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

Member of Den Norske Krigsforsikring for Skib ("DNK")

Oslo, October 13 2020

PROPOSED DISTRIBUTION OF EQUITY FROM DNK AND WITHHOLDING TAX ISSUE

MEMBER ACTION MAY BE REQUIRED

The Board of Directors of The Norwegian Shipowners' Mutual War Risks Insurance Association (Den Norske Krigsforsikring for Skib Gjensidig forening, "**DNK**") will propose to the Extraordinary General Meeting, scheduled for October 30, 2020, to make a USD 300 million distribution of equity. The distribution will be made in accordance with the Articles of Association section 3.5.

Members that are tax-resident in Norway

The distribution will be considered a dividend for Norwegian tax purposes, and no withholding tax applies. For members that are limited liability companies, public limited liability companies and certain other entities, 3% of the amount received will be considered taxable income. It is the responsibility of each member to report this income, which is taxed at a general rate of 22%. The effective tax rate on the received amount is therefore 0.66% (3% x 22%).

Members that are not tax-resident in Norway

Members that are not tax-resident in Norway are as a starting point subject to 25% withholding tax. DNK is therefore required to withhold 25% of the distribution of equity to such members as payable taxes. However, the member can be fully or partially exempt from Norwegian withholding tax if certain conditions are fulfilled:

(i) The distribution of equity is exempt from Norwegian withholding tax if the member is (a) tax-resident in the EU/EEA and (2) considered to be genuinely established and to perform genuine business activities in an EU/EEA state.

(ii) The distribution of equity may be exempt or subject to a reduced rate if the member is a tax-resident in a country that has a tax treaty with Norway.

Under Norwegian law, DNK is not allowed to apply a reduced withholding tax rate unless the member has provided DNK with the necessary documentation as required by the Norwegian Tax Payment Regulation section 5-10a (*Norwegian: "Skattebetalingsforskriften"*). The process is described in further detail below. The process to obtain the necessary approvals from the Norwegian tax authorities can be initiated here. The documentation required is the following:

Members entitled to a reduced rate according to a tax treaty:

(i) Documentation of previously received reimbursement of withholding tax or approval from the Norwegian tax authorities that the recipient (the member) of distributed equity is entitled to lower withholding tax rate under the tax treaty.

(ii) A certificate of residence issued by the tax authorities in the recipient's country of residence, which expressly confirms that the recipient is resident there according to the tax treaty with Norway. The confirmation must not be older than three years.

(iii) A written declaration issued by the recipient itself confirming that the basis for the tax exemption has not changed and that the member is the final recipient of the distributed equity and that it is not receiving the distributed equity on behalf of another company.

Members entitled to exemption on the basis of residence within the EU/EEA:

(i) Documentation on previously received reimbursement of withholding tax or approval from Norwegian tax authorities that the recipient (the member) of distributed equity is entitled to exemption from withholding tax pursuant to the Norwegian Tax Act section 2-38.

(ii) A certificate of residence issued by the tax authorities in the recipient's country of residence which confirms that the recipient is resident in the relevant EU/EEA country. The confirmation must not be older than three years.

(iii) A written declaration issued by the recipient itself confirming that the basis for the tax exemption has not changed and that the member is the final recipient of the distributed equity and that it is not receiving the distributed equity on behalf of another company.

If a member is entitled to a reduced rate or exemption from Norwegian withholding tax does not submit the required documentation prior to the distribution, DNK will be obligated to withhold 25% of the amount to be distributed to that member.

If a member has been subject to a higher withholding tax than it is entitled to, the member can claim a refund of any excess withholding tax from the Norwegian tax authorities. The claim must be submitted together with the above documentation within 5 years from the end of the year the distribution was made. Information on the application process can be found here.

Timeline:
The Extraordinary General Meeting is scheduled to be held on October 30, 2020. Subject to approval by the Extraordinary General Meeting, DNK will seek approval to make such equity distribution from Finanstilsynet (the Financial Supervisory Authority of Norway). DNK has no control over the length of time such an approval process will take, and thus propose that the distribution of equity is paid out soon after a potential approval is granted by Finanstilsynet.

It is likely that the distribution of equity will be paid out in the first quarter of 2021. To avoid undue delay, or excessive withholding tax, DNK look forward to receiving the relevant documentation from non-resident members that are subject to a lower withholding tax than 25 % by January 31, 2021.

Contact details:
Please do not hesitate to contact one of the following persons should you have any questions with respect to Norwegian taxation:

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All relevant documentation can be sent to the following email: dividend@warrisk.no

Please note that DNK has not been able to consider non-Norwegian tax issues related to the dividend. All members who may be subject to non-Norwegian taxation are advised to contact their own local tax advisors in order to ensure correct reporting and tax treatment of dividends received from DNK.

Best regards,

Svein A. Ringbakken
Managing director