regulate payment of premiums, premium adjustments and additional calls, and include provisions for specific measures in times of crisis. The key responsibilities of the Board concerning corporate governance issues are also outlined in the Articles.

The Board sets the overall objectives, strategies and policies to ensure sound management of the business, including requirements to facilitate a transparent organizational structure with clear areas of responsibility and authority, reporting lines, information transmission, risk management and internal controls. The Board continually monitors and reviews DNK's financial results, asset management, insurance activities, operations and capital structure.

Environmental, social and governance (ESG) factors are being integrated in DNK's corporate governance and risk management system, and in relevant policy documents.

Independent control functions are established for risk management, compliance, actuarial tasks and internal audit tasks, all with periodic reporting to the Board. The actuary function and the internal audit function are outsourced to external providers.

CORPORATE SOCIAL RESPONSIBILITY

DNK shall ensure members the best resources to understand the global threat picture, prevent and deal with crisis situations and accidents. DNK shall organize its activities in a sustainable manner and show a clear social responsibility.

The mission to prevent damage to people, environment and assets sets sustainability at the core of DNK's business model. DNK has a longstanding tradition of approaching its core war risks insurance business broadly, for example by taking care of crew members who have been subject to captivity or violent threats. The support offered to members is designed to ensure redundancy in the ability to protect crew members before, during and after an incident.

This begins with an extensive loss prevention program where credible threats against the members' ships are monitored and matched with the location of each individual vessel followed by a professional crisis response managed by the DNK Intelligence & Operations Centre. Providing financial security through insurance is the starting point. Matching this with the ability to give credible operational support in avoiding, mitigating and managing incidents has been an integral part of DNK's business for many years.

Cover in the war risks policy is limited to the perils listed in section 2-9 of the Nordic Marine Insurance Plan, which typically relate to losses caused by war, terror and piracy. However, in special cases DNK's Board is also empowered to approve cover outside the terms of an insurance policy. Cover under this provision has traditionally been awarded when a member makes special efforts to comply with the law of the sea or to meet humanitarian needs. When a ship entered in DNK responds to a humanitarian need in an additional premium area, the additional premium is reduced to a minimum or waived to support the response.

From 2017, DNK has also offered a new Security Incident Response cover (SIR) to its standard offering. This can be triggered by the mere suspicion of questionable measures or actions. Once triggered, the member will receive the support of one of the largest security companies with a worldwide presence. This company will back the member in the jurisdiction where the problem arises and ensure that the member's actions accord with legal requirements. Such support is particularly important in jurisdictions where corrupt practices are common and where shipowners are confronted with demands for corrupt payments disguised as fines or threats of enforcement actions.

Over the past years, DNK's holistic approach to loss prevention has included the establishment and staffing of an intelligence and operations center (IOC). The IOC team does not limit its operational capacity only to crisis management. It seeks to proactively identify potential threats and communicates these findings and recommendations to vessels that may be in danger. These state-of-the art, real-time tracking devices are an integral part of DNK's loss prevention capabilities. The tracking system also allows for an automated calculation of premiums for transits through bridge-of-warranty areas. Osprey Solutions, a subsidiary of DNK, explores other services and solutions that a vessel operator and owner can take advantage of to efficiently manage its assets at sea. NORMA Cyber Resilience Center AS became operational in 2021 as a joint-venture between DNK and Norges Rederiforbund. Norma Cyber provides loss-prevention services and products within cyber-related risks. DNK has a unique insurance cover for marine cyber risks. Through the establishment of Norma Cyber, DNK has strengthened its capabilities in this domain.

DNK supports not only a wide range of projects related to war risks insurance and the maritime environment, but also humanitarian causes. While financial contributions are sometimes substantial, the Association also provides support by allowing employees time to contribute.

In 2021, DNK enhanced its strategy on sustainability and identified key objectives for 2022. A climate risk assessment and a scenario analysis were done with respect to the insurance activities and the investment portfolio. At year-end 2021, 80 % of DNK's investment portfolio was subject to various ESG criteria. The climate risk assessment measured the portfolio's alignment to the goals of the Paris Agreement using the open source PACTA methodology. The survey showed that DNK has a climate risk that is marginally lower than the benchmark.

DNK will through 2022 formalize and implement its strategy for sustainable investments along with supporting reporting capabilities.

The Association has zero tolerance for corruption and bribes. This applies to DNKs employees, service providers, counterparties and members. Ethical guidelines and policies for anti-money laundering, anti-terrorism financing, sanctions, anti-corruption and fraud are discussed and made available to employees. Regular Know Your Customer (KYC) controls, including sanctions screening and monitoring of transactions, are performed to minimize the risk of inadvertently doing business with questionable counterparties. DNK's Board, management and control functions are also subject to fit and proper checks. Suspicious activity and illegal or unethical behavior can be reported in a safe and confidential way. DNK also routinely reports details of all cases involving payment of ransoms to the Norwegian national economic crimes unit (Økokrim), the National Crimes Agency in the UK and INTERPOL. In 2021 DNK had no confirmed cases of corruption or bribes.

DNK aims for high ethical business standards and to operate as environmentally friendly as possible.

The Association devotes great attention to solid internal control procedures, managing existing and emerging risks, and complying with internal and external regulations.

RISK MANAGEMENT

Risk management and internal control are integrated into DNKs system of governance and daily operations. At least once a year, the Board reviews the Association's risk strategies and policies which define its risk profile and tolerance, key principles for risk taking, controls and capital structuring. Managers at all levels are responsible for risk management and sound internal control within their area of responsibility. DNK aims to have an open risk culture with risk awareness and discussions at all levels of the organization. Key risks are identified, measured, managed and reported throughout the organization and to the Board of Directors.
DNK is subject to an additional capital requirement under Solvency II to capture the unsystematic nature of potential war risk insurance losses.

The Association is exposed to insurance, market, counterparty, operational and liquidity risk. Except for liquidity risk, the loss potential of each risk is individually calculated, aggregated and aligned with available solvency capital. The Association is managed to comply with the Board's goal of maintaining a moderate-to-low risk profile.

DNK is exposed to other significant risks that cannot be fully quantified such as strategic, business, reputational and geopolitical risk. For these risks, DNK also performs analysis, risk assessments, monitoring and reporting.

Different climate scenarios have been prepared to analyse how climate-related risks and opportunities may impact DNK's insurance activities, investment portfolios and services.

Insurance risk is limited for each cover, and through mitigation by reinsurance. Premiums are set on an annual basis. Rates for conditional trading areas are set for each voyage in accordance with current evaluations of the underlying risks.

Counterparty risk is restricted through credit quality standards and concentration limits for participating reinsurers. The use of financial derivatives is mainly limited to currency hedging with standardized products. Parties to any hedging contract must meet defined standards of creditworthiness.

Market risk is regulated by the guidelines in the Association's investment strategy. The guidelines cover restrictions relating to interest rate risk, equity risk, currency risk, credit risk and active risk.

Operational risk is mitigated through policies and procedures, clear strategies, responsibilities and reporting lines, robust and effective internal controls, risk assessments, procedures for follow-up of incidents, and contingency plans for business-critical processes. Key focus areas are IT and cyber security, sanctions screening, AML controls and data protection.

Liquidity risk is accounted for in the investment strategy to meet the nature of DNK's obligations, in the event of major insurance losses. Liquidity risk is tested by stress scenarios that assume the realization of DNK's investment portfolio and the call for additional premiums from members.

Strategic risk is evaluated, analysed and discussed as part of the regular strategy process.

Business risk is primarily handled through the strategic process and controlled by monitoring market, product and competitive conditions, capital market requirements and developments, regulatory conditions, changes in the geopolitical landscape and so forth.

Reputational risk is identified and evaluated as part of the periodic risk assessments and managed by emphasizing compliance with laws and regulations, product quality, financial performance, corporate governance, member service and so forth.

Geopolitical risk is monitored in close cooperation with external parties. The Association's members operate beyond traditional waters and transport routes. Changes in external conditions may affect the insurance market, political power balances and legal provisions in a manner which may hinder DNK's ability to comply with agreements entered into.

For further details on main risks and their management, please see the notes to the financial statements.

CAPITAL MANAGEMENT AND SOLVENCY CAPITAL REQUIREMENT

The Association's solvency capital was USD 735 million at the end of 2021 (948), where Tier 1 capital was USD 565 million (790) and Tier 2 capital amounted to USD 170 million (158).

The solvency capital requirement was USD 392 million by year-end 2021 (386). The solvency margin was consequently 188 % (246 %).

The notes to the annual accounts include further details on DNK's solvency capital.

ADMINISTRATION

The Association had 18 employees at the end of 2021 (19).

Sick leave in 2021 totalled 134 days (28), which represented 3.3 % of overall working days (0.7 %). Excluding long-term absence in 2021, the sick leave was 0.7 % of working days.

There were no work-related accidents resulting in material injury to personnel or property.

The Association has a limited direct impact on the environment and strives to develop products and services which will enable the members to reduce their environmental impact.

DNK seeks to contribute to the development of employees and their careers, irrespective of gender, age, sexual orientation, or cultural background.

DNK's Board consists of three women and five men, while the administration is comprised of six women and twelve men at year-end 2021.

OUTLOOK 2022

The two main risk factors affecting DNK's earnings relate to geopolitical risk and financial risk. Volatility in the political arena, or in the financial markets, may result in higher insurance claims or greater investment losses – or both. Changes in the following factors may impact DNK's profitability: (i) Insured value, (ii) the number and size of conditional trading areas, (iii) overall market conditions including the price and availability of reinsurance, (v) claims, and (iv) investment returns.

Premiums for war risk insurance are influenced by geopolitical risk, and by more local situations such as piracy or other violent or criminal attacks against ships and offshore units. Although the level of pirate activity outside Somalia was virtually negligible throughout 2021, maritime crime and piracy attempts in the Gulf of Guinea and Southeast Asia continue. Implemented proactive measures in these areas have mitigated the potential damage to members' vessels and crews.

Rates for annual premiums have increased only moderately after several years of steady decline. The total value of insured tonnage has increased at a slow pace but declined somewhat at the start of 2022. Reinsurance costs are also moderately higher after a prevailing softness in prior years. The reinsurance contracts for 2022 were renewed "as expiry". During recent years, DNK's risk mitigation program has become more diversified. The solvency capital requirement is consequently lower even though insurance cover has expanded in some areas. Additional premiums will vary with the level of actual or perceived geopolitical risks and the presence of conditional trading areas. It is difficult, however, to foresee changes in geopolitical risks and its potential impact on marine war insurance.

A major conflict could abruptly cause monumental losses to insured ships and movable offshore units. For an assessment of the potential impact of the ongoing war in Ukraine, please see the preceding section on "events after the balance sheet date".

Covid-19 has no direct relationship to war risks insurance. DNK is nonetheless monitoring possible security related secondary effects. Recent trends seem to indicate that we are at the start of an end with respect to the pandemic.

Higher inflation is of concern to both investors and monetary policy makers, and corrections in financial markets may be triggered by a spike in interest rates.

DNK has paid an extraordinary dividend of USD 300 million to its members. The solvency capital is still well above the regulatory requirement after such distribution of equity.

A marginal but positive investment return is expected for 2022. A positive technical result is anticipated in the absence of major insurance losses. DNK is consequently expected to maintain its solvency capital margin through 2022.

RECENT DEVELOPMMENTS

The situation in Ukraine overshadows almost everything

At the time of writing, worry and uncertainty are affecting most of us. We see the brutal consequences of Russia's war against Ukraine. Thousands of lives have been lost and millions of refugees are seeking safety in neighbouring European countries. The material damage in several Ukrainian cities is enormous and important strategic infrastructure has either been destroyed or is under Russian control. Europe has not experienced such conditions since the Second World War.

We follow the situation and the ravages of war both as fellow human beings and as professional war insurers. Our responsibility is to safeguard our members' interests when their seafarers and ships are threatened by acts of war. Several ships insured by DNK were in the Black Sea when Russia invaded Ukraine on February 24. Days before this, our Intelligence and Operations Centre had followed developments and conducted its analyses. DNK was therefore able to launch an immediate response, implementing all necessary emergency measures to redirect ships in the risk area.

45 Seafarers Rescued from the War Zone

However, it was not possible to get two chemical tankers, TRF Miami and Spring Ploeg, safely out of the area. Lying in the port area south of Mykolaiv in Ukraine, they were in the process of loading when the war broke out and therefore became closed in. DNK worked closely with the shipping company and the Norwegian Shipowners' Association to respond to the situation. It was evaluated as too risky to take measures to get the ships out. The lives and health of the crews were naturally assessed and considered to be of utmost importance. Therefore, a demanding but successful operation was planned and eventually carried out to evacuate all 45 seafarers from the two ships. They were brought to safety outside of Ukraine, and it was a great relief to confirm all were doing well. After the necessary follow-up and care, the seafarers were then flown home to their families in India. All were returned by March 13.

Necessary measures have been taken to oversee cargo and ships.

We would like to extend great thanks to the shipping companies for their excellent collaboration in a demanding situation, and for their professional and focused efforts. We are also very pleased to see that the systems we have put in place during times of peace also work during times of war. This is important confirmation for us in DNK and for our members.

We are closely following the situation in Ukraine and evaluating the consequences which the war could have on both international trade and security. We will share timely and relevant information with our members, especially concerning the situation in such exposed areas as the Black Sea, Russian and Ukrainian waters, and the Sea of Azov.

Despite the war in Ukraine overshadowing almost everything, we still feel the need to highlight two important subjects central to DNK during 2021.

Powerful efforts to combat cyber threats

This first subject concerns the establishment of The Norwegian Maritime Cyber Resilience Centre (NORMA Cyber) which became operational from 1 January 2021. This centre is unique on an international scale and will help secure the maritime industry against ever-increasing cyber threats.

Society has become more vulnerable because of new technology. Various cases of cyber-attack have occurred. The shipping industry is heavily exposed to such risk, and we want to protect our members. Therefore, DNK and the Norwegian Shipowners' Association have collaborated on a powerful initiative to prevent and handle cyber threats against the shipping industry, both vessels and the shipping companies' onshore organizations.

NORMA Cyber is organized on a non-profit basis and offers a range of cyber security services. This offer is intended primarily for members of DNK and the Norwegian Shipowners' Association. However, the centre also assists other entities in the maritime industry. The centre is located in the same building as the Norwegian Shipowners' Association and DNK where an advanced operating room for cyber preparedness has been installed.

The response has been positive and confirms that this initiative and investment has met a need in the industry. During its first year of operation, NORMA Cyber acquired 70 different companies as members, operating a total of just over 1,600 vessels.

USD 300 million equity distribution to members

Following the introduction of Solvency II, DNK implemented a sequence of measures to ensure the continuation of its comprehensive insurance cover to all members. New reinsurance agreements are in place and DNK's retention has been significantly reduced. These changes have led to a significant optimization of capital employed and contributed to the planned equity distribution. The implemented measures have also further strengthened the financial solidity DNK has enjoyed throughout the years.

Against this background, we applied to the Financial Supervisory Authority of Norway (Finanstilsynet) for approval to distribute USD 300 million in equity to our members. DNK received the authority's approval on 22 October 2021, and the capital was distributed to our members by the end of the year. According to DNK's articles of association, such payments are to be distributed to each member in proportion to the premiums paid during the past ten years.

Even after the distribution of the USD 300 million, the association's solvency is assuredly maintained. This is confirmed by the year-end solvency margin of 188 per cent.

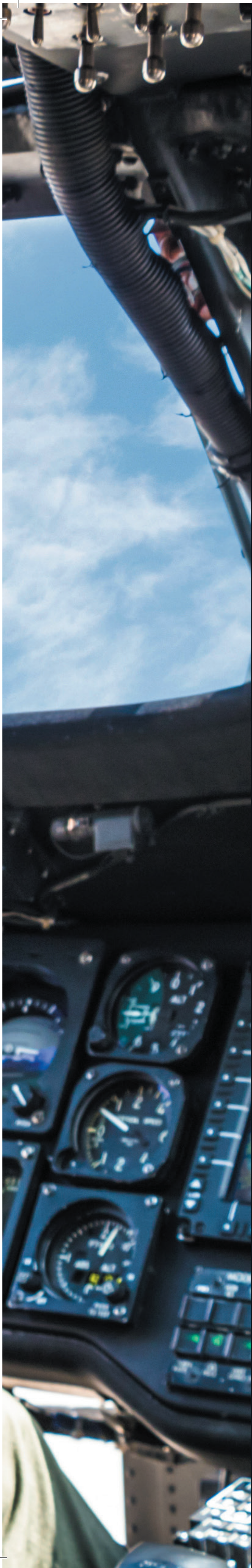
Oslo, 28 March 2022
The Norwegian Shipowners' Mutual War Risks Insurance Association

Mons Aase (Chair)	Synnøve Seglem (Vice-Chair)	Marthe Romskoug
Eli Vassenden	Eric Jacobs	Chistopher Walker
Carl K. Arnet	Harald Fotland	Svein Ringbakken (Managing Director)

NORMA
CYBER

DEN NORSKE KRIGSFORSIKRING FOR SKIB
GJENSIDIG FORENING
The Norwegian Shipowners' Mutual
War Risks Insurance Association

OSPREY
Solutions



FINANCIAL STATEMENTS
(IN USD)

INCOME STATEMENT

Amounts in USD 1000	Note	2021	2020
TECHNICAL ACCOUNT			
Gross earned premiums		46 969	51 157
Ceded reinsurance on gross earned premiums		(18 047)	(19 519)
Premiums for own account		**28 923**	**31 638**
Gross claims expenses	8	(1 340)	14 105
Reinsurers' share of gross claim expenses	8	1 843	(11 738)
Claims for own account		**503**	**2 367**
Insurance related administrative expenses	2, 3, 4, 5, 10	**(7 850)**	**(6 100)**
OPERATING RESULT OF TECHNICAL ACCOUNT		**21 576**	**27 905**

NON-TECHNICAL ACCOUNT			
Net income from financial assets			
Interest and dividend from financial assets	9	8 117	9 554
Change in fair value of financial assets	9	(37 627)	64 278
Realised gains from financial assets	9	90 361	(7 666)
Administrative expenses related to financial assets	2, 3, 4, 5, 9, 10	(7 310)	(6 920)
Total net income from financial assets		**53 541**	**59 246**
OPERATING RESULT OF NON-TECHNICAL ACCOUNT		**53 541**	**59 246**

PRE-TAX RESULT		**75 117**	**87 151**
Tax expenses	6	**(10 739)**	**(9 856)**
PROFIT FOR THE YEAR		**64 377**	**77 295**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**64 377**	**77 295**
TOTAL RESULT		**64 377**	**77 295**

PROFIT FOR THE YEAR IS DISTRIBUTED AS FOLLOWS:			
PROPOSED DIVIDEND		**0**	**(30 000)**
EXTRAORDINARY DIVIDEND		**(300 000)**	**0**
EARNED OTHER EQUITY		**64 377**	**107 295**
TOTAL		**(235 623)**	**77 295**

BALANCE SHEET

Amounts in USD 1000	Note	2021	2020
ASSETS			
Owner occupied properties	5	349	349
Subsidiaries and associated companies			
Investments in subsidiaries and associated companies	17	1 184	581
Receivables from subsidiaries and associated companies		0	70
Financial assets at amortised cost			
Bank deposits investment portfolio	11	24 777	17 401
Financial assets at fair value			
Shares and other equity investments	11,12,14	204 316	281 030
Bonds and other fixed income securities	11,12,13,14	565 699	710 990
Financial derivatives	14,15	1 729	1 322
Total investments		**798 054**	**1 011 744**
Reinsurers' share of gross claims provisions	8	**10 465**	**10 437**
Insurance related receivables		4 328	6 405
Reinsurers receivables		1 544	2 316
Other receivables		250	1 301
Total receivables		**6 122**	**10 021**
Equipment and fixtures	5	2 593	2 724
Cash and bank deposits	7	17 622	15 596
Other assets		0	7
Total other assets		**20 215**	**18 327**
Total prepaid expenses and accrued income		**363**	**161**
TOTAL ASSETS		**835 219**	**1 050 690**

EQUITY & LIABILITIES			
Other equity	16	591 892	822 542
Total equity		**591 892**	**822 542**
Provision for unearned gross premiums		0	0
Gross claims provisions	8	10 507	15 551
Total insurance reserves		**10 507**	**15 551**
Pension liability provisions	4	888	719
Taxes payable	6	74 858	45 068
Deferred tax liability	6	120 134	144 157
Other provisions		1 115	1 372
Total provisions		**196 995**	**191 316**
Insurance related liabilities		3 925	9 003
Reinsurance liabilities		1 687	3 315
Financial derivatives	14,15	1 872	6 381
Other liabilities		25 847	788
Total liabilities		**33 330**	**19 486**
Other accrued expenses and prepaid income		**2 494**	**1 795**
TOTAL EQUITY AND LIABILITIES		**835 219**	**1 050 690**

Oslo, 28 March 2022
The Norwegian Shipowners' Mutual War Risks Insurance Association

Mons Aase (Chair)	Synnøve Seglem (Vice-Chair)	Marthe Romskoug
Eli Vassenden	Eric Jacobs	Chistopher Walker
Carl K. Arnet	Harald Fotland	Svein Ringbakken (Managing Director)

STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1000	2021	2020
OTHER EQUITY		
Other equity 01.01.	822 542	718 997
Total result	64 377	77 295
Proposed dividend	0	30 000
Extraordinary dividend	(300 000)	0
Exchange rate effects	4 972	(3 750)
Other equity 31.12.	**591 892**	**822 542**

CASH FLOW STATEMENT

Amounts in USD 1000	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	44 457	53 444
Cash paid to re-insurers	(18 903)	(21 481)
Cash paid related to claims expenses	(6 384)	(17 492)
Cash receipts from re-insurers related to claims expenses	1 815	12 638
Paid insurance related administrative expenses	(9 756)	(5 793)
Net cash flow from the technical account	**11 229**	**21 315**
Net cash flow from interest, dividends and realised gains/losses on financial assets	102 823	(486)
Net cash flow from acquisition/disposal of financial assets	167 209	(6 750)
Paid administrative expenses related to financial assets	(4 617)	(6 521)
Net cash flow from the non-technical account	**265 415**	**(13 757)**
Net cash flow from operating activities	**276 644**	**7 559**
CASH FLOW FROM NON-OPERATING ACTIVITIES		
Cash receipts from the disposal of fixtures and fixed assets	70	60
Cash paid for the acquisition of fixtures and fixed assets	(828)	(487)
Net cash flow from non-operating activities	**(758)**	**(427)**
Cash flows from financing activities		
Extraordinary dividend paid to members	(273 859)	0
Net cash flows from financing activities	**(273 859)**	**0**
Net cash flow in the period	**2 027**	**7 131**
Cash and bank 01.01.	15 596	8 464
Net cash flows in the period	2 027	7 131
Cash and bank 31.12.	**17 622**	**15 596**

AREAS OF RISK

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

The Financial Statements have been prepared in accordance with the "regulations for annual accounts for non-life insurance companies" approved by the Norwegian Ministry of Finance, and in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway.

Financial assets

The Association apply the fair value option in IAS 39 point 9 to price equities, fund units, bonds and claims on credit institutions at fair value through the income statement. Financial derivatives are classified in the trade category in accordance with IAS 39. These instruments are priced at fair value.

Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognized on the settlement date. Investments are initially recognized 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 recognized at fair value, and transaction costs are expenses in the income statement. Financial assets are derecognised when the rights to receive cash flow from the investments have expired or have been transferred, and the Association has transferred substantially all risk and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value, including dividends and interest income, are stated in the income statement as "change in value of financial assets", and "realised gain and loss on financial assets" in the period in which they arise. Dividend income from financial assets is recognized in the income statement when the Association's right to receive payments is established.

Fair value of financial instruments listed or traded on an exchange is based on the listed market price.

The Association assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Foreign exchange

The Association's goal is to reasonably balance receivables against potential obligations for each currency.

The major part of the premium income, financial assets and potential claims obligations are in USD. USD is the Association's functional currency and the financial statements are presented in this currency.

Transactions in foreign currencies are translated into USD using the average monthly 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, are recognised in the income statement.

Fixed assets

Fixed assets are recognized at historical cost in the balance sheet and depreciated on a straight-line basis over the assets' life. Direct maintenance of business equipment is recognized in operating expenses on an on-going basis, while additions or improvements are capitalized and depreciated along with the asset.

Pensions

Pension costs are accounted for in accordance with the IAS 19 for pensions.

The Association has a defined contribution plan for its employees, and there is an additional scheme for salaries in excess of 12 G. The payments to the defined contribution plan are expensed.

Deferred tax

Tax costs in the income statement account consist of taxes payable and changes in deferred tax/tax benefits. Taxes payable are calculated on the basis of the year's taxable result.

Deferred tax is calculated at 25 % on the basis of the temporary differences that exist between book and tax values, as well as the deficit for tax assessment purposes that will be carried forward at the end of the financial year. Tax increasing and tax reducing temporary differences that are reversed or could be reversed during the same period are offset and the tax effect is calculated on a net basis.

Premium recognition and premium for own account

Premium and commission are recognised when earned. Premium for own account includes premiums written, net of premiums ceded (reinsurance). All premium payments follow the calendar year, so there is no allocation to premium reserve at year end. Premium for own account appears in the technical account.

Cost recognition and 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. The claims reserves are calculated by an actuary as the best estimate of these future claims payments and includes actuarial judgement. The calculations are in accordance with regulations for annual accounts for non-life insurance companies § 3-5 (3). The reserves comprise provisions for losses reported to the Association but not settled (RBNS) and losses incurred but not reported (IBNR). Provisions for reported losses are assessed individually by the claims department.

Equity

The insurance reserves are reclassified to equity according to changes in the accounting regulation.

Investments in subsidiaries

The turnover and equity in the subsidiaries are regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts. Shares in subsidiaries are valued using the cost method.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates may differ from actual results, but the estimates are based on the best knowledge and assessment at the time the financial statements are approved by the Board. Revisions of accounting estimates are recognised in the period in which the estimates are revised.

The most significant estimate is used in Claims Reserves. The claims reserves are calculated by an actuary as the best estimate of these future claims payments and includes actuarial judgement. The calculations are in accordance with regulations for annual accounts for non-life insurance companies § 3-5 (3).

Distribution of equity

The USD 300 million distribution of equity in 2021 is for tax purposes treated as dividend. For accounting purposes, the distribution of equity is treated as an extraordinary dividend. Alternatively, the distribution of equity could be understood as either (i) a repayment of paid-in capital, or (ii) as a repayment of premiums received from members. Since DNK has no paid-in equity capital, alternative (i) is not an option. While a large part of the distribution of equity is capital gains from investment activities, it would be misleading to label it as a repayment of premiums. DNK had subtracted full 25 % withholding tax for all members, irrespective of nationality. It was not possible to clarify, in time, whether withholding tax should be based on the domesticity of the member company, or of the shipowning entities (co-assureds). The withholding tax was paid to the Norwegian Tax Office in NOK, while the distribution of equity to the members was made in USD.

NOTE 2 PAYROLL COSTS, NUMBER OF EMPLOYEES AND OTHER BENEFITS

On average there were 18 people employed by the Association in 2021. The following amounts are expensed as salary, fees and other benefits, and the following loans were outstanding:

2021

Amounts in USD 1000	Salary/ fees	Bonus	Pension costs	Other benefits	Total	Loan
MANAGEMENT						
Svein Ringbakken, Managing Director	492	110	134	40	**776**	0
Sverre Huse, Finance Director	403	86	94	24	**607**	0
Anders Hovelsrud, Insurance Director	201	26	33	3	**263**	0
Helena Brudvik, Head of Risk Management & Compliance	206	30	27	3	**266**	0
Freddy Furulund, Director of Security & Contingency	227	33	35	3	**298**	0
BOARD OF DIRECTORS						
Mons Aase, Chair	38	0	0	0	**38**	0
Synnøve Seglem, Vice-Chair	29	0	0	0	**29**	0
Vanessa Chapman, Board member	26	0	0	0	**26**	0
Eli Karin Vassenden, Board member	26	0	0	0	**26**	0
Eric Jacobs, Board member	26	0	0	0	**26**	0
Ivar H. Myklebust, Board member	26	0	0	0	**26**	0
Christopher Walker, Board member	26	0	0	0	**26**	0
Harald Fotland, Board member	26	0	0	0	**26**	0

2020

Amounts in USD 1000	Salary/ fees	Bonus	Pension costs	Other benefits	Total	Loan
MANAGEMENT						
Svein Ringbakken, Managing Director	447	99	103	37	**686**	0
Sverre Huse, Finance Director	361	74	75	17	**527**	0
Anders Hovelsrud, Insurance Director	181	21	26	3	**231**	0
Helena Brudvik, Head of Risk Management & Compliance	187	22	22	2	**233**	0
Freddy Furulund, Director of Security & Contingency	207	28	28	3	**266**	0
BOARD OF DIRECTORS						
Mons Aase, Chair	26	0	0	0	**26**	0
Synnøve Seglem, Vice-Chair	16	0	0	0	**16**	0
Vanessa Chapman, Board member	17	0	0	0	**17**	0
Eli Karin Vassenden, Board member	17	0	0	0	**17**	0
Eric Jacobs, Board member	17	0	0	0	**17**	0
Ivar H. Myklebust, Board member	15	0	0	0	**15**	0
Christopher Walker, Board member	17	0	0	0	**17**	0
Harald Fotland, Board member	17	0	0	0	**17**	0

No loans/guarantees have been extended to the Board of Directors or other related parties.

Holiday-pay accrued in 2020 is included under salary for 2021. The Association has introduced a tentative variable compensation plan for all employees. The plan comprises individual quantitative and qualitative criteria to earn such variable compensation. The variable compensation can be up to 10, 20 or 30 % of annual base salary, depending on position held. The Association's variable compensation plan for top management is in line with legal requirements with respect to documentation, size of payment, payment period, adjustment for risk and cyclicality in earnings. There are no other compensation agreements with the Managing Director, the Chair or the other members of the Board.

NOTE 3 AUDITOR'S FEES

The auditor's fees for 2021 include a legally required audit of USD 60 409 (52 225), tax related services of USD 10 210 (10 368) and other audit related services of USD 35 240 (70 564). These amounts are stated without value-added tax.

Other services from the auditor are itemized in the table below, excluding value-added tax:

Amounts in USD	2021	2020
Audit related services	3 404	5 458
Legal, tax-issues relating to equity distribution	31 836	54 478
Legal, other costs	0	10 628
Other services from auditor	**35 240**	**70 564**

NOTE 4 PENSION COSTS AND PENSION OBLIGATIONS

The Association's pension schemes meet the requirements of the Act relating to mandatory occupational pensions. The collective pension scheme covers pensions from the age of 70. The legal act relating to company pension schemes came into effect on January 1st, 2001 and does not give early retirees the right to remain members of the pension schemes. If the Association's employees leave before they turn 70 they will, according to the provisions of the act relating to companies' pensions, be withdrawn from the pension scheme and receive a so-called paid-up policy, i.e. the value of their accrued rights.

All employees are included in the defined contribution plan for salaries up to 12 G. There is in addition a non-funded pension scheme for salaries surpassing 12 G. The payments to the defined contribution plan are expensed.

The cost of the defined contribution plans in 2021 was USD 460 649 (375 131).

NOTE 5 FIXED ASSETS

Amounts in USD 1000		Machinery/ Fixtures and vehicles	Works of art (paintings)	Real estate
Acquisition cost as at 01.01		4 588	145	349
+ Additions during year		831	0	0
- Disposals during year		(236)	0	0
+ Exchange rate effects		(1)	0	0
Acquisition cost as at 31.12	**A**	**5 182**	**145**	**349**
Accumulated ord. depr. as at 01.01		2 009	0	0
+ Ordinary depreciation		874	0	0
- Disposals at acquisition cost		(150)	0	0
+ Exchange rate effects		2	0	0
Accumulated ord. depr. as at 31.12	**B**	**2 734**	**0**	**0**
Book value as at 31.12	**A-B**	**2 448**	**145**	**349**

The Association uses linear depreciation for all fixed assets. The economic life of fixed assets is estimated as follows: Machinery and fixtures 3-10 years, vehicles 3-5 years and IT-systems 3-5 years.

NOTE 6 TAXES

USD is DNK's functional currency. Taxes are, by law, calculated in NOK and then restated in USD. Hence, the pre-tax result in this note does not correspond to the pre-tax result in the income statement. In NOK the pre-tax result was NOK 945 million (572).

As required by a new tax law passed in 2018, insurance reserves built up over prior years became fully taxable. Such insurance reserves are taxed over ten years in equal amounts. For 2021, NOK 700 million of reserves (around USD 79 million) was recognised for tax purposes (included in the note below under insurance reserves).

The Ministry of Finance is considering an amendment to the tax law for certain types of insurers, amongst them DNK. This requires notification with the ESA. If approved, a formal hearing process will be required in Norway. The taxation of insurance reserves built up over several decades raises, in DNK's view, legal issues relating to laws that are given retroactive effect.

Amounts in USD 1000	2021	2020
OVERVIEW OF TEMPORARY DIFFERENCES INCLUDED IN THE BASIS FOR DEFERRED TAX		
Fixed assets	950	(589)
Pension obligations	188	108
Insurance reserves	79 391	81 533
Gross claims provisions	(89)	(92)
Accrued variable compensation plan	631	916
Tax-exempt investments	(127)	20 663
Net temporary differences	**80 943**	**102 539**
Tax loss carryforward	0	0
Basis for deferred tax (tax asset) on balance sheet	480 535	576 628
Deferred tax (tax asset)	120 134	144 157
Deferred tax benefit not shown on balance sheet	0	0
Deferred tax (tax asset) on balance sheet	**120 134**	**144 157**
BASIS FOR DEFERRED TAX (TAX ASSET), CHANGE IN DEFERRED TAX AND TAX PAYABLE		
Pre-tax result (in NOK accounts)	107 200	66 610
Changes in temporary differences not in the basis for deferred tax (tax asset)	0	0
Permanent differences	(64 243)	(27 186)
Basis for the year's tax expense	**42 957**	**39 424**
Change in temporary differences included in the basis for deferred tax (tax asset)	80 943	102 539
Change in tax loss carryforward	0	0
Taxable income (basis for taxes payable on balance sheet)	**123 900**	**141 963**
OVERVIEW OF TAXES PAYABLE		
Payable tax (deficit)	30 975	35 491
Payable tax (deficit) from previous years	45 068	9 365
Exchange rate effects	(1 184)	211
Total taxes payable om balance sheet	**74 858**	**45 068**
Payable tax (deficit)	30 975	35 491
Change in deferred tax (tax Asset)	(20 236)	(25 635)
Change in deferred tax due to changes in tax rates	0	0
Tax expenses (tax asset) in income statement	**10 739**	**9 856**
RECONCILIATION OF THE YEAR'S TAX EXPENSE		
Pre-tax result (in NOK accounts)	107 200	66 610
Tax on accounting result before tax 25%	26 800	16 653
Tax expenses in the income statement	10 739	9 856
Difference	**(16 061)**	**(6 797)**
OVERVIEW OF DIFFERENCE		
25% av permanent differences	(16 061)	(6 797)
Change in deferred tax due to changes in tax rates	0	0
Total differences	**(16 061)**	**(6 797)**

NOTE 7 BANK DEPOSITS

Holdings of cash and liquid assets at the end of the period appear in the cash flow statement. Cash and bank include USD 218 115 (227 478) of unpaid tax withholdings as at 31.12.21.

NOTE 8 CLAIMS HANDLING

Claims reserves are intended to cover anticipated future claims payments for losses incurred but not yet settled at the end of the fiscal year. The claims reserves are calculated by an actuary as the best estimate of these future claims payments and includes actuarial judgement. The calculations are in accordance with regulations for annual accounts for non-life insurance companies § 3-5 (3). The reserves comprise provisions for losses reported to the Association but not settled (RBNS) and losses incurred but not reported (IBNR). Provisions for reported losses are assessed on an individual basis.

Amounts in USD 1000	2021	2020
PROFIT & LOSS		
Gross paid claims	(6 384)	(17 492)
- Deducted claims provisions	5 096	17 260
Expensed gross claims	**(1 288)**	**(232)**
New gross claims provisions	(52)	14 337
Exchange rate effects	0	0
Gross expensed claims	**(1 340)**	**14 105**
Reinsurers' share of gross paid claims	1 815	12 638
- Deducted reinsurers' share of claims provisions	(1 815)	(11 901)
Expensed reinsurers' share of gross claims provisions	**0**	**737**
Change in reinsurers' share of gross claims provisions	1 797	(12 475)
Exchange rate effects	46	0
Reinsurers' share of expensed gross claims	**1 843**	**(11 738)**
Claims for own account	**503**	**2 367**

BALANCE SHEET		
Gross claims provisions 01.01	15 551	47 148
- Paid claims deducted from claims provisions	(5 096)	(17 260)
New claims provisions	52	(14 337)
Change in gross claims provisions	**(5 044)**	**(31 597)**
Exchange rate effects	0	0
Gross claims provisions 31.12	**10 507**	**15 551**
Reinsurers' share of gross claims provisions 01.01	**10 437**	**34 813**
- Deducted reinsurers' share from gross claims provisions	(1 815)	(11 901)
Change in reinsurers' share of gross claims provisions	1 797	(12 475)
Change in gross claims provisions	**(18)**	**(24 376)**
Exchange rate effects	46	0
Reinsurers' share of gross claims provisions 31.12	**10 465**	**10 437**
Claims provision for own account 31.12	**42**	**5 114**

NOTE 9 ITEMS THAT HAVE BEEN COMBINED IN THE ACCOUNTS

Amounts in USD 1000	2021	2020
Interest income from bank deposits	(42)	172
Interest income from domestic loans	0	0
Interest income on bonds	8 018	9 143
Dividends on equities	141	239
Interest and dividend from financial assets	**8 117**	**9 554**
Unrealised gains/losses on financial current assets	**(37 627)**	**64 278**
Exchange rate gains	407	5 107
Exchange rate losses	(3 061)	(2 508)
Realised gains/losses on equities	69 062	0
Realised gains/losses on bonds	5 693	2 251
Realised gains/losses on derivatives	18 258	(12 517)
Realised gains from financial assets	**90 361**	**(7 666)**
Administrative expenses associated with financial assets	**(7 310)**	**(6 920)**
Total income/loss from financial assets	**53 541**	**59 246**

NOTE 10 ADMINISTRATIVE EXPENSES

Amounts in USD 1000	Insurance 2021	Finance 2021	Total 2021	Total 2020
Salary and holiday pay, employees	2 020	2 020	4 040	3 325
Social security taxes	473	473	945	734
Pension cost	230	230	461	377
Other personell costs	72	68	140	219
Fees	410	410	821	978
Rental costs, office and machinery	225	225	449	424
Ordinary depreciation	437	437	874	638
Other administrative expenses	3 983	3 447	7 430	6 326
Total administrative expenses	**7 850**	**7 310**	**15 160**	**13 020**

The Association's administrative expenses are allocated between its insurance and finance activities as far as practically possible. Common costs are allocated according to the distribution of personnel expenses between the two operating activities, which for 2021 were split 50/50.

NOTE 11 FINANCIAL ASSETS – FAIR VALUE HIERARCHY

Amounts in USD 1000	2021	2020
Equities	204 316	281 030
Bonds and fixed income securities	590 333	723 333
Total financial assets*	**794 650**	**1 004 363**

2021 - Financial assets measured at fair value over the income statement

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Equities	204 316	0	0	204 316
Bonds and fixed income securities	468 186	97 513	0	565 699
Financial derivatives, assets - liabilities	0	(142)	0	(142)
Cash and unsettled trades	24 774	2	0	24 777
Total	**697 277**	**97 373**	**0**	**794 650**
Distribution	87.7 %	12.3 %	0.0 %	100.0 %

2020 - Financial assets measured at fair value over the income statement

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Equities	281 030	0	0	281 030
Bonds and fixed income securities	474 713	236 277	0	710 990
Financial derivatives, assets - liabilities	0	(5 058)	0	(5 058)
Cash and unsettled trades	17 132	269	0	17 401
Total	**772 875**	**231 488**	**0**	**1 004 363**
Distribution	77.0 %	23.0 %	0.0 %	100.0 %

* Total fair value equals market value.

Fair value is meant to be a representative price based on what similar assets or liabilities would be traded at given normal terms and market conditions.

Level 1 is the highest quality of fair value. It is based on listed prices in active markets. A financial instrument is considered listed in an active market if prices are easily and regularly accessible from the exchange, dealer, broker, pricing service or governing authority, and these prices represent actual and frequent transactions on an arm's length basis.

Level 2 is based on observable market data, but the instrument is not considered to be actively traded. This includes prices derived from identical instruments and prices of similar assets that can be confirmed through market data. Level 2 financial instruments are for example fixed income securities that are priced based on representative yield curves.

Level 3 is considered to represent an inactive market, where observable data is unavailable. Prices are primarily estimated out of internal assessments. Level 3 financial instruments can be private equity, real estate and financial claims.

NOTE 12 INVESTMENT PORTFOLIO IN EQUITIES AND MUTUAL FUNDS

2021

Amounts in USD 1000	Value at cost	Fair value	Distribution
Mercer Passive Global Equity	29 270	47 437	23.2 %
State Street index world index	77 965	147 250	72.1 %
Equity index funds	**107 235**	**194 687**	**95.3 %**
Nordea Stable Equities, Global	4 999	9 629	4.7 %
Other equity funds	**112 235**	**204 316**	**100.0 %**
Total equities	**112 235**	**204 316**	**100.0 %**

2020

Amounts in USD 1000	Value at cost	Fair value	Distribution
Equity index funds			
Mercer Passive Global Equity	88 420	123 331	43.9 %
State Street index world index	86 616	149 918	53.3 %
Equity index funds	**175 036**	**273 249**	**97.2 %**
Nordea Stable Equities, Global	4 999	7 781	2.8 %
Other equity funds	**4 999**	**7 781**	**2.8 %**
Total equities	**180 035**	**281 030**	**100.0 %**

The equity portfolio is primarily managed passively. The risk and return profile of the portfolio is thus similar to that of the global developed equity market. The global equity benchmark is delivered by MSCI and it is hedged to USD. The portfolio of index funds is also USD hedged. The equity portfolio is geographically well diversified and consists of easily traded fund units.

NOTE 13 SPECIFICATION OF BOND PORTFOLIO

By 31. December 2021 DNK's fixed income portfolio consists of two bond funds and one discretionary managed global bond portfolio. Until September 2021 the portfolio also held two funds which invested in the Norwegian bond market, where both of these were realized in relation to the extraordinary USD 300 million distribution of equity. The benchmark for the global mandate is The Bloomberg Global Aggregate Index with a duration of 1-3 years, hedged to USD. The weighted benchmark duration was 1.9 years, while the duration of the portfolio was 1.9 (2.4) at the end of 2021.

Amounts in USD 1000	2021 Market value	2020 Market value
Bonds and other fixed income securities	564 250	710 990
Accrued interest income	1 448	3 140
Unsettled trades	6 049	7 838
Cash held with investment managers	18 727	9 563
Fixed income derivatives	(142)	(5 058)
Fixed income portfolio	**590 333**	**723 333**

Amounts in USD 1000	Value at cost	Market value	Value at cost	Market value
DISCREATIONARY MANDATES				
Norwegian bonds, USD hedged	0	2	124 602	131 235
Global bonds, USD hedged	480 209	492 818	459 528	486 266
BOND FUNDS				
Forte	0	0	8 398	8 240
Mercer ARFI	63 481	69 733	61 051	69 409
Pimco	19 552	27 779	19 552	28 184

The table below shows the credit quality of the bond portfolio, its duration, yield and interest rate risk. The interest rate risk gives the expected loss as a result of a one percentage point upward shift in the yield curve. The interest rate risk is primarily driven by the portfolio's duration.

2021

Amounts in USD 1000	Distribution	Rating	Duration	Yield	Int. rate risk
Bonds, Norwegian, USD hedged	0 %	--	0.0	0.0	0
Bonds, global, USD hedged	83 %	AA-	1.6	0.4 %	(8 082)
Bond funds	17 %	A	3.4	2.5 %	(3 270)
Total fixed income	**100 %**	**AA-**	**1.9**	**0.8 %**	**(11 353)**

2020

Amounts in USD 1000	Distribution	Rating	Duration	Yield	Int. rate risk
Bonds, Norwegian, USD hedged	18 %	A+	3.5	1.1 %	(4 491)
Bonds, global, USD hedged	67 %	AA-	1.8	0.4 %	(8 558)
Bond funds	15 %	A+	3.9	2.2 %	(3 996)
Total fixed income	**100 %**	**A+**	**2.4**	**0.8 %**	**(17 045)**

The currency split in the bond portfolio is shown in the table below.

	2021	2020
NOK	0 %	1 %
USD	100 %	99 %
Other	0 %	0 %

The average credit quality (rating) of the bond portfolio is AA- (A+). The table below shows how the portfolio is distributed by credit quality. The credit rating of Norwegian bonds is based on S&P.

2021

Amounts in USD 1000

Rating	NOK	Global	Funds	Total	Distribution
AAA	0	228 064	22 413	250 478	42.4 %
AA	0	50 871	11 227	62 098	10.5 %
A	0	145 741	13 778	159 520	27.0 %
BBB	0	51 539	16 060	67 599	11.5 %
BB	0	8 974	11 220	20 194	3.4 %
B	0	7 285	5 196	12 481	2.1 %
CCC, lower	0	491	1 011	1 502	0.3 %
No rating	0	(146)	16 606	16 460	2.8 %
Total	**0**	**492 818**	**97 513**	**590 331**	**100 %**

2020

Amounts in USD 1000

Rating	NOK	Global	Fond	Total	Distribution
AAA	8 849	206 222	24 646	239 717	33.1 %
AA	63 643	60 190	14 895	138 729	19.2 %
A	20 666	138 572	12 789	172 028	23.8 %
BBB	38 062	56 471	24 545	119 077	16.5 %
BB	0	17 770	9 236	27 005	3.7 %
B	0	10 909	3 193	14 102	1.9 %
CCC, lower	0	1 007	911	1 917	0.3 %
No rating	14	(4 874)	15 617	10 757	1.5 %
Total	**131 235**	**486 266**	**105 832**	**723 333**	**100 %**

Government, government guaranteed, and municipal bonds, amount to 68 % (48 %) of the bond portfolio's fair value. Non-government bonds have an average credit rating of BBB+ (A).

NOTE 14 RISK MANAGEMENT

Prudent risk management and internal control is an integral part of DNK's business operations.

The Board receives reports on a regular basis, showing the level of, and trend in, the risk factors DNK is exposed to.

Risks

The Association is mainly exposed to insurance risk, market risk (financial risk), counterparty risk, liquidity risk and operational risk. The aggregate risk is managed in relation to available capital, and it is subject to frequent assessment – with quarterly or annual reporting to the authorities while monthly estimates are reported to the Board. With a well-diversified reinsurance programme, a moderate investment risk, and a low operational risk, the Board has set a goal to maintain a moderate to low risk profile for DNK.

DNK's solvency capital requirement at the end of 2021 was USD 392 million (386).

The solvency capital requirement reflects the aggregate risk exposure, consisting of several individual sub risks.

Insurance risk relates to DNK's insurance products. This is the Association's most significant risk, which is reinsured through an extensive programme.

Market risk arises from the Association's investment activity. Financial derivatives are mainly used to achieve the desired currency exposure. Market risk is measured by value-at-risk and the stress test.

Counterparty risk relates mainly to the potential lack of payout on a reinsurance contract. The risk is managed by setting credit quality standards and concentration limits for participating reinsurers.

Operational risk, which includes legal risk, arises from the Association's activities, outsourced assignments and its cooperation with external parties. The risk is managed through a framework designed to ensure an on-going risk assessment of business operations and controls. This risk is a minor part of the aggregate capital requirement for DNK.

Liquidity risk relates to the Association's ability to meet its claims and liabilities on time. Financial investments are limited to liquid securities and fund units. The members' mutual liability represents an important part of DNK's liquidity reserve.

Market risk

The investment portfolio consists of equities and bonds. The financial risk in the portfolio can be decomposed into interest rate risk, equity risk, spread risk, concentration risk and currency risk. The Association has no exposure to real estate investments. The investments are limited to highly liquid securities and mutual funds. The degree of active risk is fairly low. The stress test module under Solvency II is used to calculate the market risk expressed below.

- The interest risk shows how much the bond portfolio will fall in value by an upward shift in the yield curve.
- The equity risk is calculated by assuming a 49 % fall in the equity portfolio.
- Currency risk comes into play when the investment portfolio has a currency exposure to currencies other than the reporting currency in USD. The amount at risk is assumed to fall 25 % in value.
- Concentration risk is based on the combined exposure to an individual issuer. The major factor in determining the level of risk for any issuer is its credit rating.
- The spread risk is a measure of a potential increase in the risk premium for non-government bonds over sovereign bonds.

The Association's investment strategy and agreements with external managers govern risk taking and reporting requirements. The strategy also takes into account the characteristics of the Association's insurance activities and the corresponding liabilities.

Market risk is estimated both by the stress test under Solvency II and by a statistical model. The statistical model calculates the volatility of the portfolio and its benchmark. These volatilities are used to estimate the loss potential, expressed as "value at risk" (VaR), both in per cent and as an amount. The portfolio's relative risk is also calculated, estimating the risk-taking in the portfolio relative to the benchmark. The relative risk may also be used to describe the characteristics of the portfolio, and quality assessment of the asset management. At the end of 2021, the relative volatility was 0.8 %, which indicates that the portfolio's overall risk profile is fairly close to its benchmark.

At year-end 2021, the portfolio's risk profile was as indicated in the table below.

Amounts in USD million	2021	2020
Market risk	**124.4**	**144.8**
Equity	93.7	110.3
Spread	35.6	39.3
Currency	1.9	2.6
Interest	12.2	19.9
Concentration	10.9	10.3
Property risk	0.1	0.1
Diversification	(30.0)	(37.6)
Value-at-risk	**96.9**	**164.3**
Volatility	**4.7 %**	**6.3 %**
Relative volatility	**0.8 %**	**1.0 %**

While the stress test models a financial crisis, the estimated VaR reflects the current level of market volatility with a confidence level of 99.5 %. The statistical model reflects the volatility in the portfolio, and the relative volatility against its benchmark (also called tracking error). VaR and volatility calculations are based on historical data using the past 42 months.

The market risk varies mostly with changes in the portfolio's allocation to equities, bond duration, and credit quality.

In asset management, counterparty risk is primarily related to the use of derivatives. DNK has outsourced most of its investment management through two discretionary mandates. The external managers can use derivatives to manage interest rate and foreign exchange risks. Foreign exchange related derivatives are used to secure the desired exposure to USD. Fixed income related derivatives are used to reduce risk, or to make the management process more efficiently. Qualitative limits on counterparties and the type of derivatives permitted is regulated in the investment mandates.

Liquidity risk

The liquidity requirement is stated in the investment strategy and in external investment mandates. DNK is required to invest in assets that are easily divestible. The purpose of a stringent liquidity requirement is to be able to meet large potential claims, including the possible failure of reinsurers' ability to meet their obligations. Based on DNK's solvency margin and the simultaneous payment clause in its reinsurance contracts, the liquidity risk is considered to be low. DNK's holdings of securities are valued using official exchange prices, while fund holdings are valued using official unit prices provided by the fund manager or its pricing agent.

NOTE 15 FINANCIAL DERIVATIVES

A major part of DNK's bond portfolio is managed by one external investment manager. Respective investment agreements regulate the manager's ability to use derivatives to manage interest rate and foreign exchange risks. The manager is required to hedge the portfolio to USD.

The table below shows the financial derivatives on the balance sheet at year-end 2021 and 2020.

Amounts in USD 1000

FINANCIAL DERIVATIVES	2021	2020
+ Assets	1 729	1 322
- Liabilities	(1 872)	(6 381)
Net financial derivatives	**(142)**	**(5 058)**
Interest rate risk; futures	150	188
Currency hedging, bonds, forwards	-293	(5 246)
Net financial derivatives	**(142)**	**(5 058)**

The currency derivatives are rolled over monthly or quarterly. The derivatives are mainly related to hedging of currencies. The fixed income derivatives are more commonly used for tactical purposes to implement changes so that the portfolio is in line with the manager's current market outlook.

NOTE 16 EQUITY AND SOLVENCY CAPITAL

The Association is subject to the requirements under Solvency II and the new tax regime for insurance reserves that was introduced in Norway in 2018. General insurance reserves are no longer itemized on the balance sheet but rather reclassified as equity and deferred tax. The deferred tax was USD 120.1 million at year-end 2021 (144.2).

DNK's solvency capital requirement (SCR) combines the capital requirement given by the standard model and the additional capital requirement set by the FSAN (Financial Supervisory Authority of Norway). The additional capital requirement covers insurance risks that cannot be captured by the standard module in Solvency II, or any meaningful statistical models. This is not surprising given the unsystematic risks inherent in covering war, piracy and terrorism risks at sea. The additional capital requirement is set for one calendar year and changes as and when DNK amends it insurance and reinsurance program. For 2020, the additional capital requirement was USD 270 million. For 2021, DNK proposed an additional capital requirement of USD 207 million. The FSAN decided to maintain the additional capital requirement from 2020 while it was reviewing DNK's application to pay out USD 300 million of equity to its members. The application was approved on 22 October 2021. The additional capital charge from 2020 will be maintained until the FSAN has reviewed DNK's method for calculating the additional capital charge. The objective of the review is to incorporate a capital charge for an increased reliance on reinsurance for the major powers' war cover.

DNK's solvency capital ratio at 31.12.2021 was 188 % (246 %). The lower margin in 2021 is explained by the USD 300 million distribution of equity, which commenced in December 2021.

Amounts in USD 1000

CAPITAL REQUIREMENT AT YEAR-END	2021	2020
Solvency Capital Requirement (SCR)	391 991	385 622
Minimum Capital Requirement (MCR)	97 998	96 405
Additional capital requirement (included in SCR)	270 400	270 400

SOLVENCY CAPITAL AT YEAR-END	2021	2020
Basic own funds, Tier 1	565 051	790 388
Ancillary own funds, Tier 2	170 300	158 100
Total eligible own funds to meet the SCR	**735 351**	**948 488**
Tier 2 as a percent of SCR	43 %	41 %
Solvency capital margin	343 360	562 866
Solvency capital ratio	**188 %**	**246 %**

NOTE 17 INVESTMENT IN SUBSIDIARIES

The turnover and equity in the subsidiaries are regarded as an insignificant addition to the group's business and has therefore not been consolidated in the accounts. The cost method is used for the subsidiary's valuation.

Osprey Solutions AS is a maritime tech start-up founded in 2019 by DNK (51 % ownership), and UK maritime technology and intelligence company Clearwater Dynamics Ltd (49 %). In 2021 DNK acquired the remaining 49 % not previously held, and Osprey is thus a wholly owned subsidiary. Osprey develops data-driven solutions that provide actionable insights and enable automation of ineffective processes. Accurate vessel position and performance data is collected and delivered in real-time ship to shore, through secure satellite communications technology. The information can be accessed in a user portal with extensive mapping and filtering functionality or be integrated into existing operational systems.

NORMA Cyber Resilience Center is a joint effort between Den Norske Krigsforsikring for Skib (DNK) and the Norwegian Shipowners' Association and started operations from 1 January 2021. The centre delivers centralised cyber security services to Norwegian shipowners and other entities within the Norwegian maritime sector. NORMA Cyber aims to be the leading hub for operational cyber security efforts within the Norwegian maritime sector. DNK has a 51 % ownership in NORMA Cyber.

Amounts in USD 1000

Investments in Subsidiaries	2021	2020
Osprey	842	253
NORMA Cyber	306	328
	1 148	**581**

Receivables from Subsidiaries	2021	2020
Osprey	0	70
NORMA Cyber	0	0
	0	**70**

NOTE 18 EVENTS AFTER THE BALANCE SHEET DATE

There are no known events after the balance sheet day that may impact the financial statements and notes presented for 2021. An assessment of how the war in Ukraine may impact DNK going forward is presented in the annual report.

AUDITOR'S REPORT

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To the General Meeting of Den Norske Krigsforsikring for Skib Gjensidig forening

Independent Auditor's Report

Opinion

We have audited the financial statements of Den Norske Krigsforsikring for Skib Gjensidig forening (the Association), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Association as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 Association as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We were elected as auditors for Den Norske Krigsforsikring for Skib Gjensidig forening for the first time before the year 2001. We have now been have been the auditor of the Association for a continuous period of at least 21 years from the election by the general meeting of the shareholders.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the pwc

context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets to fair value	
Valuation of financial assets to fair value has been a focus area as it represents a significant part of the association's assets. Consequently, valuation of the financial assets is an important measure of the association's financial solidity. The majority of the association's financial assets are based on observable prices in active markets (level 1 instruments), but some are also valued based on observable market data input for instruments not traded in active markets (level 2 instruments). For further details of valuation of financial assets to fair value, please review note 1, 11, 12, 13, 14 and 15.	In our audit, we assessed the design and tested the effectiveness of the association's established controls over financial assets. This included control that ensured complete and accurate application of market prices. In our view, the controls we have chosen to test work effectively. For a sample of the investments, we tested that fair values were consistent with external valuations and relevant documentation. Where relevant, we evaluated the reliability of the data sources used. Information from the notes regarding the association's valuation principles and fair value has been assessed as sufficient and adequate.
Valuation of gross claims provisions	
We have focused on the valuation of gross claims provisions because it involves inherent complexities necessary to determine the provision and management's using a significant degree of judgement. The liabilities are based on the estimated cost of all claims incurred but not settled at year end, including both reported and not reported claims. The frequency of claims has historically been low. However, the claims are often long- tailed and non- standard, causing thorough individual assessments of reported claims. Therefore, the association has limited historical data available to estimate claims that are incurred but not yet reported. The use of assumptions and data is crucial for measuring gross claims provisions. For further details of valuation of gross claims provisions, please review note 1 and 8.	In our audit we have, for a sample of reported claims, reviewed and challenged management's assessment of the valuation of insurance liabilities. This included testing the underlying data to source documents. As a basis for its assessment of claims incurred but not reported, management has hired an expert (external actuary). We have assessed the external actuary's competence, integrity and objectivity and evaluated the results of the actuary's assessments. Among other things, we assessed the models used, assumptions and tested a selection of the data used. We have also assessed and concluded that the notes regarding the gross claims provisions were sufficient and adequate.

AUDITOR'S REPORT

Independent Auditor's Report - Den Norske Krigsforsikring for Skib Gjensidig forening

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Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 Association'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 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 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 Association'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 Association'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 Association 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 a true and fair view.

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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 28 March 2022
PricewaterhouseCoopers AS

Thomas Steffensen
State Authorised Public Accountant

(This document is signed electronically)

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