ANNUAL REPORT 2023

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88TH 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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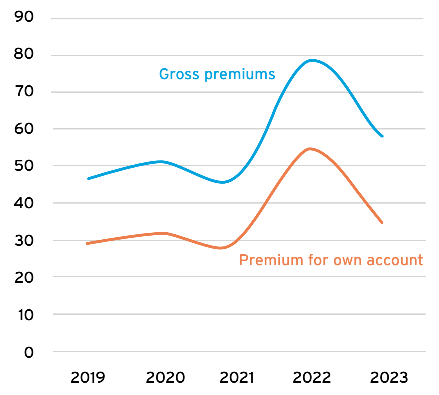

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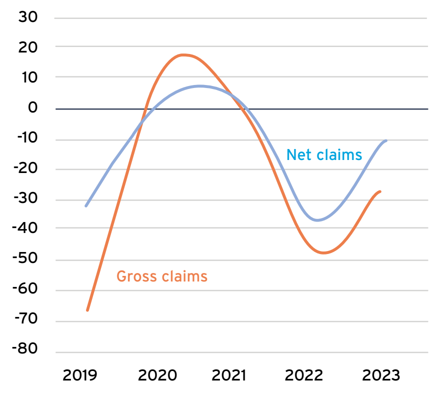

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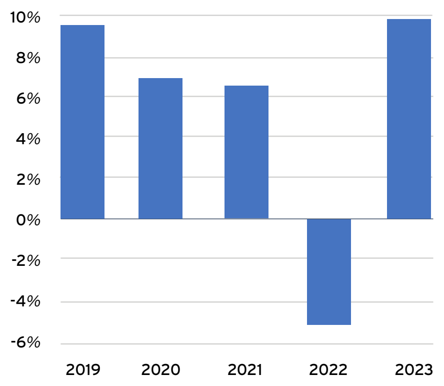

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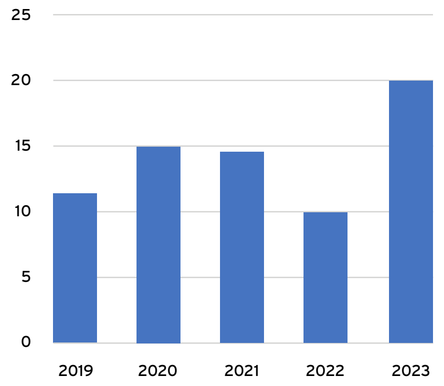

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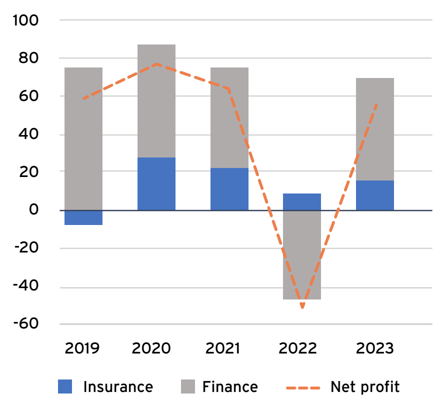

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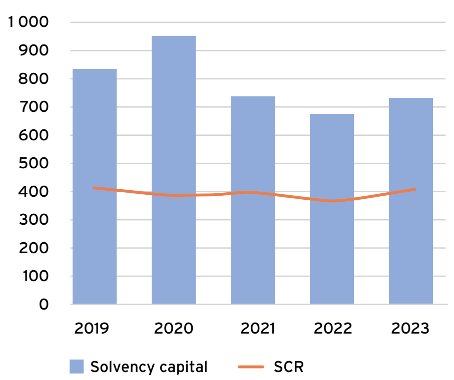

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ANNUAL REPORT

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

Rising geopolitical tensions has impacted the maritime industry in both 2022 (Ukraine, Russia) and 2023 (the Persian Gulf and the Red Sea). War risk premiums rose to compensate for the elevated risk. Claims costs increased as vessels and crew were subjected to attacks from land and sea. Yet, this is what DNK's war risk insurance is all about. For several years, DNK have set out to build an expansive loss prevention and loss mitigation capability to improve resilience through turbulent geopolitical times. Products and services have been expanded, new staff with intelligence background have been employed, and innovative technology implemented and developed to monitor insured vessels and equip DNK's operations centre with state-of-the-art applications. In parallel, new insurance products have been developed to meet the increasing cyber threat against maritime operations and will be launched in 2024, extending an already existing cyber-risk cover.

HIGHLIGHTS 2023

- At year-end 2023, DNK insured 3,313 ships and mobile offshore units (compared with 3,308 in the previous year), with an aggregate insured value of USD 246 billion (225). An additional 3 newbuilds were covered (3).
- Annual premium and corresponding reinsurance rates remained unchanged in 2023. Additional premiums declined in 2023, largely explained by decreased activity in the Black Sea and the so-called RUB-area (Russia, Ukraine and Belarus). The premium adjustment before year-end was USD 20.0 million (10.0).
- The high capacity in the war risk insurance market has tightened gradually. Reinsurance contracts were renewed for 2024 at satisfactory and largely unchanged terms, thus enabling the Association to maintain its competitive rates.
- The return on DNK's investment portfolio was 9.7 % in USD (-5.2 %).
- DNK's solvency capital ratio was 178 % at year-end 2023 (184 %).
- A new member services portal including extended digital contingency products was developed by DNK's digital department.
- DNK's bylaws were amended, and regulatory approval obtained, to allow for the development of a new cyber insurance cover for the entire maritime on- and offshore operations and fleet under the same policy.
- Member vessels were involved in 2 (2) major security crises in 2023, which caused DNK to mobilize its Crisis Management Team. The incidents were related to Houthi Insurgents' attacks on members vessels in the southern Red Sea in December.
- 53 (50) security incidents related to activities by state actors, pirates, and insurgents affected member vessels. All incidents were resolved without incurring losses.

  DNK has renewed its D&O insurance for Members of the Board and Directors from 2023 to 2024. The insurance covers potential liability arising out of decisions and actions taken as part of their duties. The cover is considered adequate, based on an assessment of DNK's potential exposure.

EVENTS AFTER THE REPORTING PERIOD

There are no known events after the reporting period that may affect DNK's financial statements for 2023.

FINANCIAL RESULT 2023

Gross premium income in 2023 amounted to USD 58.2 million (78.6) after a USD 20.0 million (10.0) premium adjustment to members, or no-claims bonus ("NCB"). Before such NCB, overall gross premiums decreased by 10 % in 2023 due to the introduction of sanctions towards Russia and decrease in traffic related to the grain corridor out of Ukraine. Annual premiums decreased by 4 % compared to 2022. The number of transits through conditional trading areas declined by 8 %, while the average rate decreased by 15 %. Annual premiums before NCB represented 9 % of DNK's gross premiums in 2023 (8 %).

Reinsurance costs decreased by 1 %. Premium for own account, after NCB, amounted to USD 34.5 million (54.6). Gross claims costs were USD 27.5 million (46.6). Net claims costs were USD 10.6 million (37.8). The claims in 2023 were related to one incident in Nigeria which triggered supplementary covers outside the boundaries of the core war risks product, and two incidents in the Red Sea.

DNK's technical result amounted to USD 15.9 million (9.1) after administrative costs.

The operating profit from investment management, after administrative costs, was USD 53.8 million versus a loss in 2022 of USD 46.5 million. The investment portfolio generated a return of 9.7 % in 2023 (-5.2 %). While equities posted a return of 23.1 %, the bond portfolio returned 5.6 %. On average, equities made up 24.8 % (23.6 %) of the portfolio, the balance allocated to global bonds, cash, and the money-market.

DNK's administrative costs was USD 16.3 million in 2023, and can be broken down as follows: Personnel expenses, including social security and pensions, was USD 5.8 million (36 %). Costs related to vessel-tracking (Raptor-units) was USD 1.7 million (10 %). DNK provides a cash contribution of USD 1.0 million (6 %) to support Norwegian Maritime Cyber Resilience Centre AS ("NORMA Cyber") in a critical start-up phase. The annual contribution is limited to five years and will terminate after 2025. Wealth tax is included in administrative costs and amounted to USD 2.2 million (14 %) in 2023. Direct asset management costs (fees) amounted to USD 1.2 million (7 %). Various other ordinary administration expenses amounted to USD 4.4 million (27%). The administrative expenses are shown in more detail in note 10 to the financial statements.

DNK's overall operating profit for the year was USD 69.7 million versus a loss of USD 37.4 million in 2022. After USD 14.0 million in taxes (12.8), the total result for 2023 was USD 55.7 million as opposed to a loss USD 50.2 million the year before. The tax expense in 2023 is based on an operating profit of NOK 979 million.

Cash flow from insurance activities was USD 11.0 million in 2023 (-18.1). Premium income, reinsurance expenses, claims and administrative costs were the main cash items. Cash flow from financing activities was USD -25.6 million (60.4). 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 -14.7 million (42.3). Cash flow from investment in fixed assets was USD -1,6 million (-0.1). Net cash flow for the period was USD -16.2 million (16.3). At the end of 2023, bank deposits amounted to USD 17.7 million (34.0).

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 subsidiaries and one associated company are not consolidated in DNK's financial statements. This is because the combined turnover and equity from the three companies is insignificant compared to that of DNK.

The Board is not aware of any events, after closing of the balance sheet, that may affect the submitted financial statements for 2023.

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 69.1 (86.7) was outstanding at year-end 2023.

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

INSURANCE ACTIVITIES

In 2023, geopolitical tensions have translated into unprecedented security challenges to merchant shipping in several regions. This has led to increased rates for activities in existing high-risk areas, and the establishment of new conditional trading areas. Israel, Sudan and the Gulf of Guyana have emerged as new areas of concern, and the attacks on merchant ships in the Southern Red Sea has put pressure on rates for calls and transits. When vessels navigating traditional trade routes are threatened by violence, it quickly turns into interruptions of world trade, and unacceptable conditions for mariners. Fortunately, no mariners lost their lives due to war risks in service onboard any of the 3,313 vessels DNK insured in 2023. However, the attacks on merchant vessels in the southern Red Sea could easily have resulted in casualties.

DNK has throughout the year balanced the responsibility to educate members on threats, and simultaneously enable safe trade in challenging areas, on competitive terms. DNK's Intelligence and Operations team (IOC), have responded to many requests, and participated in a wide number of expert panels on maritime security concerns.

DNK supported members engaged in the BSGI "Grain Corridor" up to its termination in July of 2023. With suspended security guarantees in the Black Sea, DNK had to abstain from offering cover for Ukraine calls until a satisfying arrangement is re-established. The tightened sanctions against Russia led to a significant reduction of calls in Russian ports, but at the same time implied a substantial increase in responsibility and workload for both members and DNK. All outstanding claims resulting from the invasion of Ukraine in 2022 were paid in 2023.

Rates for calls in high risk areas have been consistently high throughout the year, leading to a substantial revenue and positive technical result. In accordance with DNK's strategic goal to deliver competitive advantage to its members, rates have been carefully adjusted to competitive levels, and year-end NCB was awarded to all members with calls in high-risk areas. To enhance operational control for both members and DNK, a new member portal was developed inhouse and launched in September. The portal unites vessel tracking and map services, threat intelligence, and insurance documentation in one application. The portal is a bespoke solution for DNK members and will be extended and improved on a continuous basis in the future.

Through 2023, DNK have developed a new cyber insurance product for its members which will be launched in 2024. The new cover complements the existing marine cyber war cover included in DNK's standard policy, and will provide loss prevention, incident response and financial loss coverage for the shipowner's entire maritime on- and offshore operations and fleet, against all types of cyber events, under the same policy.

This new cover aims to complement traditional cyber insurance models with a new approach that considers the dependencies between on- and offshore operations and reflects cyber risk from the perspective of how attackers will try to impact a shipowner's entire operation for financial gain or disruptive purposes.

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.

In 2023, DNK together with the Norwegian Shipowners Association and NORMA Cyber established the Norwegian Shipping Security and Resilience Centre in Rådhusgata 25 in Oslo. DNK is represented in the centre with the Awareness and Resilience Centre (ARC) which is designed to provide situational awareness to the members and to the centre.

Intelligence and Operations Summary 2023

The main security challenges for shipping in general and for DNK members in 2023, was related to the

Russian invasion of Ukraine starting in 2022 with the subsequent and maintained Russian blocking of north-eastern Black Sea, and the Anti-Ship Missile (ASM) and weaponised Unmanned Aerial Vehicle (UAV) attacks on merchant vessels in the southern Red Sea conducted by the Houthi Insurgents (Yemen).

The Hamas terrorist attack on Israel on 7 October 2023 with the subsequent Israeli military response on the Gaza Strip, caused increased tension in the entire Middle East, but most directly for shipping in the southern Red Sea, the northern Gulf of Aden and the Arabian Sea.

When two DNK member vessels were attacked in the southern Red Sea in December 2023, DNK mobilised its Crisis Management Team immediately to support the members involved. In both cases the vessels were exposed to damage by the ASM and UAV attacks, while no crew were injured. Both attacks are attributed to the Houthi Insurgents.

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 2023. Throughout the year, merchant vessels were exposed to weaponised UAV attacks in the Arabian Sea and were harassed and aggressively approached by the Islamic Revolutionary Guard Corps Navy (IRGC-N) in the Arabian/Persian Gulf, the Strait of Hormuz, and the Gulf of Oman.

Compared to previous years, Piracy and Kidnap for Ransom (K&R) attacks represented a reduced security challenge in the Gulf of Guinea also in 2023. But after a pause, Nigeria-based pirates took up their activity by the end of the year.

In Southeast Asia, armed robberies and petty thefts in the Singapore Strait remained at a very high level during the first 9 months of 2023, but was downscaled by the end of the year. 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.

INVESTMENT MANAGEMENT

Financial markets in 2023

In 2023, the financial markets experienced volatility due to inflation concerns and the central banks' policies. Both major stock and bond indexes fluctuated in response to inflation datapoints and there were indications of a bumpy path to stabilize price pressures. Later signs of easing inflation and a pivoting Federal Reserve (Fed) seemed to indicate a significant reduction in interest rates in 2024. This in return, gave a real boost to both equities and bonds in the late stage of 2023. The MSCI global equity index rose by 24.3 %, and the Bloomberg global bond index increased by 5.5 % in 2023.

The US economy is a significant contributor to both indexes, as the share of US issuers make up 70 % of the equity index and 35 % of the bond index. The "Magnificent 7" stocks, including Apple, Microsoft, Google parent Alphabet, Amazon, Nvidia, Meta and Tesla, had a strong performance in 2023, outperforming the major US indexes, largely caused by developments related to artificial intelligence (AI). These seven stocks in the S&P 500 delivered a combined return of nearly 76 %, while the remaining 493 companies in the index were up around 12 % for the year. Consequently, the total index's 24 % return is not representative of the average company in the index.

In 2024, the financial markets are expected to face continued uncertainty related to inflation, central bank policies, and geopolitical events. The trajectory of inflation and the actions of central banks will likely remain key factors influencing market performance. After hiking rates from 0 % to 5.25 % in 2022–2023, the market expects the Federal Reserve to cut rates in 2024 by 1.5 percentage points. Additionally, developments in technology, sustainability, and global trade may shape investment trends in 2024.

Key market indices 2021–2023

The table below reflects 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 30.8 % over the past three years, medium term global bonds returned 3.0 %. The USD appreciated by 18.5 % 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

[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. [3] The S&P 500 is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States

Return/change in value %	2023	2022	2021	3 years
Global equities, MSCI, USD	24.3 %	(15.4 %)	24.4 %	30.8 %
Global bonds, Bloomberg Global Agg. 1-3 years, USD	5.5 %	(2.3 %)	(0.1 %)	3.0 %
USD vs. NOK	3.8 %	11.2 %	2.7 %	18.5 %

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 2023, the entire portfolio was allocated or hedged to USD. Measured in USD, the portfolio return was 9.7 % in 2023 (-5.2 %). Equities returned 23.1 % (-14.4 %) while bonds returned 5.6 % (-2.2 %). DNK's portfolio return was 0.3 percentage points lower 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, oversees 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 higher in 2023 due to both increased market value of the investment portfolio coupled with an elevated stress factor for equities, a consequence of the recent strong performance in equity markets. The relative volatility is marginally lower, 0.1 percentage point, compared to 2022.

CORPORATE GOVERNANCE

DNK is subject to supervision by the Financial Supervisory Authority of Norway. Corporate Governance issues and requirements are specified in the Articles of Association. 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 has three committees: the Audit Committee, the Risk Committee, and the Remuneration Committee. DNK's Articles specify the Association's objectives and membership conditions and outline the scope and conduct of an annual general meeting. Each member's voting rights are proportional to its registered insured amount with DNK. No restrictions are placed on the 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 practices, including requirements to facilitate a transparent organizational structure with respect to responsibility and authority, reporting lines, exchange of information, risk management and internal controls. The Board continually monitors and reviews DNK's financial results, operations and the risk- and capital structure. Environmental, social and governance (ESG) factors

Risk measures	2023	2022	2021
Stress test, USD million	(100.7)	(74.5)	(100.0)
Value-at-Risk (VaR), USD million	(96.8)	(83.4)	(97.0)
Relative volatility	0.4 %	0.5 %	0.8 %

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

Governing procedures and ethical guidelines for suppliers and internal operations set clear requirements with respect to human rights, working conditions, sustainability systems and ethical business conduct. Responsible purchasing is also regulated through procedures and guidelines. DNK is subject to the Norwegian Transparency Act which became effective in 2022. The Association's ongoing work with human rights and decent working conditions was outlined in a report in 2023. The report is available on DNK's website www.warrisk.no/compliance. DNK is in the process of preparing compliance with the new EU Corporate Sustainability Reporting Directive for the financial reporting year 2025.

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

Loss prevention is at the core of DNK's business model, it being to people, the environment, or insured assets. The starting point is to provide financial security through insurance, which is followed through with operational support to avoid, mitigate and manage risks.

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, 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 DNK's 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.

In 2016 DNK introduced 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 means that the member will 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. A new cyber cover is expected to be launched in 2024, which aims to cover cyber risks in both the marine and enterprise domains.

Over the past years, DNK's holistic approach to loss prevention has included the establishment and staffing of an intelligence and operations centre (IOC), and significant investments in technology to support its services to members. 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. DNK has a unique insurance cover for marine cyber risks caused by war perils that will be extended by a new cover in 2024 which also offers risk transfer for the members' onshore operations.

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, suppliers and other stakeholders. Regular Know Your Customer (KYC) controls, 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 routinely reports details of all cases involving ransom demands to the Norwegian National Authority for Investigation of Economic and Environmental Crime (Økokrim), the National Crimes Agency in the UK and INTERPOL. In 2023, DNK had no reported cases of corruption or bribes.

DNK aims for high ethical business standards, and as environmentally friendly operations as possible, in its own operations and across the supply chain.
The Association devotes extensive resources to solid internal control procedures to manage existing and emerging risks, and to comply with internal and external regulations and policies.

For the financial year 2025, DNK will report in compliance with CSRD (the Corporate Sustainability Reporting Directive).

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. This 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. Moreover, lack of international cooperation on environmental regulation may lead to adverse effects on trade and investments.

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. However, the shipping industry is not particularly prone to so-called physical climate risks. Specifically, in war insurance, the overwhelming risk is posed by threat actors and not the environmental changes. 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 future 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 a 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. Starting in January 2024, the EU has included the maritime sector in emissions trading system (ETS). This entails the purchase of carbon allowances for voyages to or from EU ports, and for time spent in EU ports. The ETS is introduced progressively, starting with an allowance requirement of 40 % of the emissions in 2024, and increasing to a 100 % requirement in 2027. This incentivizes shipowners and resolves parts of the transition risk, in terms of creating a unified requirement for all participating actors. A similar gradual reduction of carbon emissions is enacted in the US, with the passing the Clean Shipping Act of 2022. The membership community remains committed to embrace new emission reduction technologies and act proactively to position themselves in compliance with regulatory developments and required change.

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. In 2023 we have seen a positive development in the number of Green Corridor Initiatives, with more clarity on the fuel pathway representing a major driver, in addition to active intervention by governing bodies like the EU and IMO. In addition to the 22 initiatives announced in 2022, there were another 23 initiatives announced in 2023, according to the most recent annual progress report by the Global Maritime Forum.

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. The investment community and portfolio managers are increasingly focused on environmental, social and governance (ESG) factors when making investment decisions.

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.
Using fund flow estimates from Morningstar on open-end mutual and exchange-traded funds, the trend of sustainability investing is evidently there, albeit with a muted interest the very recent years. Funds labelled "sustainable" in their prospectuses attracted USD 300 billion in 2020 and close to USD 600 billion in 2021. In 2022 and 2023, the figure retracted to USD 166 and 59 billion, respectively.

In collaboration with Morningstar and Sustainalytics, DNK measures and monitors risk in the investment portfolio. Broadly speaking, the portfolio consists of equities (25 %), corporate bonds (30 %), and government bonds (45 %). 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. Issuers deemed to have negative externalities are excluded from the mandate. As of 30 November 2023, the fixed income mandate overweighted positive-externality-issuers by 4 percentage points, and underweighted negative-externality issuers by some 6 percentage points. BlackRock also applies a proprietary sovereign sustainability score (BSSI), which uses World Bank data in addition to an internal overlay of ESG factors on countries.

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 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

Estimated sustainability measures	DNK	Benchmark
Carbon emissions, Scope 1-2 (metric tons CO_2)	18 441	23 183
Carbon intensity, Scope 1-2	102.8	130.8
Carbon data coverage (%)	45.8 %	39.0 %
Sovereign carbon intensity	0.22	0.30
Morningstar Corporate Sustainability Score (0-50)	20.6	20.5
Morningstar Sovereign Sustainability Score (0-50)	13.8	15.1
SFDR Article 8 funds	93 %	N/A
Fossil fuel involvement (%)	8.4 %	8.1 %
Percent of female directors	16.7 %	13.9 %
Percent of female executives	13.1 %	8.7 %

Equity portfolio	DNK	Benchmark
Carbon emissions, Scope 1-2 (metric tons CO_2)	10 936	11 817
Carbon intensity, Scope 1-2	127.6	131.6
Carbon data coverage (%)	97.5 %	99.1 %
Exposure to high-emitting sectors, USDm	18.4	19.7
Exposure to high-emitting sectors, share of equity portfolio	9.6 %	10.3 %
SFDR Article 8 funds	100 %	N/A
Morningstar Corporate Sustainability Score (0-50)	20.6	21.2
Fossil fuel involvement (%)	22.9 %	23.8 %
Controversial Weapons, Evidence of Activity	0.8 %	1.8 %
Breach of UNGC Principles & OECD Guidelines for MNE	0.4 %	0.7%
Watchlist of UNGC Principles & OECD Guidelines for MNE	13.4 %	13.9 %
MSCI ESG rating, weighted average	A	A
Coverage MSCI rating	99.6 %	98 %
Percent of female directors	34.8 %	34.3 %
Percent of female executives	22.6 %	22.9 %

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.

DNK's portfolio scores better than, or close to, its benchmark on every indicator, albeit by a relatively small margin. 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 and high-carbon issuers like China, and overweight issuers like Japan, Canada and Germany.
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 1.2 %-points in the corporate portfolio, whereas issuers with an ESG score below 10 have a marginal underweight in aggregate.

Actions and initiatives

DNK will continue to improve both the composition of issuers in terms of ESG Risk Scores, and the carbon emissions and intensity metrics going forward. In 2024 and 2025, DNK will expand its reporting processes and data collection, to comply with the Corporate Sustainability Reporting Directive (CSRD). Following a materiality assessment of DNK's entire value chain, the association will report on the relevant European Sustainability Reporting Standards (ESRS). The entire value chain is to be assessed, which includes both upstream and downstream activities.

[4] BlackRock's discretionary mandate is not subject to SFDR, but is managed in line with an Article 8-classification

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

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 a culture of risk transparency and awareness and encourage open 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 mitigated through 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, concentration 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 technology and cyber security, sanctions screening, AML controls, cloud services, outsourcing 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.

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 impede DNK's ability to maintain its 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 726.1 million at the end of 2023 (672.4), where Tier 1 capital was USD 577.6 million (519.0), and Tier 2 capital (mutual liability) amounted to USD 148.5 million (153.4).

The solvency capital requirement was USD 407.0 million by year-end 2023 (366.2). 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 marine insurance. For 2023, this additional charge was USD 303.9 million (283.3). The solvency capital ratio was 178 % (184 %).

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

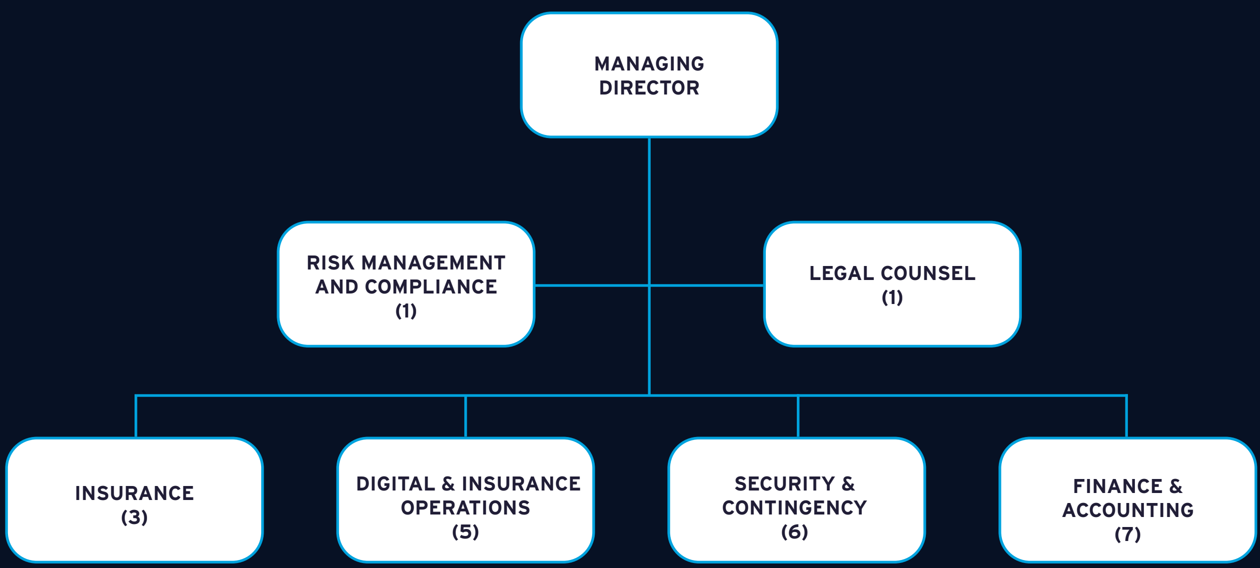
ADMINISTRATION

The Association operates out of Oslo and had 24 employees at year-end 2023 (23). 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 2023 totalled 73 days (115), which represented 1.37 % of overall working days (2.3 %). Excluding long-term absence (more than 16 days) in 2023, absence due to illness was 0.5 % of working days (0.7 %).
DNK's Board consists of 3 women and 5 men, while the administration is comprised of 9 women and 15 men.

The overall organisational structure is illustrated below (number of employees in parenthesis).

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.



DEN NORSKE KRIGSFORSIKRING FOR SKIB

OSPREY Solutions

NORMA CYBER

OUTLOOK 2024

The two main risk factors affecting DNK's earnings are 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. In more detail, changes in the following factors may impact DNK's financial position and solvency capital margin:

(i) Aggregate insured value.
(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 is negligible, 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.

Average rates for annual premiums have in 2024 increased moderately, both as a consequence of an increase in geopolitical tensions, and a concentration of high value units within cruise and mobile offshore units. The total value of insured tonnage has increased into 2024 after remaining stable over the past few years. Reinsurance costs are marginally higher. The main conditional trading areas are currently ports in Russia, Belarus and Ukraine including the Black Sea, the Indian Ocean, the Southern Red Sea, the Arabian Gulf and the Persian Gulf and finally, the Gulf of Guinea. The reinsurance contracts for 2024 were largely renewed "as per expiry". DNK has a diversified risk mitigation program with reputable reinsurers.

Additional premiums are likely to remain elevated in 2024 due to the war in Ukraine and the conflict in the Middle East. Tensions between the US and China have become both more visible over the issue of Taiwan, and more dispersed to include technology and trade. While it is difficult to foresee changes in geopolitical risks and their potential impact on marine war insurance, there is concern for a potential escalation that affects shipping routes and seafarers' safety, as currently experienced in the Red Sea.

Higher interest rates appear to have alleviated inflationary pressure but may deter economic growth and diminish corporate earnings and thus lead to higher unemployment. This may in turn trigger corrections in the financial markets. However, the consensus for 2024 indicates a soft economic landing, thus avoiding disruptions in employment and financial markets.

Provided there will be no major insurance claims, a positive technical result is expected in 2024. DNK is consequently expected to improve its solvency capital margin by year-end 2024.
DNK remains actively engaged in the Norwegian national total defence concept inter alia as a permanent member of the NORTRASHIP-Board and through engagements in NATO's resilience work relating to ocean transport and war risks insurance. Due to current geopolitical tensions, it is expected that this engagement will continue to expand.

DNK's solvency capital margin was 178 % at the end of 2023 (184 %) which is well above the regulatory requirement.

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, 18 March 2024
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 1 000	Note	2023	2022
TECHNICAL ACCOUNT			
Gross earned premiums		58 202	78 646
Ceded reinsurance on gross earned premiums		(23 752)	(23 998)
Premiums for own account		**34 451**	**54 648**
Gross claims expenses	8	(27 523)	(46 642)
Reinsurers' share of gross claim expenses	8	16 906	8 803
Claims for own account		**(10 617)**	**(37 840)**
Insurance related administrative expenses	2,3,4,5,10	**(7 907)**	**(7 682)**
OPERATING RESULT OF TECHNICAL ACCOUNT		**15 926**	**9 127**
NON-TECHNICAL ACCOUNT			
Net income from financial assets			
Interest and dividend from financial assets	9	10 903	6 129
Change in fair value of financial assets	9	55 851	(78 652)
Realised gains from financial assets	9	(4 586)	33 486
Administrative expenses related to financial assets	2,3,4,5,9,10	(8 400)	(7 441)
Total net income from financial assets		**53 767**	**(46 478)**
OPERATING RESULT OF NON-TECHNICAL ACCOUNT		**53 767**	**(46 478)**
PRE-TAX RESULT		**69 693**	**(37 351)**
Tax expense	6	**(13 972)**	**(12 844)**
PROFIT FOR THE YEAR		**55 721**	**(50 195)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55 721**	**(50 195)**
TOTAL RESULT		**55 721**	**(50 195)**
PROFIT FOR THE YEAR IS DISTRIBUTED AS FOLLOWS:			
Earned other equity		**55 721**	**(50 195)**
TOTAL		**55 721**	**(50 195)**

BALANCE SHEET

Amounts in USD 1 000	Note	2023	2022
ASSETS			
Other intangible assets	5	465	0
Owner occupied properties	5	349	349
Subsidiaries and associated companies			
Investments in subsidiaries and associated companies	18	1 676	1 676
Financial assets at amortised cost			
Bank deposits investment portfolio		42 926	30 593
Financial assets at fair value			
Shares and other equity investments	12,13,15	191 586	163 964
Bonds and other fixed income securities	12,14,15	537 649	487 767
Financial derivatives	12,15,16	6 128	3 095
Total investments		**780 313**	**687 443**
Reinsurers' share of gross claims provisions	8	**10 085**	**2 422**
Insurance related receivables		9 627	7 757
Reinsurers' receivables		11 374	13 653
Other receivables		312	786
Total receivables		**21 314**	**22 197**
Equipment and fixtures	5	2 122	1 716
Cash and bank deposits	7	17 728	33 967
Total other assets		**19 850**	**35 683**
Total prepaid expenses and accrued income		**1 460**	**593**
TOTAL ASSETS		**833 488**	**748 338**

EQUITY & LIABILITIES			
Other equity	17	622 460	560 768
Total equity		**622 460**	**560 768**
Gross claims provisions	8	19 241	14 238
Total insurance reserves		**19 241**	**14 238**
Pension liability provisions	4	1 098	890
Taxes payable	6	76 336	62 063
Deferred tax liability	6	69 101	86 662
Other provisions		2 200	1 677
Total provisions		**148 735**	**151 291**
Insurance related liabilities		10 734	6 752
Reinsurance liabilities		5 911	4 564
Financial derivatives	12,15,16	5 708	7 828
Other liabilities	11	18 364	1 083
Total liabilities		**40 718**	**20 227**
Other accrued expenses and prepaid income		**2 334**	**1 814**
TOTAL EQUITY AND LIABILITIES		**833 488**	**748 338**

Oslo, 18 March 2024
The Norwegian Shipowners' Mutual War Risks Insurance Association

Mons Aase (Chair)	Synnøve Seglem (Vice-Chair)	Marthe Romskoug
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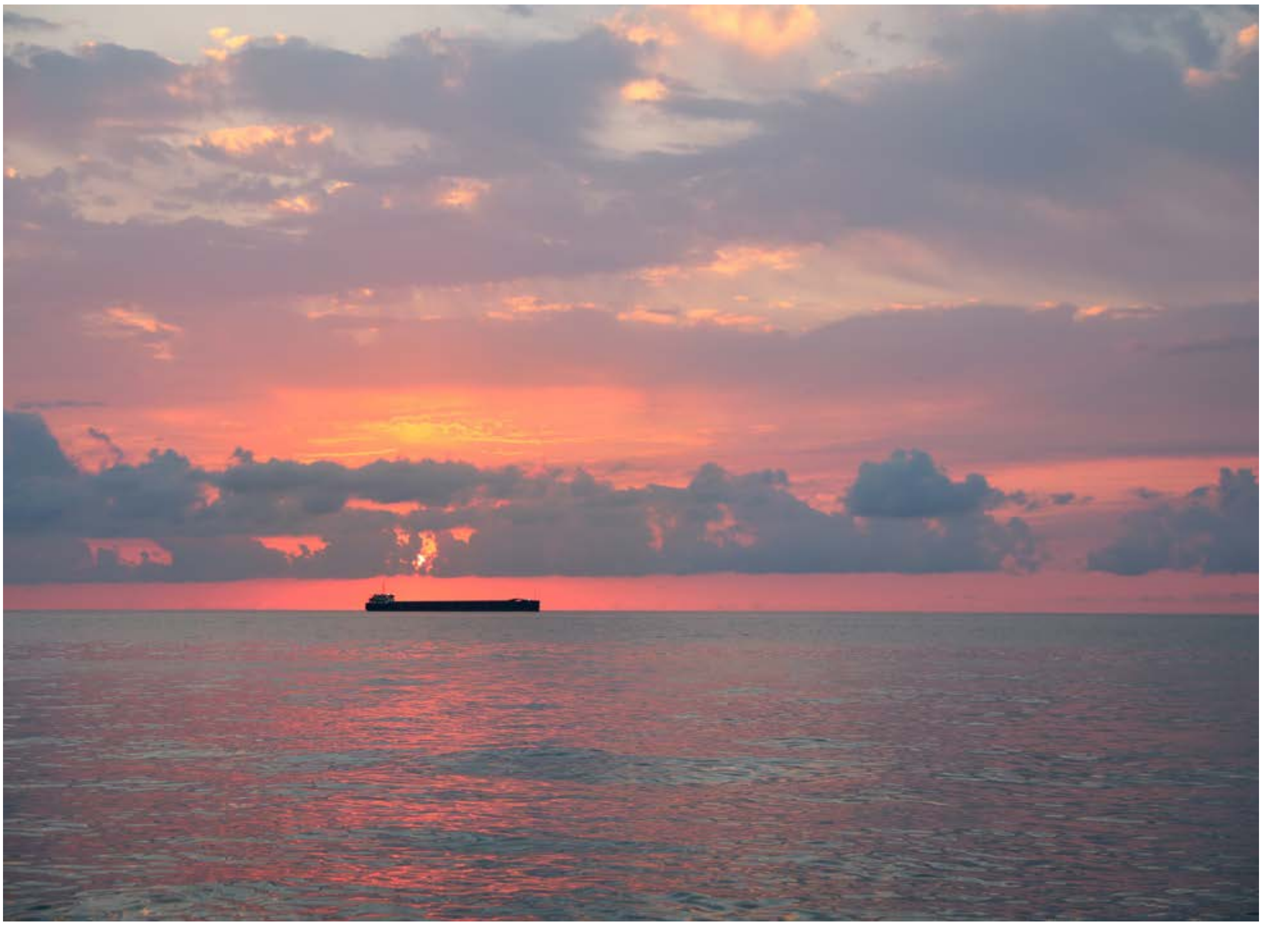


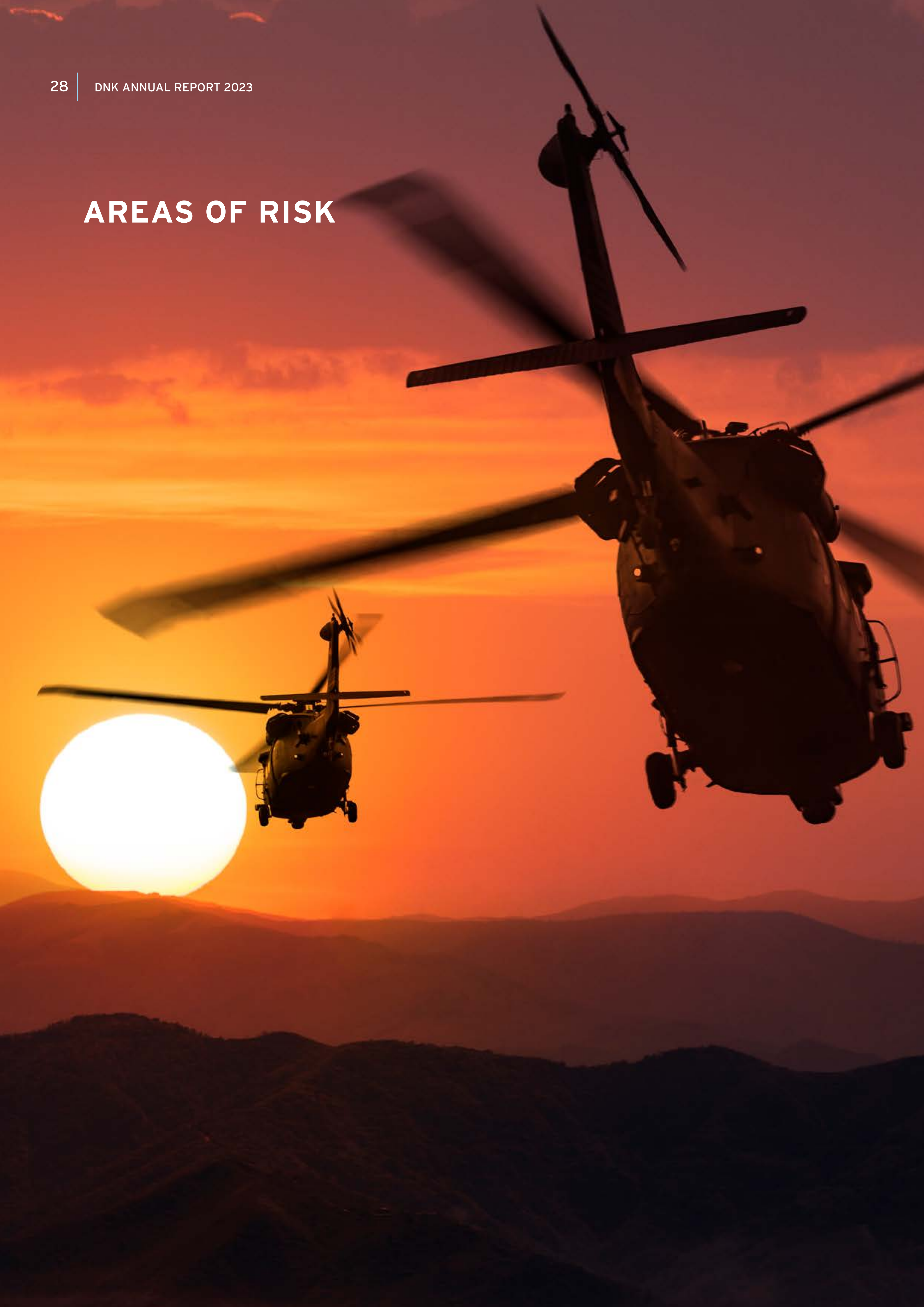
STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000	2023	2022
OTHER EQUITY		
Other equity 01.01.	560 768	591 892
Total result	55 721	(50 195)
Exchange rate effects	5 971	19 072
Other equity 31.12.	**622 460**	**560 768**

CASH FLOW STATEMENT

Amounts in USD 1 000	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	60 315	78 043
Cash paid to re-insurers	(20 126)	(33 230)
Cash paid related to claims expenses	(22 520)	(42 912)
Cash receipts from re-insurers related to claims expenses	9 243	16 846
Paid insurance related administrative expenses	(15 923)	(36 835)
Net cash flows from the technical account	**10 989**	**(18 087)**
Net cash flows from Interest, dividends and realised gains / losses on financial assets	4 468	40 112
Net cash flows from acquisition / disposal of financial assets	(20 191)	37 418
Paid administrative expenses related to financial assets	(9 925)	(17 116)
Net cash flows from the non-technical account	**(25 648)**	**60 414**
Net cash flows from operating activities	**(14 659)**	**42 327**
CASH FLOW FROM NON-OPERATING ACTIVITIES		
Cash receipts from the disposal of fixtures and fixed assets	3	61
Cash paid for the acquisition of fixtures and fixed assets	(1 583)	(141)
Net cash flows from non-operating activities	**(1 579)**	**(80)**
Cash flows from financing activities		
Extraordinary dividend paid to members	0	(25 903)
Net cash flows from financing activities	**0**	**(25 903)**
Net cash flow in the period	**(16 239)**	**16 344**
Cash and bank 01.01.	33 967	17 622
Net cash flows in the period	(16 239)	16 344
Cash and bank 31.12.	**17 728**	**33 967**

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 liabilities

The company's financial liabilities are measured at amortised cost except for financial derivatives, which are measured at FVTPL.

New and amended standards adopted by DNK

From 1 January 2023 IFRS 9 Financial instruments replaced IAS 39. IFRS 9 introduces new measurement models and an expected credit loss model (ECL) which will affect the company's financial assets measured at amortised cost.

Under IFRS 9, financial assets are classified into three measurement categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI), and amortised cost. In the case of financial assets, a distinction is made between debt instruments and equity instruments. The classification of debt instruments is determined by the contractual conditions governing the financial assets, and the business model applied in managing the portfolio of assets.

IFRS 9 tabell 2022 og 2023

The table below lists the Association's financial assets and financial liabilities as of 1 January 2023, in addition to the original and new measurement categories under IAS 39 and IFRS 9, respectively. The transition to IFRS 9 has no financial effect for the company.

Amounts in USD 1 000	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount IAS 39	New carrying amount IFRS 9
Financial assets				
Bank deposits investment portfolio	FVTPL (designated)	FVTPL (mandatory)	30 593	30 593
Cash and bank deposits	Amortised cost (loan and receivables)	Amortised cost	33 967	33 967
Shares and other equity investments	FVTPL (designated)	FVTPL (mandatory)	163 964	163 964
Bonds and other fixed income securities	FVTPL (designated)	FVTPL (mandatory)	487 767	487 767
Financial derivatives	FVTPL (mandatory)	FVTPL (mandatory)	3 095	3 095
Other receivables	Amortised cost (loan and receivables)	Amortised cost	786	786
Financial liabilities				
Financial derivatives	FVTPL (mandatory)	FVTPL (mandatory)	7 828	7 828

Financial assets that are debt instruments

The company's debt instruments with contractual cash flows that are solely payments of principal and interest on specified dates, and that are held in a business model with the objective of collecting contractual cash flows are measured at amortised cost. Other debt instruments are measured at FVTPL.

Derivatives and investments in equity instruments
Derivatives and equity instruments, including mutual funds, are measured at FVTPL.

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.

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 expense in the income statement consists of taxes payable and changes in deferred tax. 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.

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).

NOTE 2 PAYROLL COSTS, NUMBER OF EMPLOYEES AND OTHER BENEFITS

On average there were 24 people employed by the Association in 2023. The following amounts are expensed as salary, fees and other benefits, and the following loans were outstanding:

2023

Amounts in USD 1 000	Salary/ fees	Bonus	Pension costs	Other benefits	Total	Loan
MANAGEMENT						
Svein Ringbakken, Managing Director	434	93	121	41	**689**	0
Sverre Huse, Finance Director	386	73	77	2	**538**	0
Anders Hovelsrud, Insurance Director	181	26	29	3	**239**	0
Helena Brudvik, Head of Risk Management & Compliance	199	25	26	2	**252**	0
Freddy Furulund, Director of Security & Contingency	203	29	30	2	**264**	0
Irene Philips, Chief Digital Officer	206	25	31	2	**264**	0
BOARD OF DIRECTORS						
Mons Aase, Chair	31	0	0	0	**31**	0
Synnøve Seglem, Vice-Chair	24	0	0	0	**24**	0
Eli Karin Vassenden, Board member	24	0	0	0	**24**	0
Eric Jacobs, Board member	31	0	0	0	**31**	0
Christopher Walker, Board member	21	0	0	0	**21**	0
Harald Fotland, Board member	21	0	0	0	**21**	0
Marthe Romskoug, Board member	21	0	0	0	**21**	0
Carl K Arnet, Board member	24	0	0	0	**24**	0

2022

Amounts in USD 1 000	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	**255**	0
Freddy Furulund, Director of Security & Contingency	210	51	21	2	**284**	0
Irene Philips, Chief Digital Officer	198	0	34	2	**234**	
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**	

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

Holiday-pay accrued in 2022 is included under salary for 2023. 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 2023 include a legally required audit of USD 70 314 (47 052), tax related services of USD 11 821 (12 396). These amounts are stated without value-added tax.

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 2023 was USD 507 549 (348 471).

NOTE 5 FIXED ASSETS

Amounts in USD 1 000		Machinery/ Fixtures and vehicles	Works of art (paintings)	Other intangible assets	Real estate
Acquisition cost as at 01.01		5 091	145	0	349
+ Additions during year		1 459	0	482	0
- Disposals during year		(2 660)	0	0	0
+ Exchange rate effects		(803)	0	0	0
Acquisition cost as at 31.12	**A**	**3 087**	**145**	**482**	**349**
Accumulated ord. depr. as at 01.01		3 520	0	0	0
+ Ordinary depreciation		695	0	17	0
- Disposals at acquisition cost		(2 563)	0	0	0
+ Exchange rate effects		(542)	0	0	0
Accumulated ord. depr. as at 31.12	**B**	**1 110**	**0**	**17**	**0**
Book value as at 31.12	**A-B**	**1 977**	**145**	**465**	**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 5 years, IT-systems 3-5 years and other intangible assets 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 979 million (403).

As required by the 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 2023, NOK 700 million of reserves (around USD 69 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 1 000	2023	2022
OVERVIEW OF TEMPORARY DIFFERENCES INCLUDED IN THE BASIS FOR DEFERRED TAX		
Fixed assets	(322)	279
Pension obligations	240	91
Insurance reserves	68 822	71 410
Gross claims provisions	(77)	(80)
Accrued variable compensation plan	321	(442)
Tax-exempt investments	(11 300)	14 326
Net temporary differences	**57 684**	**85 583**
Basis for deferred tax (tax asset) on balance sheet	276 402	346 647
Deferred tax (tax asset)	69 101	86 662
Deferred tax (tax asset) on balance sheet	**69 101**	**86 662**
BASIS FOR DEFERRED TAX (TAX ASSET), CHANGE IN DEFERRED TAX AND TAX PAYABLE		
Pre-tax result (in NOK accounts)	96 289	41 176
Permanent differences	(40 381)	10 200
Basis for the year's tax expense	**55 909**	**51 377**
Change in temporary differences included in the basis for deferred tax (tax asset)	57 684	85 583
Taxable income (basis for taxes payable on balance sheet)	**113 593**	**136 960**
OVERVIEW OF TAXES PAYABLE		
Payable tax (deficit)	28 398	34 240
Payable tax (deficit) from previous years	62 063	74 858
Paid tax from previous years	(11 294)	(40 040)
Exchange rate effects	(2 830)	(6 996)
Total taxes payable on balance sheet	**76 336**	**62 063**
Payable tax (deficit)	28 398	34 240
Change in accrued payable tax (deficit) for previous years	(5)	0
Change in deferred tax (tax Asset)	(14 421)	(21 396)
Tax expenses (tax asset) in income statement	**13 972**	**12 844**
RECONCILIATION OF THE YEAR'S TAX EXPENSE		
Pre-tax result (in NOK accounts)	96 289	41 176
Tax on accounting result before tax 25%	24 067	10 294
Tax expenses in income statement	13 972	12 844
Difference	**(10 095)**	**2 550**
OVERVIEW OF DIFFERENCE		
25% av permanent differences	(10 095)	2 550
Total differences	**(10 095)**	**2 550**

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 230 874 (203 136) of unpaid tax withholdings as at 31 December 2023

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 1 000	2023	2022
PROFIT & LOSS		
Gross paid claims	(22 520)	(42 912)
- Deducted claims provisions	22 324	52 173
Expensed gross claims	**(196)**	**9 261**
New gross claims provisions	(27 327)	(55 904)
Exchange rate effects	0	0
Gross expensed claims	**(27 523)**	**(46 642)**
Reinsurers' share of gross paid claims	9 243	16 846
- Deducted reinsurers' share of claims provisions	(9 689)	(16 846)
Expensed reinsurers' share of gross claims provisions	**(447)**	**0**
Change in reinsurers' share of gross claims provisions	17 353	8 803
Exchange rate effects	0	0
Reinsurers' share of expensed gross claims	**16 906**	**8 803**
Claims for own account	**(10 617)**	**(37 840)**

BALANCE SHEET		
Gross claims provisions 01.01	**14 238**	**10 507**
- Paid claims deducted from claims provisions	(22 324)	(52 173)
New claims provisions	27 327	55 904
Change in gross claims provisions	**5 003**	**3 731**
Exchange rate effects	0	0
Gross claims provisions 31.12	**19 241**	**14 238**
Reinsurers' share of gross claims provisions 01.01	**2 422**	**10 465**
- Deducted reinsurers' share from gross claims provisions	(9 689)	(16 846)
Change in reinsurers' share of gross claims provisions	17 353	8 803
Change in gross claims provisions	**7 663**	**(8 043)**
Exchange rate effects	0	0
Reinsurers' share of gross claims provisions 31.12	**10 085**	**2 422**
Claims provision for own account 31.12	**9 156**	**11 816**

NOTE 9 ITEMS THAT HAVE BEEN COMBINED IN THE ACCOUNTS

Amounts in USD 1 000	2023	2022
Interest income from bank deposits	2 184	249
Interest income on bonds	8 719	5 880
Interest and dividend from financial assets	**10 903**	**6 129**
Unrealised gains/losses on financial current assets	**55 851**	**(78 652)**
Exchange rate gains	4 946	3 912
Exchange rate losses	(3 293)	(4 639)
Realised gains/(losses) on equities	15 366	28 400
Realised gains/(losses) on bonds	(18 822)	(25 152)
Realised gains/(losses) on derivatives	(2 783)	30 965
Realised gains from financial assets	**(4 586)**	**33 486**
Administrative expenses associated with financial assets	**(8 401)**	**(7 441)**
Total income/(loss) from financial assets	**53 766**	**(46 478)**

NOTE 10 ADMINISTRATIVE EXPENSES

Amounts in USD 1 000	Insurance 2023	Finance 2023	Total 2023	Total 2022
Salary and holiday pay, employees	2 091	2 091	4 181	3 544
Social security taxes	533	533	1 065	805
Pension cost	254	254	508	348
Other personell costs	119	107	226	205
Fees	228	228	456	544
Rental costs, office and machinery	307	307	614	482
Ordinary depreciation	356	356	712	950
Other administrative expenses	4 020	4 525	8 546	8 244
Total administrative expenses	**7 907**	**8 400**	**16 308**	**15 123**

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 2023 were split 50/50.

NOTE 11 OTHER LIABILITIES

Amounts in USD 1 000	2023	2022
Net unsettled trades in investment portfolio	17 100	0
Supplier accounts payable	387	370
Payroll tax withholdings	219	198
Social security taxes	190	148
Other taxes (finance tax & VAT)	231	128
Other liabilities	238	238
Total other liabilities	**18 364**	**1 083**

NOTE 12 FINANCIAL ASSETS - FAIR VALUE HIERARCHY

Amounts in USD 1 000	2023	2022
Equities	191 586	163 964
Bonds and fixed income securities	537 649	487 767
Financial derivatives, assets - liabilities	420	(4 733)
Total financial assets*	**729 655**	**646 997**

* Total fair value equals market value.

2023 - Financial assets measured at fair value over the income statement

Amounts in USD 1 000	Level 1	Level 2	Level 3	Total
Equities	191 586	0	0	191 586
Bonds and fixed income securities	311 555	226 094	0	537 649
Financial derivatives, assets - liabilities	0	420	0	420
Total	**503 141**	**226 514**	**0**	**729 655**
Distribution	69.0 %	31.0 %	0.0 %	100.0 %

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

Amounts in USD 1 000	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 %

* Total fair value equals market value.

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

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

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

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

NOTE 13 INVESTMENT PORTFOLIO IN EQUITIES AND MUTUAL FUNDS

2023

Amounts in USD 1 000	Value at cost	Fair value	Distribution
Equity index funds			
Mercer Passive Global Equity	71 924	78 171	40.8 %
State Street World Screened Index Equity	63 013	113 415	59.2 %
Equity index funds	**134 937**	**191 586**	**100.0 %**
Total equities	**134 937**	**191 586**	**100.0 %**

2022

Amounts in USD 1 000	Value at cost	Fair value	Distribution
Equity index funds			
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 %**

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 14 SPECIFICATION OF BOND PORTFOLIO

As of 31 December 2023, DNK's fixed income portfolio consists of a discretionary managed global bond portfolio, two fixed income funds and a cash account. 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 duration for the benchmark portfolio was 1.9 years, while the duration of DNK´s portfolio was 2.2 (1.6) at the end of 2023.

Amounts in USD 1 000	2023 Market value	2022 Market value
Market value of fixed income securities	535 195	485 668
Accrued interest income	2 454	2 099
Bonds and other fixed income securities	**537 649**	**487 767**

Amounts in USD 1 000	Value at cost	Market value	Value at cost	Market value
DISCRETIONARY MANDATES				
Global bonds, USD hedged	473 258	483 344	473 171	456 048
BOND FUNDS				
BlackRock Money Market	19 666	21 036	29 141	29 620
Pimco	29 194	30 815	0	0
MARKET VALUE OF FIXED INCOME SECURITIES		**535 195**		**485 668**

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.

2023

Amounts in USD 1 000	Distribution	Rating	Duration	Yield	Int. rate risk
Bonds, global, USD hedged	90 %	AA-	2.0	4.2 %	(9 457)
Bond funds	10 %	AA	3.8	5.3 %	(1 852)
Total fixed income	**100 %**	**AA-**	**2.2**	**4.3 %**	**(11 309)**

2022

Amounts in USD 1 000	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)**

The currency split in the bond portfolio is shown in the table to the right.

	2023	2022
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.

2023

Amounts in USD 1 000

Rating	Global	Funds	Total	Distribution
AAA	77 139	21 036	98 176	18.3 %
AA	192 250	30 815	223 065	41.7 %
A	134 076	0	134 076	25.1 %
BBB	77 039	0	77 039	14.4 %
BB	7 163	0	7 163	1.3 %
B	4 760	0	4 760	0.9 %
CCC, lower	(4 829)	0	(4 829)	(0.9 %)
No rating	(4 256)	0	(4 256)	(0.8 %)
Total	**483 344**	**51 851**	**535 195**	**100 %**

2022

Amounts in USD 1 000

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 %**

Government, government guaranteed, and municipal bonds, amount to 64 % (61 %) of the bond portfolio's fair value. Non-government bonds have an average credit rating of A (BBB+).

NOTE 15 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 2023 was USD 407 million (366).

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 40.5 % 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 a USD 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 2023, the relative volatility was 0.4 %, which indicates that the portfolio's overall risk profile is fairly close to its benchmark.

At year-end 2023, the portfolio's risk profile was as indicated in the table below.

Amounts in USD 1 000	2023	2022
Market risk	**100 743**	**74 543**
Equity	76 346	57 244
Spread	16 593	10 720
Currency	16 245	12 124
Interest rates	29 110	22 307
Concentration	5 019	6 341
Property risk	123	120
Diversification	(42 693)	(34 314)
Value-at-risk	**96 833**	**83 380**
Volatility	**5.0 %**	**4.8 %**
Relative volatility	**0.4 %**	**0.5 %**

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 16 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 on belowe right side shows the financial derivatives on the balance sheet at year-end.

Amounts in USD 1 000

FINANCIAL DERIVATIVES	2023	2022
+ Assets	6 128	3 095
- Liabilities	(5 708)	(7 828)
Net financial derivatives	**420**	**(4 733)**
Interest rate risk; futures	562	(470)
Currency hedging, bonds, forwards	(142)	(4 263)
Net financial derivatives	**420**	**(4 733)**

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 17 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 USDm 69 (87) at year-end 2023.

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. The additional capital requirement was USDm 304 (283) in 2023.

DNK's solvency capital margin at 31 December 2023 was 178 % (184 %). The lower margin in 2023 is explained by a higher capital add-on and lower supplementary capital (''ancillary own funds'').

Amounts in USD 1 000

CAPITAL REQUIREMENT AT YEAR-END	2023	2022
Solvency Capital Requirement (SCR)	407 020	366 228
Minimum Capital Requirement (MCR)	101 755	91 557
Additional capital requirement (included in SCR)	303 900	283 300

SOLVENCY CAPITAL AT YEAR-END	2023	2022
Basic own funds, Tier 1	577 599	519 012
Ancillary own funds, Tier 2	148 500	153 400
Total eligible own funds to meet the SCR	**726 099**	**672 412**
Tier 2 as a percent of SCR	36 %	42 %
Solvency capital margin	319 079	306 184
Solvency capital ratio	**178 %**	**184 %**

NOTE 18 INVESTMENT IN SUBSIDIARIES

DNK has invested in three companies: Osprey Solutions AS (100 % ownership), Norwegian Maritime Cyber Resilience Centre 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 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.

Norwegian Maritime Cyber Resilience Centre AS ("NORMA Cyber") 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 1 000

Investments in Subsidiaries	2023	2022
Osprey	1 331	1 331
NORMA Cyber	306	306
Aeger	39	39
Total investments in subsidiaries and associates	**1 676**	**1 676**
Transactions with subsidiaries and associates		
Osprey	76	105
NORMA Cyber	1 078	1 141
Aeger	44	79
Total transactions with subsidiaries and associates	**1 199**	**1 325**

Transactions relate to the purchase of IT services and other consultancy services, with the exception of NORMA Cyber, which also includes a start-up phase cash contribution USD 1.0 million (1.0) .

NOTE 19 CLIMATE RISK AND SUSTAINABILLITY MATTERS

In 2023, DNK initiated its preparatory work for the forthcoming Corporate Sustainability Reporting Directive ("CSRD"). The initial process relates to a double materiality assessment and determination of significant sustainability matters. Moreover, the Association is required to identify its material impacts, risks and opportunities ("IROs") with respect to those sustainability matters. DNK is required to report from the fiscal year 2025 onwards.

DNK has little direct negative impact on the climate (i.e. Scope 1 emissions). DNK's loss-prevention activities aim to minimize 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 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'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 requirements. Financial assets are primarily priced under Level 1 of the fair value hierarchy, cf. Note 11. DNK has not identified any specific climate-related risks or discounts in its investments, beyond the reflections already evident in current market valuations. The sector composition of corporate issuers in the investment portfolio, both equities and corporate bonds, does not materially deviate from flagship market-weighted indices.

NOTE 20 EVENTS AFTER THE BALANCE SHEET DATE

There are no known events after the balance sheet day that may impact the financial statements and notes presented for 2023. An assessment of how war in Ukraine and unrest in the Middle East may impact DNK going forward is presented in the annual report.

DNK CEO Svein Ringbakken with representatives of the international shipping organisations and Capt. Niels Markussen, Director at the NATO Shipping Centre, at MARCOM's High Level Shipping Engagement at Northwood in March 2023.

AUDITOR'S REPORT

To the General Meeting of Den Norske Krigsforsikring for Skib

Independent Auditor's Report

Opinion

We have audited the financial statements of Den Norske Krigsforsikring for Skib (the Association), which comprise the balance sheet as at 31 December 2023, 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 2023, 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 the Association for the first time before the year 2001, and have now been the auditor of the Association for a continuous period of at least 23 years from the election by the General Meeting.

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 2023 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 continue to be areas of focus this year.

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 was 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	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.

Association's financial assets are based on observable prices in active markets, but some are also valued based on observable market data input for instruments not traded in active markets.

For further details of valuation of financial assets to fair value, see note 1, 12, 13, 14, 15 and 16.

The Association uses an external asset manager (service organization). The auditor of the 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.

We assessed and found that information provided in the notes regarding the Association's valuation principles and fair value was sufficient and adequate.

Valuation of gross claims provisions

We 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 found that the notes regarding the gross claims provisions were sufficient and adequate.

Other Information

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

AUDITOR'S REPORT

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.

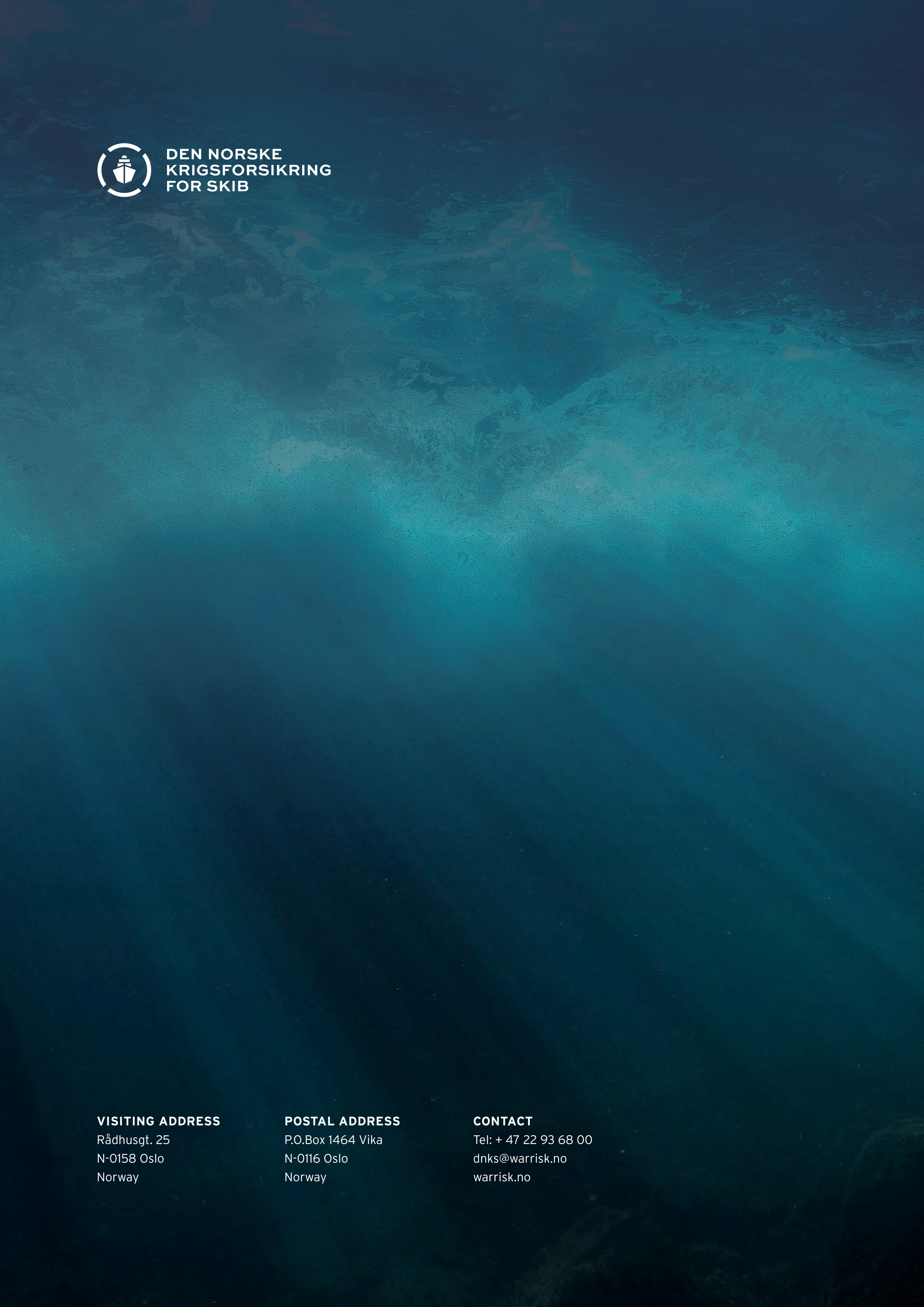
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions taken to eliminate threats or safeguards applied.

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, 18 March 2024
PricewaterhouseCoopers AS

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



DEN NORSKE
KRIGSFORSIKRING
FOR SKIB

VISITING ADDRESS
Rådhusgt. 25
N-0158 Oslo
Norway

POSTAL ADDRESS
P.O.Box 1464 Vika
N-0116 Oslo
Norway

CONTACT
Tel: + 47 22 93 68 00
dnks@warrisk.no
warrisk.no