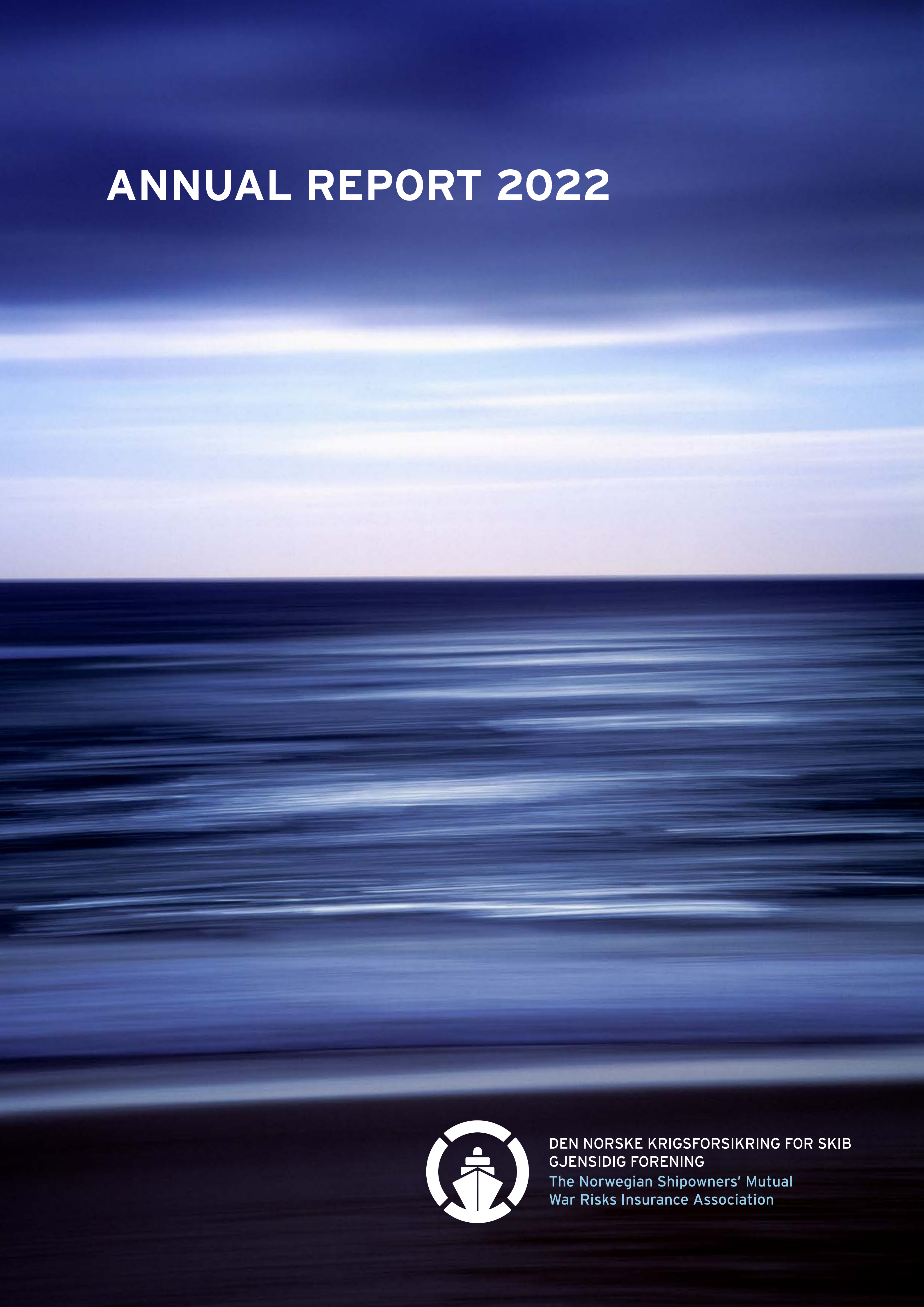

ANNUAL REPORT 2022

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

Photos in the report: Shutterstock.com

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87TH FINANCIAL YEAR

The annual report of The Norwegian Shipowners' Mutual War Risks Insurance Association ("the Association" or "DNK") is presented in English, with audited financial statements in USD.

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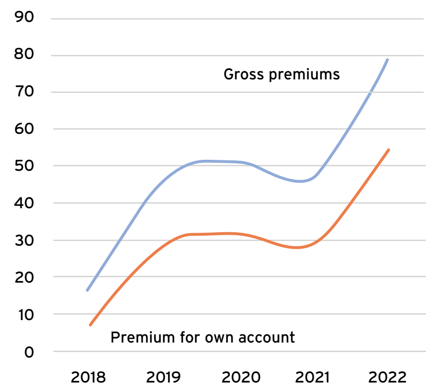

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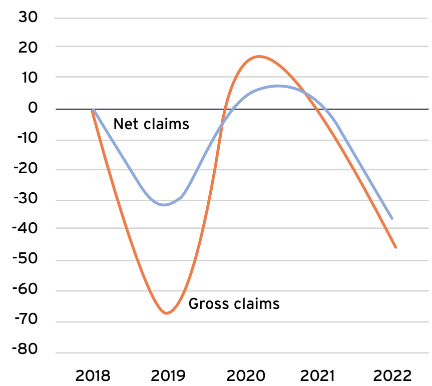

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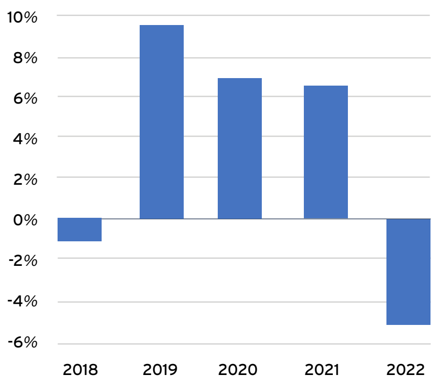

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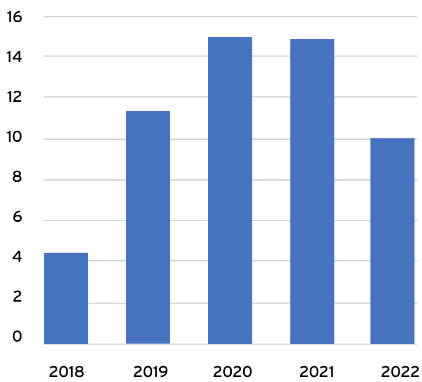

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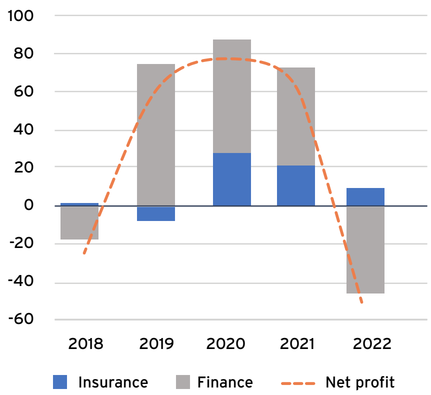

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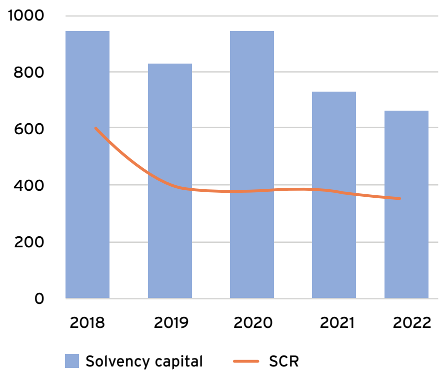

GOVERNING BODIES

BOARD OF DIRECTORS

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Chair

DOF ASA

Harald Fotland

Odfjell Tankers AS

Synnøve Seglem
Vice-Chair

Knutsen OAS Shipping AS

Eli Vassenden

Grieg Star AS

Carl K. Arnet

BW Energy Ltd.

Eric Jacobs

Awilco AS

Christopher Walker

Frontline Management AS

Marthe Romskoug

Wilhelmsen Insurance Services AS

DEPUTIES

Madelene Stolpe
Altera Infrastructure Corporation

Olav Eikrem
2020 Bulkers Management AS

Rolf Westfal-Larsen jr.
Westfal-Larsen Management AS

NOMINATION COMMITTEE

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Wallenius Wilhelmsen ASA

Harald Solberg
The Norwegian Shipowners' Association

Siri Anne Mjåtvedt
Utkilen AS

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 rising geopolitical tensions, with the potential to affect the maritime industry, many ships were affected by the war in Ukraine.

The Russian attack on Ukraine on February 24th trapped more than 100 ships in Ukrainian ports.

Although some ships were able to move out of Ukraine under the auspices of the Black Sea Grain Initiative (BSGI) many remain trapped by the war.

Two DNK ships were unable to depart safely due to the war action and remain trapped.

HIGHLIGHTS 2022

- At year-end 2022, DNK insured 3 308 ships and movable offshore units (compared with 3 454 in the previous year), with an aggregate insured value of USD 225 billion (219). An additional 3 newbuilds were covered (0).

- Annual premium and corresponding reinsurance rates remained unchanged in 2022. Additional premiums increased by 27.0 million (49%) due to the introduction of new conditional trading areas in Ukraine, Russia, and the Black Sea. The premium adjustment before year-end was USD 10.0 million (14.9).

- The high capacity in the war risk insurance market has tightened gradually. Reinsurance contracts were renewed for 2023 at satisfactory and largely unchanged terms, thus enabling the Association to maintain its competitive rates.

- The return on DNK's investment portfolio was -5.2% in USD (6.4%).

- DNK's solvency capital margin was 184% at year-end 2022 (188%).

- A new "Digital" department was established in 2022 to accelerate and support product innovation and further digitalization of DNK's service delivery.

- Member vessels were involved in 2 (1) major security crises in 2022, which caused DNK to mobilize its Crisis Management Team. The incidents were related to the Russian invasion of Ukraine. In 2022, 50 (53) security incidents related to activities by state actors, pirates, and insurgents affected member vessels, which were resolved without incurring any losses.

In 2018, the Ministry of Finance introduced a new tax legislation for insurance reserves. This presented DNK with a tax of USD 170 million, after tax loss carry-forwards, which is payable in equal instalments over a ten-year period. As a result, DNK introduced certain risk mitigation and alignment measures. Risk was transferred to the reinsurance market, and DNK's proportional retention was more evenly allocated across product lines. The Ministry of Finance proposed to revise the new law to offer a tax-shield for mutual insurers, such as DNK. The proposal met scepticism at the EFTA Surveillance Authority (ESA) and is consequently unlikely to materialise.

DNK has renewed its D&O insurance for Members of the Board and Directors from 2022 to 2023. 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

DNK has in 2023 received a claim declaring total loss for one vessel that relates to an incident in 2022. DNK believes that the incident in question does not satisfy the requirements for the total loss cover under the war risk policy. Consequently, no reserves have been made in the financial statements in 2022 for this claim for total loss.

FINANCIAL RESULT 2022

Gross premium income in 2022 amounted to USD 78.6 million (47.0) after a USD 10.0 million (14.9) premium adjustment to members, or no-claims bonus ("NCB"). Before such NCB, overall gross premiums increased 43% in 2022 due to the introduction of new conditional trading areas because of the war in Ukraine. Annual premiums decreased by 3% compared to 2021, while additional premiums for calls in conditional trading areas rose 49% before NCB. The number of transits through these areas declined by 10%, while the average rate increased by 49%. Annual premiums before NCB represented 8% of DNK's gross premiums in 2022 (11%).

Reinsurance costs increased by 33% because of the rise in gross premium. Premium for own account, after NCB, amounted to USD 54.6 million (28.9). Gross claims costs were USD 46.6 million (1.3). Net claims costs were USD 37.8 million versus a net gain in 2021 of USD 0.5 million. The rise in claims is due to two units insured by DNK being trapped by the war in Ukraine.

DNK's technical result amounted to USD 9.1 million (21.6) after administrative costs.

The operating loss from investment management, after administrative costs, was USD 46.5 million versus a profit of USD 53.5 in 2021. The investment portfolio generated a return of -5.2% in 2022 (6.4%). While equities posted a return of -14.4%, the bond portfolio returned -2.2%. On average, equities made up 23.6% (27.5%) of the portfolio, while the balance was allocated to global bonds, cash, and money-market instruments.

DNK's administrative costs decreased by USD 0.1 million to USD 15.1 million. The decrease is attributed to exchange rate changes. In NOK, there was an increase of NOK 13 million, of which half was attributable to an increase in wealth tax.

DNK's overall operating loss for the year was USD 37.4 million versus a gain of USD 75.1 million in 2021. After USD 12.8 million in taxes (10.7), the total net loss for 2022 was USD 50.2 million as opposed to a net gain of USD 64.4 million the year before. The tax cost in 2022 is primarily explained by an operating profit of NOK 403.4 million.

Cash flow from insurance activities was USD -18.1 million in 2022 (11.2). Premium income, reinsurance expenses, claims and administrative costs were the main cash items. Cash flow from financing activities was USD 60.4 million (265.4). Realised gains and losses from the sale of financial assets, reinvestments and administrative expenses constitute the major cash flow items within investment management. Net cash flow from operations was therefore USD 42.3 million (276.6). Cash flow from investment in fixed assets was USD -0.1 million (-0.8). Of DNK's extraordinary dividend in 2021, a remaining USD 25.9 million was paid out in 2022 versus USD 273.9 million in 2021. Net cash flow for the period was USD 16.3 million (2.0). At the end of 2022, bank deposits amounted to USD 34.0 million (17.6).

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.

Two subsidiares and one associated company are not consolidated in DNK´s finacial statements. This is because the combined turnover and assets from the three companies is insignificant relative to that of DNK´s.

The Board is not aware of any events, after the balance sheet date, that may affect the submitted financial statements for 2022.

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, payable tax was USD 170 million, of which USD 86.7 was outstanding at year-end 2022. As a result of the new tax law, DNK took a series of mitigation measures, primarily by transferring risks to the reinsurance markets. Consequently, Finanstilsynet (The Financial Supervisory Authorities of Norway) initiated a review of DNK's model for calculating the solvency capital requirement. An additional capital charge was subsequently implemented as of June 2022 to better capture the counterparty risk that relates to DNK's catastrophe covers.

Along with other marine insurers, DNK has stated that the new tax law is unsuited for unsystematic risks, such as war risk insurance. Former insurance reserves accumulated to cover these types of risks have become subject to tax, while the underlying insurance risks remained unchanged. The proposed tax law will increase the cost of capital for product lines characterised by unsystematic risks versus insurance products with more systematic risk profiles.

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

INSURANCE ACTIVITIES

2022 will be remembered for the invasion of Ukraine, and with that, acts of war on European soil yet again. With its geographically important position in Europe, and the country's significant production of commodities and natural resources, world trade was abruptly affected by the invasion. Shipping out of Ukraine came to a sudden stop, and vessels in Ukrainian and Russian ports at the hour of invasion were effectively trapped in a war zone. The war in Ukraine and sanctions imposed on Russia, represent a paradigm shift for war risk insurance, and an increase in geopolitical risk that is likely to last for a long time.

Maritime activities in Ukraine seized to operate, and crews onboard trapped vessels suddenly found themselves in very challenging conditions. DNK had four vessels berthed in Ukrainian ports on the day of the invasion, two of them managed to escape. The remaining two vessels were trapped, with crew and cargo onboard. DNK considered this situation a war peril and employed maximum support for the safe repatriation of crew. Further, DNK supported the affected members with safeguarding of the abandoned vessels, and loss of hire compensation. Certainly, DNK's insurance terms and conditions were put to the test - and passed.

The broader consequences of the war in Ukraine led to new conditional trading areas with additional premium and reinforced and extended sanctions against Russian companies and individuals. Members with vessels frequently calling to Ukraine and Russia were required to adhere to a comprehensive due diligence process and increased voyage expenses for areas that previously were unrestricted. DNK had to manually process calls to Russian and Ukrainian ports and help its members by increasing information sharing and compliance support. The additional premiums applied were substantial yet competitive. DNK made efforts to enable members to safely trade in Russia, and to partake in the Black Sea Grain Initiative (BSGI).

To this date, no major losses related to war cyber risks against vessels have occurred, but the risk is considered real. Vessels are potential targets in geopolitical power-plays and increasing ship-shore connectivity potentially makes vessels more vulnerable. The cyber threat landscape is dynamic, and rapidly changing. Together with NORMA Cyber, DNK continually monitors developments, and provides information and advice to members on how to manage these risks. DNK's policy protects members from war-cyber losses on vessels. In 2022, DNK initiated a process to develop a more comprehensive cyber product for future launch.

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 when the latter is mobilised. The role of the IOC is to describe an overall global intelligence picture to help support members in short and long-term decision making. This is done through a highly organised and extensive source network, a structured and trusted methodology and professionally trained 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 mobilised Crisis Management Team) supports members with crisis management when needed.

Intelligence and Operations Summary 2022

The main security challenge for shipping in general and for DNK members in 2022, was related to the Russian invasion of Ukraine starting 24 February 2022. During the first weeks of the invasion, several merchant vessels were attacked, and some were sunk in the northern Black Sea and the Sea of Azov. Several crew members lost their lives during these attacks. Many other ships were trapped behind the Russian blockade of Ukrainian waters. Most of these are still stuck in Ukrainian ports. Drifting sea-mines also increased security challenges for shipping in the entire western part of the Black Sea as far south as to the Bosporus Strait.

DNK mobilised its Crisis Management Team immediately after the invasion began. In close cooperation with its members, DNK exposure inside the Russian blockade was reduced from four to two vessels in the early hours of the invasion. The crew onboard the remaining two vessels that were unable to depart the Ukrainian ports, were successfully evacuated supported by DNK's Crisis Management Team in early March 2022.

Compared to previous years, Piracy and Kidnap for Ransom (K&R) attacks represented a reduced security challenge in the Gulf of Guinea throughout 2022. But after a pause, Nigeria-based pirates took up their activity by the end of 2022.

Shipping was again exposed to a threat from Iran in the Arabian/Persian Gulf, the Strait of Hormuz, the Gulf of Oman as well as the Arabian Sea in 2022. Throughout the year, merchant vessels were exposed to weaponised Unmanned Aerial Vehicle (UAV) attacks and were harassed and aggressively approached by the Islamic Revolutionary Guard Corps Navy (IRGC-N).

In the Red Sea and the Gulf of Aden, the Yemen-based Houthi-Insurgents with their external state support from Iran maintained their ability to attack merchant vessels throughout 2022. The main threat to shipping from the Houthi-Insurgents in 2022 was through Water Born Improvised Explosive Devices (WBIED) and weaponised UAVs.

The situation in Libya remained fragile through 2022. Except for some arrests of merchant vessels entering an unofficial No-Sail-Zone north of Darna (East Libya), the threat towards merchant shipping was held at a lower level throughout the year.

In Southeast Asia, armed robberies and petty thefts in the Singapore Strait remained at a very high level throughout all of 2022. 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 to security measures taken by the Malaysian, Singaporean and Indonesian security forces also in 2022.

Tension between USA, Russia and China caused increased concern for shipping also throughout 2022. China continues to maintain their high presence and aggressive activities in the South China Sea.

INVESTMENT MANAGEMENT

Financial markets in 2022

2022 was a turbulent year for the financial markets. The major cause was rising inflation due to unusual supply disruptions and unpredictable demand swings as the world adjusted to the ending of the global pandemic. Consequently, many central banks resorted to tight monetary policies and rapid rate increases, which created substantial financial stress for both the equity and fixed-income markets. As a result, the MSCI[1] global equity index declined by 15.4%, and the Bloomberg[2] global bond index fell by 2.3%.

The US economy is a significant contributor to both indexes, as the share of US issuers make up 69% of the equity index and 36% of the bond index. The US fixed-income markets suffered one of its worst years ever as the Federal Reserve (Fed) moved aggressively to tackle rising inflation. After hiking rates from 0% to 4.25% in 2022, the market expects the Fed to raise rates again in early 2023 to nearly 5%. Due to rapid and significant monetary tightening through 2022 there may be a chance of a US recession in 2023. One warning sign is an inverted yield curve at year-end 2022, which means that long-dated Treasury bonds yield less than short-dated Treasury bonds.

[1] "MSCI World 100 % Hedged to USD Index" is DNK's benchmark index for equities. The index consists of equities across 23 countries in developed markets and is 100 % hedged to USD. [2] "Bloomberg Global Aggregate 1-3 Year Total Return Index Value Hedged USD" is DNK's benchmark for bonds. The index consists of bonds from 63 countries where the three largest regions are the USA, China and Japan.

Return/change in value %	2022	2021	2020	3 years
Global equities, MSCI, USD	-15.4%	24.4%	14.3%	20.3%
Global bonds, Bloomberg Global Agg. 1-3 years, USD	-2.3%	0.0%	2.3%	-0.1%
USD vs. NOK	11.2%	2.8%	-2.3%	11.7%

Geopolitical tension was another risk factor in 2022, which still prevails into 2023.

Key market indices 2020-2022

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 20.3% over the past three years, medium term global bonds returned negative 0.1%. The USD appreciated by 11.7% against NOK in the same period.

Investment strategy

DNK's 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 2022, the entire portfolio was allocated or hedged to USD. Measured in USD, the portfolio return was -5.2% in

2022 (6.4%). Equities returned -14.4% while bonds returned -2.2%. DNK's portfolio return was 0.2 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 DNK's portfolio.

DNK's external asset manager, BlackRock, oversee most of the 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 (VaR) 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.

The stress test and VaR amounts are lower in 2022 due to the reduced market value of the investment portfolio. The value-at-risk relative to the investment portfolio is marginally higher due to the increased volatility recently, whereas the stress factor for equities is reduced following the recent drawdowns.

CORPORATE GOVERNANCE

DNK is subject to supervision by the Financial Supervisory Authority of Norway. Corporate Governance issues and requirements are specified in the Associations Articles. The Board has approved policies to provide additional guidance 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.

Risk measures	2022	2021	2020
Stress test, USD million	-74.5	-100.0	-144.8
Value-at-Risk (VaR), USD million	-83.4	-97.0	-164.3
Relative volatility	0.5%	0.8%	1.0%

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 integrated in DNK's Corporate Governance and risk management systems, and in relevant policy documents.

Governing procedures, including DNKs Code of Conduct, also focus on equality, non-discrimination, non-harassment, and whistle-blowing routines.

DNK will annually publish an account of due diligence pursuant to section 4 of the Norwegian Transparency Act. The account will be accessible on our website by June 20, 2023.

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, the quantitative part of the risk management function and the internal audit function are outsourced to external providers.

CORPORATE SOCIAL RESPONSIBILITY

To prevent damage to people, the environment, and to insured assets is at the core of DNK's business model. Providing financial security through insurance is the starting point. Following through with operational support to avoid, mitigate and manage risks is an integral part of DNK's business model.

DNK aims to provide timely and relevant threat assessments so that ship-owning members can mitigate and manage crisis situations and accidents. Over the past few years, DNK has expanded its loss-mitigation efforts considerably. This is not only to the benefit of its members, but also to society at large.

DNK has a longstanding tradition of approaching its war risks insurance business broadly, for example by taking care of crew members who have been subject to captivity or violent acts. The support offered to members is designed to ensure redundancy in the ability to protect crew members before, during and after an incident.

An extensive loss prevention program continually monitors credible threats against the members' vessels. DNK's Intelligence & Operations Centre has a professional crisis response management team that plots the location of potential threats and issues warnings to nearby vessels when such actions are required.

Insurance cover in the war risks' policy is limited to the perils listed in section 2-9 of the Nordic Marine Insurance Plan, which relate to losses caused by war, terrorism, and piracy. However, in special cases DNK's Board is also empowered to approve insurance 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 insured by DNK responds to a humanitarian need in a conditional trading area, the additional premium is normally reduced to a minimum or waived to support the response.

DNK has expanded its portfolio of insurance products by launching a Security Incident Response (SIR) cover, which can be triggered by the mere suspicion of questionable measures or actions. Once activated, the member will receive support from one of the largest security companies with a global presence. This member will then receive support in the jurisdiction where the problem arose, not least to comply with local legal requirements. Such support is particularly important in jurisdictions where corrupt practices are common and where shipowners may be confronted with corruption 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 centre (IOC). The operational capabilities of the IOC-team include both crisis management and loss-prevention. Through real-time tracking devices, IOC can identify vessels that may be at risk, and thus communicate its findings and recommendations for loss-prevention purposes.

Osprey Solutions AS, a subsidiary of DNK, has developed a cloud platform that uses vessel tracking data to automatically calculate premiums and issue digital policies for transits through breach-of-warranty areas. The Norwegian Maritime Cyber Resilience Centre AS (NORMA Cyber) is a joint venture between DNK and the Norwegian Shipowners' Association. NORMA Cyber provides loss-prevention, threat intelligence and monitoring services related to maritime cyber risks. DNK has a unique insurance cover for marine cyber risks caused by war perils. Through the establishment of NORMA Cyber, DNK has strengthened its capabilities in this domain.

The Association has zero tolerance for corruption and bribery. This applies to DNK's employees, service providers, counterparties, and its members. Ethical guidelines and policies regarding anti-money laundering, anti-terrorism financing, anti-corruption, and fraud are discussed and made available to employees and other stakeholders. Regular Know Your Customer (KYC) controls, including sanctions screening and monitoring of financial transactions, are performed to minimise the risk of inadvertently doing business with non-compliant counterparties. DNK's Board, management and control functions are also subject to regular fit and proper checks. Suspicious activity and illegal or unethical behaviour can be reported in a safe and confidential way by DNK employees. DNK also routinely reports details of all cases involving ransom demands to the Norwegian national economic crimes unit (Økokrim), the National Crimes Agency in the UK and INTERPOL. In 2022 DNK had no confirmed cases of corruption or bribes.

DNK aims for high ethical business standards, and as environmentally friendly operations as possible.

The Association devotes extensive resources to solid internal control procedures to manage existing and emerging risks, and to comply with internal and external regulations.

CLIMATE RISK

Geopolitical risk

DNK's insurance activities do not appear to be directly affected by climate risk. Nonetheless, climate risks can, over time, lead to increased tensions across nations and regions and thus lead to geopolitical tensions. That may in return result in conflicts and increasing insurance claims for DNK. Climate changes can, for example, lead to famine in vulnerable regions and thus lead to increased cases of terrorism/piracy.

Large and populous countries such as the USA, China, Russia and possibly India may seek to protect or pursue their own interests counter to coordinated measures under the auspices of the UN. That may again lead to political tensions or war-like conditions. Such increase in risk may imply greater use of conditional trading areas, and thus higher premium income. Insurance claims may also rise in such areas.

Rates and capacity

Climate risk can materialise as an increase in insurance incidents caused by natural disasters. In the long term, a general increase in claims costs may also affect reinsurance pricing and capacity in the war insurance market. Traditionally, variations in reinsurance premium rates have been passed on to DNK's members. Limited reinsurance capacity may imply a reduction in the insurance cover DNK's members have traditionally benefited from.

Climate risk in shipping

DNK's members are continuously subject to stricter emissions requirements and regulatory changes imposing the use of new technology. This can weaken the shipping companies' profitability and their access to external financing. A possible consequence could be a certain consolidation in DNK's member base and decrease in the combined value of the insured fleet.

This could lead to lower annual premiums. As annual premiums are the basis for calculating DNK's Tier-2 solvency capital (non-called mutual liability), the solvency capital may decline –all else equal. On the other hand, the membership remains committed to embrace new emission reduction technology and act proactively to position themselves in compliance with a new regulatory environment.

New sea routes

Global warming may open new sailing passages, for example the Northern Sea Route. This may facilitate faster and thus more environmentally friendly transits but could also increase environmental risk in vulnerable areas. From DNK's perspective, new sea routes imply increased uncertainty from a preparedness and security perspective. New routes may, at least initially, be subject to additional premiums.

DNK can largely manage the impact of climate risk through its own risk assessments and loss-mitigating practices, and through the coordination of potential actions with participating reinsurers.

Climate risk in the investment portfolio

In the investment portfolio, climate risk is evident in terms of both physical risks and transitions risks.

Physical risks include both acute and chronic risks to the asset values, with the former exemplified by flooding, hurricanes, droughts and wildfires, and the latter exemplified by rising temperatures, rising sea level and loss of biodiversity.

Transition risks relate to the legislative, technological, and preferential change as means of transitioning to a net-zero society. Examples include policies that alter relative prices in favour of low-carbon products, technological improvements, and changes in consumer preferences. Transition risk can take its toll on assets indirectly through slow economic growth combined with structural inflation, or directly in the form of so-called stranded assets.

In collaboration with Morningstar and Sustainalytics, DNK has measured and monitored climate risk in the investment portfolio. Broadly speaking, the portfolio consists of equities (24%), corporate bonds (30%), and government bonds (46%). In terms of the SFDR regulation, all the equity funds are classified as Article 8-compliant. The bond portfolio is managed according to a proprietary ESG framework, where every security is evaluated according to the societal externalities they produce, and the manager seeks to select best issuers and avoid worst issuers from an ESG perspective.

Methodology and assumptions

The Morningstar framework reports an ESG score on an individual company level. Each company is given a score between 0 and 50, where the scale is divided into five categories of 10 points each, ranging from negligible (low score) to severe (high score) ESG risk. The ESG score combines environmental, social, and corporate governance factors. Equities and corporate bonds are treated equally in this regard, as it is the issuing company that determines the ESG risk score. Government or sovereign bonds are scored on a similar scale, between 0 and 50, based on an assessment of the issuing country. Utilizing data from the World Bank, each country is ranked on several factors, like energy and carbon intensity, water stress, corruption, access to electricity, life expectancy at birth, air pollution, government effectiveness and political rights.

At year-end 2022, DNK's portfolio was allocated 46% to sovereign bond, and the remaining 54% to corporate bonds and equities. The market weighted *key sustainability metrics is calculated for DNK's entire portfolio below.*

DNK's portfolio scores better than its benchmark on every indicator, albeit by a relatively small margin, except for carbon emissions.

A brief description of how the sovereign and corporate portion of DNK's portfolio deviates from that of its respective benchmark is provided below.

In the *sovereign portion*, the differences are mostly explained by an underweight in high-risk issuers like China, and overweight low-risk issuers like Germany, Japan, and the United States.

Estimated sustainability measures	DNK	Benchmark
Carbon emissions, Scope 1–2 (metric tons CO_2)	15 354	20 810
Morningstar Corporate Sustainability Score (0–50)	21.8	21.9
Morningstar Sovereign Sustainability Score (0–50)	14.1	16.0
Carbon intensity, Scope 1–2	100.6	103.1
Fossil fuel involvement (%)[3]	9.2%	12.2%

In the *corporate portion*, the differences are due to an underweight in high- and severe-risk issuers. Issuers with a corporate ESG score above 30 have a total underweight of 4.00 %-points in the corporate portfolio, whereas issuers with an ESG score below 10 have a combined overweight of only 0.25 %-points.

DNK will strive to improve both the composition of issuers in terms of ESG Risk Scores, and the carbon emissions and intensity metrics going forward.

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. Employees 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 organisation. Key risks are identified, measured, managed and reported throughout the organisation and to the Board of Directors.

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. DNK is subject to an additional capital requirement under Solvency II to capture catastrophe risks. 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. For further details, please see the section on Climate Risk above.

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, cloud-based services, 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 realisation of DNK's investment portfolio and the call for additional premiums from members.

[3] Companies with ≥ 5% of revenue stemming from thermal coal and/or oil and gas

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 emphasising 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. DNK's members may 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 sustain its currently broad insurance programme.

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

CAPITAL MANAGEMENT AND SOLVENCY CAPITAL REQUIREMENT

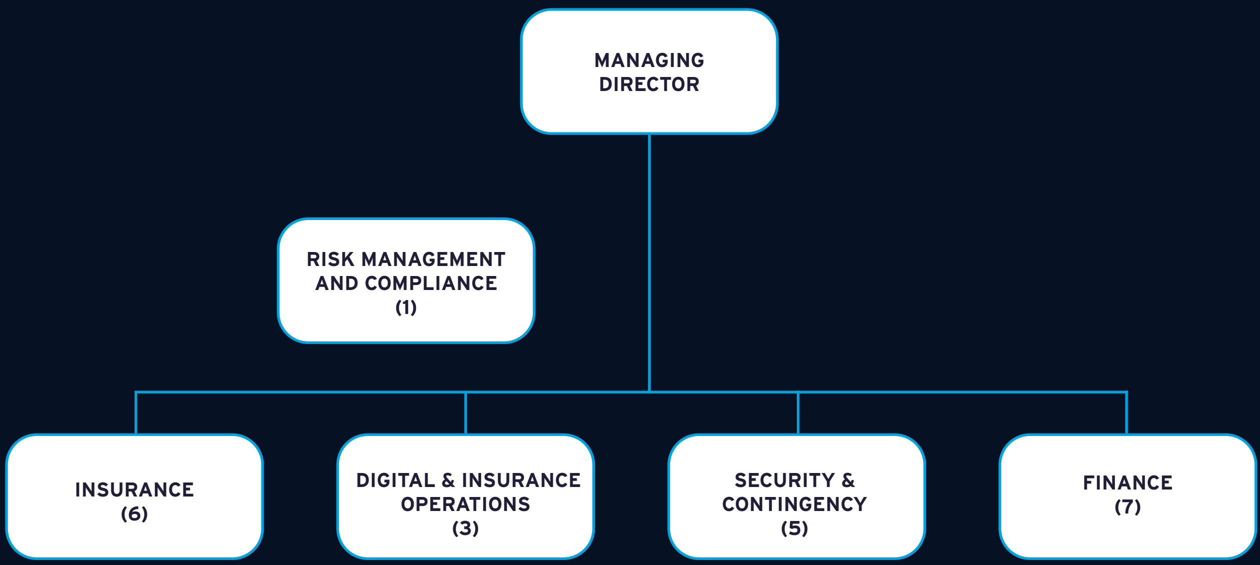
The Association's solvency capital was USD 672.4 million at the end of 2022 (735.4), where Tier 1 capital was USD 519.0 million (565.1), and Tier 2 capital (mutual liability) amounted to USD 153.4 million (170.3).

The solvency capital requirement was USD 366.2 million by year-end 2022 (392.0). 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 2022, this additional charge was USD 283.3 million (270.4). The solvency margin was 184 % (188 %).

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

ADMINISTRATION

The Association operates out of Oslo and had 23 employees at year-end 2022 (18). DNK seeks to contribute to the professional development of employees, irrespective of gender, age, sexual orientation, or cultural background.



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

Sick leave in 2022 totalled 115 days (134), which represented 2,3 % of overall working days (3.3 %). Excluding long-term absence in 2022, absence due to illness was 0,4 % of working days (0.7 %).

DNK's Board consists of three women and five men, while the administration is comprised of eight women and fifteen men.

The overall organisational structure is illustrated above (number of employees in parenthesis). Top management consists of four men and two women.

The Association has no negative impact on the environment and strives to develop products and services which will enable the members to reduce their environmental impact.

OUTLOOK 2023

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, as was the case in 2022. In more detail, changes in these factors may impact DNK's profitability:

(i) Aggregate value og insured vessels and mobile offshore units.
(ii) Additional premiums in conditional trading areas.
(iii) Cost and availability of reinsurance.
(iv) Claims.
(v) Investment returns.

Premiums for war risk insurance are influenced by geopolitical risk, piracy or other violent or criminal attacks against ships and offshore units. Although the level of pirate activity outside Somalia was negligible in 2022, maritime crime and piracy attempts in the Gulf of Guinea and Southeast Asia continue. DNK has implemented proactive measures in these areas to mitigate the potential impact on members' vessels and crews.

Rates for annual premiums have levelled out after several years of steady decline. The total value of insured tonnage has remained stable over the past three years. Reinsurance costs are marginally higher after a prevailing soft market in prior years. Some new exclusions now apply for Russia, Ukraine, and the Black Sea. The reinsurance contracts for 2023 were largely renewed "as per expiry". DNK has a diversified risk mitigation program with reputable reinsurers.

Additional premiums are likely to remain at a high level in 2022 due to the conflict in Ukraine. Russian ports

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

OSPREY
Solutions

NORMA
CYBER

and the Black Sea became new conditional trading areas in 2022. The Persian Gulf is still in 2022 subject to additional premiums. While it is difficult to foresee changes in geopolitical risks and their potential impact on marine war insurance, there is currently little that indicates a more peaceful outlook in the near term. On the contrary, the current conflict between Russia and Ukraine could escalate, or at a minimum drag on for a prolonged time.

Covid-19 has had no observable impact on war risks insurance. DNK is nonetheless monitoring possible security related secondary effects.

DNK's solvency capital requirement model was amended in 2022, to reflect a higher capital charge for counterparty risk. This is not a reflection of a change in the quality of participating reinsurers but is rather meant to capture DNK's risk transfer to the reinsurance market. This risk transfer conducted in successive steps between 2018 and 2020, provides a better balance between risks retained by DNK and its reinsurers. The consequence is a higher capital charge for counterparty risk under Solvency II. As a result of an extraordinary dividend in 2021, and a higher capital charge in 2022, DNK's solvency capital margin is lower at year-end 2022 that in 2021. The solvency capital is still well above the regulatory requirement.

Higher inflation is of concern to both investors and monetary policy makers. Higher interest rates could deter economic growth and diminish corporate earnings and thus lead to higher unemployment. This may in turn trigger further corrections in the financial markets.

Despite current macroeconomic risks, DNK expects a so-called soft landing and consequently, a positive investment return is anticipated for 2023. Provided there will be no major insurance claims, a positive technical result is expected in 2023. DNK is consequently expected to improve its solvency capital margin by year-end 2023.

RECENT DEVELOPMMENTS

"Skipsfartens Beredskapssenter" established with The Norwegian Shipowners' Association (NSA)

The Association partnered with the NSA to establish Skipfartens Beredskapssenter in 2023. NORMA Cyber will relocate to Skipsfartens Beredskapssenter, together with NSA's Contingency Planning department and DNK's new Awareness and Resilience Centre (DNK ARC).

The NSA Contingency Planning Department assists Norwegian controlled shipping companies and provides support for crisis management, maps global maritime threats and cooperates closely with Norwegian authorities as well as other relevant domestic and international bodies. The department has an official advisory function on maritime safety issues for both shipping companies and Norwegian authorities. A Defense Forces liaison works in the department as a link to information and cooperation with the military.

NORMA Cyber delivers centralized cyber security services to Norwegian shipowners and other entities within the Norwegian maritime sector. NORMA Cyber is the leading hub for operational cyber security efforts within the Norwegian maritime sector. DNK insures Norwegian controlled tonnage against risks of war and maintains elaborate loss prevention and crisis response services.

History suggests that, in times of increasing geopolitical tensions, the maritime industry will typically be among the first to suffer the consequences. Building resilience to be prepared and able to handle future structural challenges to the maritime industry is best done by pooling resources to support shipowners and authorities in a coordinated way. The establishment of Skipsfartens Beredskapssenter is a key move to strengthen the resilience of the Norwegian maritime industry in general, and particularly DNK's members.

Oslo, 20 March 2023
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)

FINANCIAL STATEMENTS
(IN USD)

INCOME STATEMENT

Amounts in USD 1000	Note	2022	2021
TECHNICAL ACCOUNT			
Gross earned premiums		78 646	46 969
Ceded reinsurance on gross earned premiums		(23 998)	(18 047)
Premiums for own account		**54 648**	**28 923**
Gross claims expenses	8	(46 642)	(1 340)
Reinsurers' share of gross claim expenses	8	8 803	1 843
Claims for own account		**(37 840)**	**503**
Insurance related administrative expenses	2, 3, 4, 5, 10	**(7 682)**	**(7 850)**
OPERATING RESULT OF TECHNICAL ACCOUNT		**9 127**	**21 576**
NON-TECHNICAL ACCOUNT			
Net income from financial assets			
Interest and dividend from financial assets	9	6 129	8 117
Change in fair value of financial assets	9	(78 652)	(37 627)
Realised gains from financial assets	9	33 486	90 361
Administrative expenses related to financial assets	2, 3, 4, 5, 9, 10	(7 441)	(7 310)
Total net income from financial assets		**(46 478)**	**53 541**
OPERATING RESULT OF NON-TECHNICAL ACCOUNT		**(46 478)**	**53 541**
PRE-TAX RESULT		**(37 351)**	**75 117**
Tax expenses	6	**(12 844)**	**(10 739)**
PROFIT FOR THE YEAR		**(50 195)**	**64 377**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(50 195)**	**64 377**
TOTAL RESULT		**(50 195)**	**64 377**
PROFIT FOR THE YEAR IS DISTRIBUTED AS FOLLOWS:			
EXTRAORDINARY DIVIDEND		**0**	**(300 000)**
EARNED OTHER EQUITY		**(50 195)**	**64 377**
TOTAL		**(50 195)**	**(235 623)**

BALANCE SHEET

Amounts in USD 1000	Note	2022	2021
ASSETS			
Owner occupied properties	5	349	349
Subsidiaries and associated companies			
Investments in subsidiaries and associated companies	17	1 676	1 184
Financial assets at amortised cost			
Bank deposits investment portfolio		30 593	24 777
Financial assets at fair value			
Shares and other equity investments	11, 12, 14, 19	163 964	204 316
Bonds and other fixed income securities	11, 13, 14 , 19	487 767	565 699
Financial derivatives	11, 14, 15	3 095	1 729
Total investments		**687 443**	**798 054**
Reinsurers' share of gross claims provisions	8	**2 422**	**10 465**
Insurance related receivables		7 757	4 328
Reinsurers receivables		13 653	1 544
Other receivables		786	250
Total receivables		**22 197**	**6 122**
Equipment and fixtures	5	1 716	2 593
Cash and bank deposits	7	33 967	17 622
Total other assets		**35 683**	**20 215**
Total prepaid expenses and accrued income		**593**	**363**
TOTAL ASSETS		**748 338**	**835 219**

EQUITY & LIABILITIES			
Other equity	16	560 768	591 892
Total equity		**560 768**	**591 892**
Gross claims provisions	8	14 238	10 507
Total insurance reserves		**14 238**	**10 507**
Pension liability provisions	4	890	888
Taxes payable	6	62 063	74 858
Deferred tax liability	6	86 662	120 134
Other provisions		1 677	1 115
Total provisions		**151 291**	**196 995**
Insurance related liabilities		6 752	3 925
Reinsurance liabilities		4 564	1 687
Financial derivatives	11 ,14, 15	7 828	1 872
Other liabilities		1 083	25 847
Total liabilities		**20 227**	**33 330**
Other accrued expenses and prepaid income		**1 814**	**2 494**
TOTAL EQUITY AND LIABILITIES		**748 338**	**835 219**

Oslo, 20 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)

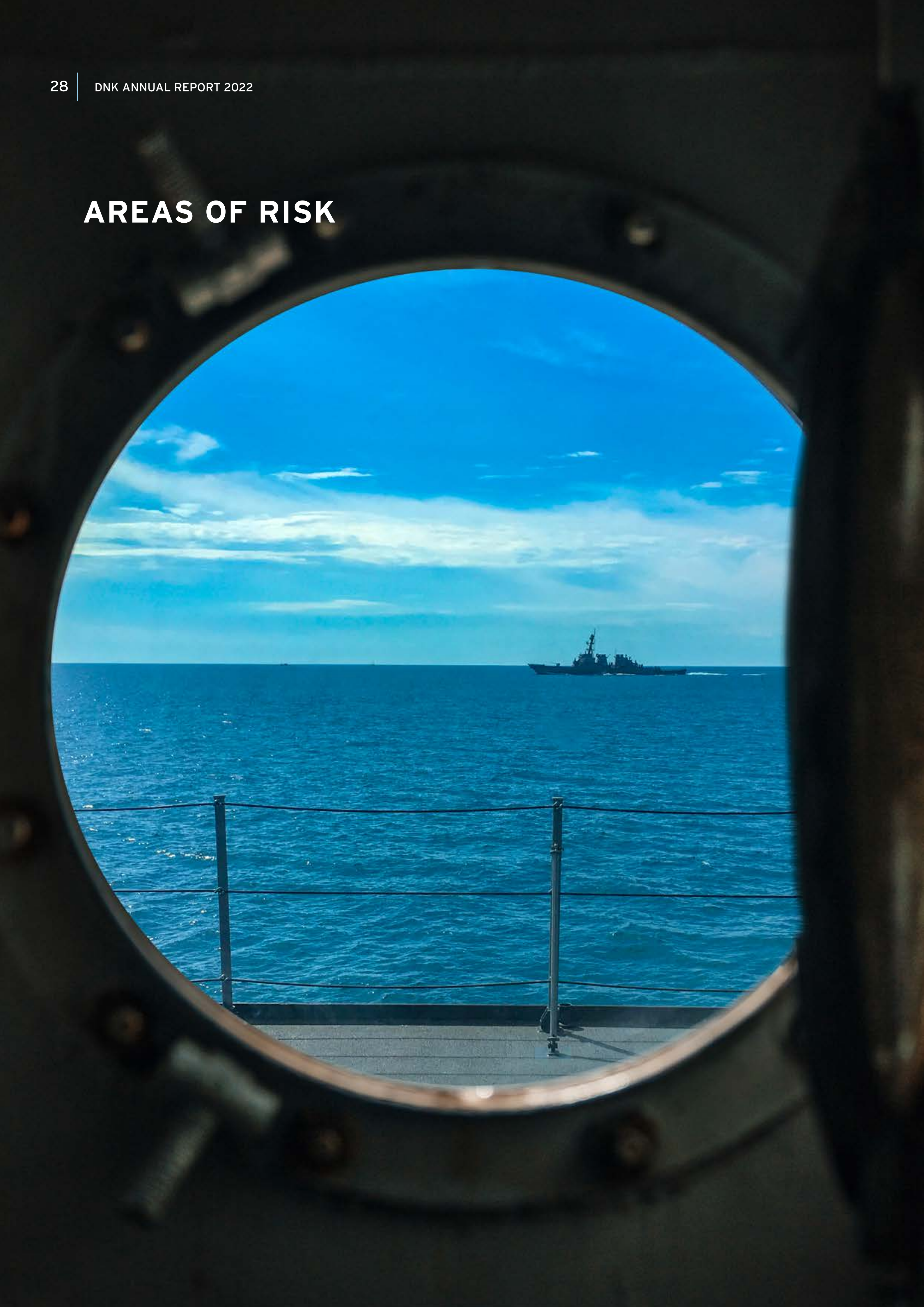
STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1000	2022	2021
OTHER EQUITY		
Other equity 01.01.	591 892	822 542
Total result	(50 195)	64 377
Extraordinary dividend	0	(300 000)
Exchange rate effects	19 072	4 972
Other equity 31.12.	**560 768**	**591 892**

CASH FLOW STATEMENT

Amounts in USD 1000	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	78 043	44 457
Cash paid to re-insurers	(33 230)	(18 903)
Cash paid related to claims expenses	(42 912)	(6 384)
Cash receipts from re-insurers related to claims expenses	16 846	1 815
Paid insurance related administrative expenses	(36 835)	(9 756)
Net cash flow from the technical account	**(18 087)**	**11 229**
Net cash flow from interest, dividends and realised gains/losses on financial assets	40 112	102 823
Net cash flow from acquisition/disposal of financial assets	37 418	167 209
Paid administrative expenses related to financial assets	(17 116)	(4 617)
Net cash flow from the non-technical account	**60 414**	**265 415**
Net cash flow from operating activities	**42 327**	**276 644**
CASH FLOW FROM NON-OPERATING ACTIVITIES		
Cash receipts from the disposal of fixtures and fixed assets	61	70
Cash paid for the acquisition of fixtures and fixed assets	(141)	(828)
Net cash flow from non-operating activities	**(80)**	**(758)**
Cash flows from financing activities		
Extraordinary dividend paid to members	(25 903)	(273 859)
Net cash flows from financing activities	**(25 903)**	**(273 859)**
Net cash flow in the period	**16 344**	**2 027**
Cash and bank 01.01.	17 622	15 596
Net cash flows in the period	16 344	2 027
Cash and bank 31.12.	**33 967**	**17 622**

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 Ministry of Finance has changed the regulations for annual accounts for life insurance companies and non-life insurance companies. DNK has chosen to apply IAS 39 for the accounting of financial instruments in the annual accounts for 2022 and will thus have to follow IFRS 9 from reporting year 2023. IFRS 9 entails new classification and measurement rules for financial assets.

DNK 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.

Based on DNKs current investment portfolio, investment strategy and business model it is assumed that IFRS 9 will not have a significant effect for DNK.

Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognised on the settlement date. Investments are initially recognised 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 recognised 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 recognised 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 recognised at historical cost in the balance sheet and depreciated on a straight-line basis over the assets' life. Direct maintenance of business equipment is recognised in operating expenses on an on-going basis, while additions or improvements are capitalised 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 20 people employed by the Association in 2022. The following amounts are expensed as salary, fees and other benefits, and the following loans were outstanding:

2022

Amounts in USD 1000	Salary/ fees	Bonus	Pension costs	Other benefits	Total	Loan
MANAGEMENT						
Svein Ringbakken, Managing Director	444	157	64	36	**701**	0
Sverre Huse, Finance Director	373	123	45	16	**557**	0
Anders Hovelsrud, Insurance Director	187	50	21	2	**260**	0
Helena Brudvik, Head of Risk Management & Compliance	191	44	18	2	**256**	0
Freddy Furulund, Director of Security & Contingency	210	51	21	2	**285**	0
Irene Philips, Chief Digital Officer	198	0	34	2	**234**	0
BOARD OF DIRECTORS						
Mons Aase, Chair	34	0	0	0	**34**	0
Synnøve Seglem, Vice-Chair	26	0	0	0	**26**	0
Eli Karin Vassenden, Board member	23	0	0	0	**23**	0
Eric Jacobs, Board member	23	0	0	0	**23**	0
Christopher Walker, Board member	23	0	0	0	**23**	0
Harald Fotland, Board member	23	0	0	0	**23**	0
Marthe Romskoug, Board member	23	0	0	0	**23**	0
Carl K Arnet, Board member	23	0	0	0	**23**	0

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	**264**	0
Helena Brudvik, Head of Risk Management & Compliance	206	30	27	3	**267**	0
Freddy Furulund, Director of Security & Contingency	227	33	35	3	**297**	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

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

Holiday-pay accrued in 2021 is included under salary for 2022. 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 2022 include a legally required audit of USD 47 052 (60 409), tax related services of USD 12 396 (10 210) and other audit related services of USD 0 (35 240). 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	2022	2021
Audit related services	0	3 404
Legal, tax-issues relating to equity distribution	0	31 836
Legal, other costs	0	0
Other services from auditor	**0**	**35 240**

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 2022 was USD 348 471 (460 649).

NOTE 5 FIXED ASSETS

Amounts in USD 1000		Machinery/ Fixtures and vehicles	Works of art (paintings)	Real estate
Acquisition cost as at 01.01		5 182	145	349
+ Additions during year		507	0	0
- Disposals during year		(389)	0	0
+ Exchange rate effects		(209)	0	0
Acquisition cost as at 31.12	**A**	**5 091**	**145**	**349**
Accumulated ord. depr. as at 01.01		2 734	0	0
+ Ordinary depreciation		950	0	0
- Disposals at acquisition cost		(322)	0	0
+ Exchange rate effects		158	0	0
Accumulated ord. depr. as at 31.12	**B**	**3 520**	**0**	**0**
Book value as at 31.12	**A-B**	**1 571**	**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 403 million (947).

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 2022, NOK 700 million of reserves (around USD 71 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	2022	2021
OVERVIEW OF TEMPORARY DIFFERENCES INCLUDED IN THE BASIS FOR DEFERRED TAX		
Fixed assets	279	950
Pension obligations	91	188
Insurance reserves	71 410	79 391
Gross claims provisions	(80)	(89)
Accrued variable compensation plan	(442)	631
Tax-exempt investments	14 326	(127)
Net temporary differences	**85 583**	**80 943**
Tax loss carryforward	0	0
Basis for deferred tax (tax asset) on balance sheet	346 647	480 535
Deferred tax (tax asset)	86 662	120 134
Deferred tax benefit not shown on balance sheet	0	0
Deferred tax (tax asset) on balance sheet	**86 662**	**120 134**
BASIS FOR DEFERRED TAX (TAX ASSET), CHANGE IN DEFERRED TAX AND TAX PAYABLE		
Pre-tax result (in NOK accounts)	41 176	107 200
Changes in temporary differences not in the basis for deferred tax (tax asset)	0	0
Permanent differences	10 200	(64 243)
Basis for the year's tax expense	**51 377**	**42 957**
Change in temporary differences included in the basis for deferred tax (tax asset)	85 583	80 943
Change in tax loss carryforward	0	0
Taxable income (basis for taxes payable on balance sheet)	**136 960**	**123 900**
OVERVIEW OF TAXES PAYABLE		
Payable tax (deficit)	34 240	30 975
Payable tax (deficit) from previous years	74 858	45 068
Paid tax from previous years	(40 040)	0
Exchange rate effects	(6 996)	(1 184)
Total taxes payable on balance sheet	**62 063**	**74 858**
Payable tax (deficit)	34 240	30 975
Change in deferred tax (tax Asset)	(21 396)	(20 236)
Change in deferred tax due to changes in tax rates	0	0
Tax expenses (tax asset) in income statement	**12 844**	**10 739**
RECONCILIATION OF THE YEAR'S TAX EXPENSE		
Pre-tax result (in NOK accounts)	41 176	107 200
Tax on accounting result before tax 25%	10 294	26 800
Tax expenses in the income statement	12 844	10 739
Difference	**2 550**	**(16 061)**
OVERVIEW OF DIFFERENCE		
25% av permanent differences	2 550	(16 061)
Change in deferred tax due to changes in tax rates	0	0
Total differences	**2 550**	**(16 061)**

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 includes USD 203 136 (218 115) of unpaid tax withholdings as at 31.12.22.

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	2022	2021
PROFIT & LOSS		
Gross paid claims	(42 912)	(6 384)
- Deducted claims provisions	52 173	5 096
Expensed gross claims	**9 261**	**(1 288)**
New gross claims provisions	(55 904)	(52)
Exchange rate effects	0	0
Gross expensed claims	**(46 642)**	**(1 340)**
Reinsurers' share of gross paid claims	16 846	1 815
- Deducted reinsurers' share of claims provisions	(16 846)	(1 815)
Expensed reinsurers' share of gross claims provisions	**0**	**0**
Change in reinsurers' share of gross claims provisions	8 803	1 797
Exchange rate effects	0	46
Reinsurers' share of expensed gross claims	**8 803**	**1 843**
Claims for own account	**(37 840)**	**503**

BALANCE SHEET		
Gross claims provisions 01.01	**10 507**	**15 551**
- Paid claims deducted from claims provisions	(52 173)	(5 096)
New claims provisions	55 904	52
Change in gross claims provisions	**3 731**	**(5 044)**
Exchange rate effects	0	0
Gross claims provisions 31.12	**14 238**	**10 507**
Reinsurers' share of gross claims provisions 01.01	**10 465**	**10 437**
- Deducted reinsurers' share from gross claims provisions	(16 846)	(1 815)
Change in reinsurers' share of gross claims provisions	8 803	1 797
Change in gross claims provisions	**(8 043)**	**(18)**
Exchange rate effects	0	46
Reinsurers' share of gross claims provisions 31.12	**2 422**	**10 465**
Claims provision for own account 31.12	**11 816**	**42**

NOTE 9 ITEMS THAT HAVE BEEN COMBINED IN THE ACCOUNTS

Amounts in USD 1000	2022	2021
Interest income from bank deposits	249	(42)
Interest income from domestic loans	0	0
Interest income on bonds	5 880	8 018
Dividends on equities	0	141
Interest and dividend from financial assets	**6 129**	**8 117**
Unrealised gains/losses on financial current assets	**(78 652)**	**(37 627)**
Exchange rate gains	3 912	407
Exchange rate losses	(4 639)	(3 061)
Realised gains/losses on equities	28 400	69 062
Realised gains/losses on bonds	(25 152)	5 693
Realised gains/losses on derivatives	30 965	18 258
Realised gains from financial assets	**33 486**	**90 361**
Administrative expenses associated with financial assets	**(7 441)**	**(7 310)**
Total income/loss from financial assets	**(46 478)**	**53 541**

NOTE 10 ADMINISTRATIVE EXPENSES

Amounts in USD 1000	Insurance 2022	Finance 2022	Total 2022	Total 2021
Salary and holiday pay, employees	1 772	1 772	3 544	4 040
Social security taxes	403	403	805	945
Pension cost	174	174	348	461
Other personell costs	107	97	205	140
Fees	272	272	544	821
Rental costs, office and machinery	241	241	482	449
Ordinary depreciation	475	475	950	874
Other administrative expenses	4 237	4 007	8 244	7 430
Total administrative expenses	**7 682**	**7 441**	**15 123**	**15 160**

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 2022 were split 50/50.

NOTE 11 FINANCIAL ASSETS - FAIR VALUE HIERARCHY

Amounts in USD 1000	2022	2021
Equities	163 964	204 316
Bonds and fixed income securities	487 767	565 699
Financial derivatives, assets - liabilities	-4 733	-142
Total financial assets*	**646 997**	**769 873**

* Total fair value equals market value.

2022 - Financial assets measured at fair value over the income statement

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Equities	163 964	0	0	163 964
Bonds and fixed income securities	310 862	176 906	0	487 767
Financial derivatives, assets - liabilities	-4 269	-464	0	-4 733
Total	470 556	176 442	0	646 997
Distribution	**72.7 %**	**27.3 %**	**0.0 %**	**100.0 %**

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
Total	**672 502**	**97 370**	**0**	**769 873**
Distribution	87.4 %	12.6 %	0.0 %	100.0 %

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

2022

Amounts in USD 1000	Value at cost	Fair value	Distribution
Mercer Passive Global Equity	27 344	27 537	16.8%
State Street World Screened Index Equity	71 649	107 236	65.4%
Equity index funds	**98 993**	**134 772**	**82.2%**
Nordea Global Stable Equity	29 689	29 191	17.8%
Other equity funds	**29 689**	**29 191**	**17.8%**
Total equities	**128 682**	**163 964**	**100.0%**

2021

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

As of 31 December 2022, DNK's fixed income portfolio consists of a discretionary managed global bond portfolio, a money market fund and a cash account. Two of the bond funds were sold in 2022 to reduce the duration risk of the total bond portfolio. The benchmark for the global discretionary mandate is the Bloomberg Global Aggregate Index with a duration of 1–3 years, hedged to USD. The weighted benchmark duration for the bond portfolio was 1.9 years, while the duration of the portfolio was 1.6 (1.9) at the end of 2022.

Amounts in USD 1000	2022 Market value	2021 Market value
Market value of fixed income securities	485 668	564 250
Accrued interest income	2 099	1 448
Bonds and other fixed income securities	**487 767**	**565 699**

Amounts in USD 1000	Value at cost	Market value	Value at cost	Market value
DISCRETIONARY MANDATES				
Global bonds, USD hedged	473 171	456 048	480 209	466 738
BOND FUNDS				
BlackRock Money Market	29 141	29 620	0	0
Mercer ARFI	0	0	63 481	69 733
Pimco	0	0	19 552	27 779
MARKET VALUE OF FIXED INCOME SECURITIES		**485 668**		**564 250**

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

2022

Amounts in USD 1000	Distribution	Rating	Duration	Yield	Int. rate risk
Bonds, global, USD hedged	94 %	AA-	1.7	3.8 %	-7 449
Bond funds	6 %	AAA	0.1	4.4 %	-19
Total fixed income	**100 %**	**AA-**	**1.6**	**3.8 %**	**-7 468**

2021

Amounts in USD 1000	Distribution	Rating	Duration	Yield	Int. rate risk
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**

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

	2022	2021
NOK	0%	0%
USD	100%	100%
Other	0%	0%

The average credit quality (rating) of the bond portfolio is AA- (AA-). The table below shows how the portfolio is distributed by credit quality.

2022

Amounts in USD 1000

Rating	Global	Funds	Total	Distribution
AAA	256 812	29 620	286 432	59.0 %
AA	81 887	0	81 887	16.9 %
A	60 612	0	60 612	12.5 %
BBB	57 028	0	57 028	11.7 %
BB	4 654	0	4 654	1.0 %
B	2 769	0	2 769	0.6 %
CCC, lower	64	0	64	0.0 %
No rating	-7 778	0	-7 778	-1.6 %
Total	**456 048**	**29 620**	**485 668**	**100 %**

2021

Amounts in USD 1000

Rating	Global	Funds	Total	Distribution
AAA	215 995	22 413	238 408	42.3 %
AA	48 178	11 227	59 406	10.5 %
A	138 029	13 778	151 807	26.9 %
BBB	48 811	16 060	64 872	11.5 %
BB	8 499	11 220	19 719	3.5 %
B	6 899	5 196	12 095	2.1 %
CCC, lower	465	1 011	1 476	0.3 %
No rating	-139	16 606	16 467	2.9 %
Total	**466 738**	**97 513**	**564 250**	**100 %**

Government, government guaranteed, and municipal bonds, amount to 61% (68%) of the bond portfolio's fair value. Non-government bonds have an average credit rating of BBB+ (BBB+).

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. Reporting to the authorities is done on a quarterly basis, whereas 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 2022 was USD 366 million (392).

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 Solvency II 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 36,0% 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 risk corresponds to a 25% depreciation of foreign currency.
- 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 2022, the relative volatility was 0.5%, which indicates that the portfolio's overall risk profile is fairly close to its benchmark.

At year-end 2022, the portfolio's risk profile was as indicated in the table below.

Amounts in USD million	2022	2021
Market risk	**74.5**	**124.4**
Equity	57.2	93.7
Spread	10.7	35.6
Currency	12.1	1.9
Interest rates	22.3	12.2
Concentration	6.3	10.9
Property risk	0.1	0.1
Diversification	-34.3	-30.0
Value-at-risk	**83.4**	**96.9**
Volatility	**4.8 %**	**4.7 %**
Relative volatility	**0.5 %**	**0.8 %**

While the stress test models a financial crisis, the estimated VaR reflects the recent 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 a discretionary mandate. The external manager 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 mandate.

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. The investment agreement regulates 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. In addition, DNK has entered into a currency swap to manage its foreign exchange risk on the NOK-denominated deferred tax liabilities.

The table below shows the financial derivatives on the balance sheet at year-end 2022 and 2021.

Amounts in USD 1000

FINANCIAL DERIVATIVES	2022	2021
+ Assets	3 095	1 729
- Liabilities	-7 828	-1 872
Net financial derivatives	**-4 733**	**-142**
Interest rate risk; futures	-470	150
Currency hedging, bonds, forwards	-4 263	-293
Net financial derivatives	**-4 733**	**-142**

The currency derivatives are rolled over monthly, quarterly, or biannually. 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 86.7 million at year-end 2022 (120.1).

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 2021, the additional capital requirement was USD 270 million. Following a review by the FSAN, the calculation method now incorporates a capital charge for the increased reliance on reinsurance for DNK's catastrophe covers, including major powers' war risks. The additional capital requirement was USD 283 million in 2022 (270).

DNK's solvency capital margin at 31 December 2022 was 184% (188%). The lower margin in 2022 is explained by the negative result for the year.

Amounts in USD 1000

CAPITAL REQUIREMENT AT YEAR-END	2022	2021
Solvency Capital Requirement (SCR)	366 228	391 991
Minimum Capital Requirement (MCR)	91 557	97 998
Additional capital requirement (included in SCR)	283 300	270 400

SOLVENCY CAPITAL AT YEAR-END	2022	2021
Basic own funds, Tier 1	519 012	565 051
Ancillary own funds, Tier 2	153 400	170 300
Total eligible own funds to meet the SCR	**672 412**	**735 351**
Tier 2 as a percent of SCR	42%	43%
Solvency capital margin	306 184	343 360
Solvency capital ratio	**184%**	**188%**

NOTE 17 INVESTMENT IN SUBSIDIARIES

DNK has invested in three companies: Osprey Solutions AS (100% ownership), NORMA Cyber Resilience Center AS (51% ownership), and Aeger Group AS (21% ownership). The cost method is used for the subsidiary's valuation.

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.

Osprey Solutions AS is a maritime tech start-up founded in 2019 and is now 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	2022	2021
Osprey	1 331	842
NORMA Cyber	306	306
Aeger	39	36
Total investments in subsidiaries and associates	**1 676**	**1 184**

NOTE 18 EVENTS AFTER THE BALANCE SHEET DATE

DNK has in 2023 received a claim declaring total loss for one vessel that relates to an incident in 2022. DNK believes that the incident in question does not satisfy the requirements for the total loss cover under the war risk policy. Consequently, no reserves have been made in the financial statements in 2022 for this claim for total loss.

NOTE 19 CLIMATE RISK

DNK does not expect climate risk to impact its insurance operations in the short term. In the longer term, climate risk may lead to increased geopolitical friction and hence potential losses relating to war, terrorism or piracy. If anything, the cost of reinsurance for war risk may increase as reinsurers face losses elsewhere. In the past, variation in reinsurance cost has been passed on to DNK's members.

DNK has little direct negative impact on the climate. DNK's loss-prevention activities aim to minimise potential loss of lives, environmental damage, and damage of hull and machinery. Pricing of war risk seems unrelated to climate risk beyond the preventive measures to avoid losses.

DNK's investment portfolio is subject to ESG-restrictions that aim to reduce the climate risk of the portfolio, both physical risk and transition risk. Key sustainability metrics are shown in the paragraph on Climate Risk in this report, comparing the portfolio to its benchmark. DNK's investments are subject to strict liquidity demands. Financial assets are primarily priced under level 1 of the fair value hierarchy; see note 11. DNK has not priced in any climate risk or discounts in its investment beyond what is already reflected in market prices.

AUDITOR'S REPORT

pwc

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 2022, 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 2022, 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 relevant laws and regulations in Norway 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 the auditor of the Association for a continuous period of at least 22 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 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.

The Association's activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other material events that qualified as new key audit matters for our audit of the 2022 financial statements. Furthermore, *Valuation of financial assets to fair value* and *Valuation of gross claim provisions* have the same characteristics and risks as in the prior year, and therefore continues to be areas of focus this year.

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Key Audit Matters	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, see 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.The Association also uses an external asset manager (service organization). The auditor of the relevant service organization was used to evaluate the design effectiveness and implementation of established controls to ensure valuation of financial assets to fair value, as well as testing the operational effectiveness of the controls. The auditor's testing included, among other, controls related to pricing, data and portfolio servicing. In order to decide whether we could use the information in the auditor's reports as the basis for our assessments, we examined the auditor's competence and objectivity, reviewed the auditor's reports and considered possible deviations and measures taken. We concluded that we could rely on the relevant controls. For a sample of investments, we tested whether 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 valuation of gross claims provisions because determining the provisions involves a degree of inherent complexity, and application of management judgement. The liabilities are based on 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, see note 1 and 8.	For a sample of reported claims, we 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 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 and assumptions used and tested a selection of the underlying data. We also assessed and concluded that the notes regarding the gross claims provisions were sufficient and adequate.

Other Information

AUDITOR'S REPORT

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. 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 nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. 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 statutory 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, 20 March 2023
PricewaterhouseCoopers AS

Thomas Steffensen
State Authorised Public Accountant
(This document is signed electronically)

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