



**DEN NORSKE  
KRIGSFORSIKRING  
FOR SKIB**

## **FINANCIAL REPORT - 3rd QUARTER 2023**

Presented below are the detailed financial results for Den norske krigsforsikring for skib (DNK) as of third quarter 2023. Financial figures are expressed in USD 1 000 (USDt). For comparative purposes, corresponding figures for 2022 are included in parentheses. Comprehensive financial statements, including the income statement, statement of changes in equity, balance sheet, and cash flow statement, are annexed in full. The tax provision for the period has been estimated, and the quarterly report is unaudited.

### **EXECUTIVE SUMMARY:**

The pre-tax result for the first nine months of 2023 (9M 2023) was USDt 25 958 (-56 567). The technical (insurance) result for was USDt 7 888 (8 080), while the non-technical (financial) result improved significantly to USDt 18 070 (-64 647). After accounting for an estimated tax expense of USDt -13 697 (-22 894), the profit for the period was USDt 12 261 (-79 461). The tax calculation is based on the results in Norwegian kroner.

At the end of September 2023, total equity was USDt 585 436 (12M 2022: 560 768).

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## FINANCIAL REPORT DNK

### INCOME STATEMENT

Amounts in USD 1 000	Q3 2023	Q3 2022	9M 2023	9M 2022
<b>TECHNICAL ACCOUNT</b>				
Gross earned premiums	5 546	20 828	34 907	65 536
Ceded reinsurance on gross earned premiums	(5 872)	(5 626)	(16 721)	(17 161)
<b>Premiums for own account</b>	<b>(326)</b>	<b>15 202</b>	<b>18 185</b>	<b>48 375</b>
Gross claims expenses	(8 406)	(291)	(18 840)	(65 026)
Reinsurers' share of gross claim expenses	13 466	4 917	14 221	30 379
<b>Claims for own account</b>	<b>5 060</b>	<b>4 625</b>	<b>(4 619)</b>	<b>(34 647)</b>
<b>Insurance related administrative expenses</b>	<b>(1 837)</b>	<b>(1 768)</b>	<b>(5 678)</b>	<b>(5 647)</b>
<b>OPERATING RESULT OF TECHNICAL ACCOUNT</b>	<b>2 897</b>	<b>18 059</b>	<b>7 888</b>	<b>8 080</b>
<b>NON-TECHNICAL ACCOUNT</b>				
<b>Net income from financial assets</b>				
Interest and dividend from financial assets	2 675	1 403	7 942	3 783
Change in fair value of financial assets	(3 329)	(27 870)	20 619	(107 722)
Realised gains from financial assets	536	14 975	(4 840)	44 092
Administrative expenses related to financial assets	(1 919)	(1 765)	(5 652)	(4 800)
<b>Total net income from financial assets</b>	<b>(2 037)</b>	<b>(13 257)</b>	<b>18 070</b>	<b>(64 647)</b>
<b>OPERATING RESULT OF NON-TECHNICAL ACCOUNT</b>	<b>(2 037)</b>	<b>(13 257)</b>	<b>18 070</b>	<b>(64 647)</b>
<b>PRE-TAX RESULT</b>	<b>860</b>	<b>4 802</b>	<b>25 958</b>	<b>(56 567)</b>
Tax expenses	(1 076)	(14 406)	(13 697)	(22 894)
<b>PROFIT FOR THE PERIOD</b>	<b>(216)</b>	<b>(9 603)</b>	<b>12 261</b>	<b>(79 461)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(216)</b>	<b>(9 603)</b>	<b>12 261</b>	<b>(79 461)</b>
<b>TOTAL RESULT</b>	<b>(216)</b>	<b>(9 603)</b>	<b>12 261</b>	<b>(79 461)</b>
<b>PROFIT FOR THE PERIOD IS DISTRIBUTED AS FOLLOWS:</b>				
<b>EARNED OTHER EQUITY</b>	<b>(216)</b>	<b>(9 603)</b>	<b>12 261</b>	<b>(79 461)</b>
<b>TOTAL</b>	<b>(216)</b>	<b>(9 603)</b>	<b>12 261</b>	<b>(79 461)</b>



## FINANCIAL REPORT DNK

### BALANCE SHEET

Amounts in USD 1 000

9M 2023

9M 2022

12M 2022

#### ASSETS

Other intangible assets	0	0	0
Owner occupied properties	349	349	349
<b>Subsidiaries and associated companies</b>			
Investments in subsidiaries and associated companies	1 676	1 676	1 676
<b>Financial assets at amortised cost</b>			
Bank deposits investment portfolio	23 718	41 262	30 593
<b>Financial assets at fair value</b>			
Shares and other equity investments	175 373	140 515	163 964
Bonds and other fixed income securities	519 097	465 876	487 767
Financial derivatives	6 970	9 854	3 095
<b>Total investments</b>	<b>727 182</b>	<b>659 532</b>	<b>687 443</b>
<b>Reinsurers' share of gross claims provisions</b>	<b>12 580</b>	<b>39 937</b>	<b>2 422</b>
Insurance related receivables	4 706	4 091	7 757
Reinsurers' receivables	8 400	772	13 653
Other receivables	148	672	786
<b>Total receivables</b>	<b>13 254</b>	<b>5 535</b>	<b>22 197</b>
Equipment and fixtures	2 522	2 083	1 716
Cash and bank deposits	25 747	28 803	33 967
<b>Total other assets</b>	<b>28 269</b>	<b>30 887</b>	<b>35 683</b>
<b>Total prepaid expenses and accrued income</b>	<b>830</b>	<b>510</b>	<b>593</b>
<b>TOTAL ASSETS</b>	<b>782 115</b>	<b>736 399</b>	<b>748 338</b>

#### EQUITY & LIABILITIES

Other equity	585 436	545 013	560 768
<b>Total equity</b>	<b>585 436</b>	<b>545 013</b>	<b>560 768</b>
Provision for unearned gross premiums	1 798	1 734	0
Gross claims provisions	13 800	31 886	14 238
<b>Total insurance reserves</b>	<b>15 597</b>	<b>33 620</b>	<b>14 238</b>
Pension liability provisions	954	734	890
Taxes payable	76 727	53 017	62 063
Deferred tax liability	73 288	92 247	86 662
Other provisions	1 340	610	1 677
<b>Total provisions</b>	<b>152 309</b>	<b>146 608</b>	<b>151 291</b>
Insurance related liabilities	20 328	0	6 752
Reinsurance liabilities	4 551	3 627	4 564
Financial derivatives	1 435	3 033	7 828
Other liabilities	818	2 593	1 083
<b>Total liabilities</b>	<b>27 133</b>	<b>9 252</b>	<b>20 227</b>
<b>Other accrued expenses and prepaid income</b>	<b>1 641</b>	<b>1 906</b>	<b>1 814</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>782 115</b>	<b>736 399</b>	<b>748 338</b>



## FINANCIAL REPORT DNK

### STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000	9M 2023	9M 2022	12M 2022
<b>OTHER EQUITY</b>			
Other equity - Period start	560 768	591 892	591 892
Total result	12 261	(79 461)	(50 195)
Exchange rate effects	12 407	32 582	19 072
<b>Other equity - Period end</b>	<b>585 436</b>	<b>545 013</b>	<b>560 768</b>

### CASH FLOW STATEMENT

Amounts in USD 1 000	9M 2023	9M 2022	12M 2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	53 332	63 581	78 043
Cash paid to reinsurers	(13 633)	(16 348)	(33 230)
Cash paid related to claims expenses	(19 278)	(43 648)	(42 912)
Cash receipts from reinsurers related to claims expenses	6 214	2 807	16 846
Paid insurance related administrative expenses	(11 601)	(41 929)	(36 835)
<b>Net cash flow from the technical account</b>	<b>15 034</b>	<b>(35 538)</b>	<b>(18 087)</b>
Net cash flow from interest, dividends and realised gains / losses on financial assets	5 350	51 057	40 112
Net cash flow from acquisition / disposal of financial assets	(27 761)	30 797	37 418
Paid administrative expenses related to financial assets	512	(9 103)	(17 116)
<b>Net cash flow from the non-technical account</b>	<b>(21 899)</b>	<b>72 751</b>	<b>60 414</b>
<b>Net cash flow from operating activities</b>	<b>(6 865)</b>	<b>37 213</b>	<b>42 327</b>
<b>CASH FLOW FROM NON-OPERATING ACTIVITIES</b>			
Cash receipts from the disposal of fixtures and fixed assets	3	61	61
Cash paid for the acquisition of fixtures and fixed assets	(1 357)	(271)	(141)
<b>Net cash flow from non-operating activities</b>	<b>(1 354)</b>	<b>(210)</b>	<b>(80)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Extraordinary dividend paid to members	0	(25 822)	(25 903)
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>(25 822)</b>	<b>(25 903)</b>
<b>Net cash flow in the period</b>	<b>(8 219)</b>	<b>11 181</b>	<b>16 344</b>
Cash and bank - Period start	33 967	17 622	17 622
Net cash flow in the period	(8 219)	11 181	16 344
<b>Cash and bank - Period end</b>	<b>25 747</b>	<b>28 803</b>	<b>33 967</b>



## FINANCIAL REPORT DNK

### Note I Basis of preparation

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the «regulations on annual accounts for non-life insurance companies».

The interim report does not include the same amount of information as the full financial statement and should be read in conjunction with the annual report for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2022, except for the adoption of new and amended standards as set out below.

### 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.

### 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 are measured at FVTPL.

### Financial liabilities

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

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
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
Financial derivatives	FVTPL (mandatory)	FVTPL (mandatory)	7 828	7 828



## Note II Impairment model

The company's financial instruments subject to the new impairment model is limited to short-term accounts receivable and bank accounts. For short-term accounts receivable the company applies a simplified approach. Bank accounts are exclusively with banks that meet the standard's low credit risk assumption, and the company has considered that this, in conjunction with LGD and low exposure, will require insignificant provision for losses. The company has thus not made any provision for losses related to this balance sheet item.

## Note III Solvency capital

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 catastrophe insurance risks that are not captured by the standard module in Solvency II, or any other meaningful statistical model. 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 at a time. For 2023, the additional capital requirement is USD 303.9 million (283.3).

DNK's solvency capital as of 30 September 2023 was USD 695.1 million (652.5). The solvency capital requirement was USD 387.8 million (351.1). The solvency margin was consequently 179 % (186 %) at the end of the third quarter of 2023.

## Note IV Financial assets – Fair value hierarchy

Amounts in USD 1 000	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Bank deposits investment portfolio	23 718	0	0	<b>23 718</b>
Cash and bank deposits	25 747	0	0	<b>25 747</b>
Shares and other equity investments	175 373	0	0	<b>175 373</b>
Bonds and other fixed income securities	335 527	183 570	0	<b>519 097</b>
Financial derivatives	0	6 970	0	<b>6 970</b>
<b>Financial liabilities</b>				
Financial derivatives	0	1 435	0	<b>1 435</b>

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.