Annual Report 2023

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Table of contents

Management report

04 Danish Ship Finance at a glance
05 Letter to our stakeholders
07 Highlights
08 The year in summary
09 Vision
11 Financing the transition
14 Financial review by business area
24 Summary of performance
36 Credit risk from lending
40 Sustainability in lending
44 Capital, funding and liquidity
50 Corporate governance
58 Employees

Financial statements

63 Income statement
64 Balance sheet
65 Statement of changes in equity
66 Notes

Statements

106 Statement by Management
107 Independent auditor's report

Management and directorships

111 Management and directorships
117 Financial calendar for 2024

ABOUT THIS REPORT

In this Annual Report for 2023, we have for the first time integrated Danish Ship Finance's approach to sustainability with the Annual Report. We present our sustainability progress, targets and ambitions and discuss the issues that are material to our business and our stakeholders.

This report also represents Danish Ship Finance's Communication on Progress to the UN Global Compact. It covers the financial year from 1 January 2023 to 31 December 2023.

This integrated Annual Report, fulfills the requirements laid out in §135, §135a and §134 litra 1, 8 of the Danish Executive Order on Financial Reports for Credit and Investment Companies, etc. Danish Ship Finance's annual reporting 2023 comprises this Annual Report 2023 alongside our Risk Report 2023 and Remuneration Report 2023.

Danish Ship Finance is subject to the Corporate Sustainability Reporting Directive (CSRD) and have to apply CSRD from financial years starting on or after 1 January 2025. Hence, Danish Ship Finance has to report under the CSRD with the report for the financial year 2025.

Reader's *guide*

The legally required reporting on sustainability matters has been integrated into the "Management Review" of the 2023 Annual Report. This report has been prepared in accordance with the requirements of the Danish Executive Order on Financial Reports for Credit and Investment Companies, etc. and constitutes Danish Ship Finance's statutory reporting on §135 and §135a and §134 litra 1, 8.

Our reporting in compliance with **section 135 of the Executive Order on corporate responsibility** can be found on pages:

Pages 4-5	'Letter to stakeholders'
Pages 11-13	'Financing the transition' and 'Status on our targets' for strategy and policies/targets related to environmental, social, and governance matters, along with a status on actions and results
Page 17	'Financed emissions from lending' for the climate impact from our lending business
Pages 31-33	'Sustainability trends' provides a 5-year overview of relevant sustainability data along with a description of accounting policies 'Reporting principles' and 'Restatements' provide details of any restatements of sustainability data reported in previous years
Pages 41-43	'Sustainability in lending' provides descriptions about policies, actions and results related to human rights, and sustainability matters related to the Lending business areas
Pages 56-57	'Internal control and risk management' describes activities related to whistleblower scheme, anti-corruption and bribery, know your customer
Pages 58-61	'Employees' provides policies, actions and results related to social matters

Our reporting in compliance with **section 135a on the underrepresented gender** can be found on pages:

Pages 11-13	'Financing the transition' and 'Status on our targets' for policies, actions and results
Pages 31-32	'Sustainability trends' for detailed data
Pages 58-61	'Employees' and 'Targets and policies for the underrepresented gender in management and diversity' for the required 5-year overview of data for policies, action and results

Our reporting in compliance with **section 134 litra 1, 8 on diversity in management** can be found on pages:

Pages 58-61	'Employees'

In addition to the above references to regulatory requirements, please see pages 34-35 for references to how the information in this Annual Report relates to the recommendations of the Task Force for Climate-related Financial Disclosures.

Danish Ship Finance *at a glance*

Danish Ship Finance is a dedicated provider of financing to reputable shipowners. We are focused on supporting the shipping industry in its transition towards net zero emissions while maintaining high credit quality and generating attractive returns for our shareholders.

Danish Ship Finance was founded in 1961 with a mandate to finance Danish-built vessels. Our business has evolved alongside the industry, and in the late 1990s we began building our presence outside Denmark with select international clients, although our engagement with the Danish shipping community has remained a priority.

Today, we are one of the largest dedicated lenders in ship financing and a the top 25 financier to the global shipping industry. Danish clients still account for one-quarter of our loan book.

We have received a no. 1-2 ranking globally for ship finance in the annual Prospera survey for the past three years.

Our ability to issue covered bonds at competitive terms remains a cornerstone of our business and we are proud of our solid investment grade A (Stable) covered bond rating by Standard & Poor's.

We strive to conduct our business in a proper and highly professional manner and to remain a long-term partner to our clients and investors. It remains a priority for us to uphold a highly robust capital and liquidity position and we work hard to serve our clients while maintaining a class-leading credit performance.

WE HAVE A LOAN BOOK OF DKK 32.0 BILLION[1], COLLATERALISED BY 596 VESSELS

On average, our Senior Client Executives have ~15 years of shipping industry experience

We have in-house shipping research, as well as technical survey, marine legal and marine insurance expertise

We are domiciled in Copenhagen, and are able to tap into strong shipping competencies

Our lean credit organisation enables quick decision-making to the benefit of clients

[1] The loan book comprises loans and guarantees (nominal debt). See note 17 for further details.

Letter to our *stakeholders*

As 2023 draws to a close, we look back at another year of buoyant shipping markets. Seaborne trade volumes and voyage distances remained robust during the year, as trading patterns were affected by ongoing conflicts. These factors in turn underpinned global fleet utilisation and freight rates. Freight rates were particularly strong in the Tanker and Gas segments, with benign conditions also prevalent in other segments. Following several years of sustained demand for sea transport, shipping remains in great shape.

Many of our clients were, once again, well positioned to benefit from market tailwinds and thus able to generate higher-than-normal levels of earnings. With new vessel ordering activity in the largest segments still subdued, investment needs were correspondingly muted. Thus, clients accumulated cash in 2023 and prudently took the opportunity to increase their financial robustness by fortifying and deleveraging their balance sheets, continuing the trend observed in 2022.

We have seen those same trends that have been affecting the shipping industry mirrored in our loan book, in a "game of two halves". On the one hand, new lending activity was very substantial with a total of DKK 12.1 billion of loan offers accepted in 2023. On the other, clients' elevated cash positions and the sectors muted financing needs resulted in high levels of loan pre-payments. The net effect was a loan book that slightly reduced in size during the year but became even more robust. Our loan book credit quality is at its strongest since the Great Financial Crisis.

In 2023, we were able, after years of effort, to satisfactorily resolve certain non-performing loans; in particular, legacy exposures to the Offshore segment. This, once again, allowed significant reversals of loan impairment charges, primarily driven by recovery of loans previously written off. Such reversals contributed DKK 506 million to pre-tax income in 2023.

A period of accelerating inflation and rapidly rising interest rates ended in the final quarter of 2023 with financial markets expecting a plateau of lower inflation and some mod-

eration of interest rates. The new interest rate environment has greatly benefited our investment portfolio of mostly AAA-rated fixed income securities. The portfolio contributed DKK 347 million to pre-tax income for the year, representing both a normalisation and a significant improvement on the previous year's result.

Danish Ship Finance delivered a very satisfactory full-year 2023 net profit of DKK 818 million. Positive momentum prompted us to upgrade the results guidance twice between mid-year and publication of the Annual Report. The final result is DSF's third-highest net profit ever and an increase of 23% (DKK 155 million) on the very solid prior year result.

Conditions in the ship financing markets over the past two years have been very atypical, with abnormally high levels of sector earnings and still-abundant liquidity in the banking system to some extent shielding shipowners from the significant repricing of credit and funding that has taken place elsewhere in financial markets. We expect surplus liquidity in the banking market to slowly reverse. In combination with the phasing-in of Basel IV and the consequent higher capital requirements for many of our competitors, this is likely to lead to higher pricing of shipping loans.

In our view, most clients have the ability to undertake the substantial investments that will be required as the shipping sector transitions to a lower-emission footprint. We remain fully committed to supporting them on this extensive and demanding journey and are very well placed to do so. Our solvency ratio of 23.6% demonstrates the robustness of our business model and is an excellent position from which to accommodate increased client loan demands.

"Danish Ship Finance was able to raise its net profit guidance twice during the year, ultimately delivering a full-year 2023 net profit of DKK 818 million"

Despite intense competition, we are pleased to have welcomed ten new clients during the year.

The shipping industry is marshalling the resources to deliver on its mission of reaching a net zero emissions footprint by 2050. Our ambitions in this space are similarly expanding.

We welcome the IMO's revised greenhouse gas (GHG) strategy, which seeks to achieve net zero GHG emissions by or around 2050, with two trajectories, a "minimum" and a "striving", being pursued. These new trajectories have been adopted by the Poseidon Principles and incorporated in our reporting.

We expect that it will take some time for the shipping industry to fully settle on the fuels for future vessels that will allow the industry to finally reach net zero emissions. That does not, however, mean that the industry is taking a passive stance on lowering emissions. The transition towards a net zero future is moving forward apace along two paths: the first focuses on increasing efficiency and reducing the fuel consumption of the existing fleet, and the second on establishing new vessel standards and operating models to support these.

It will take more than a decade to replace or retrofit the existing fleet once a clear fuel path way has been established. Consequently, there is a need to increase the fuel efficiency of the existing fleet. At Danish Ship Finance, we seek to influence this process, for example by introducing sustainability-linked margins in new loan agreements where possible, providing clients with an economic incentive for lowering emissions. We find this to be a powerful tool and will continue our push in 2024.

Progress on the path of establishing new vessel standards is slower, complicated by the need for massive investments, not only in fleet renewal but also in land-based infrastructure, in the face of significant uncertainty. Some shipowners, however, are willing to already invest in new technologies and explore ways of operating their businesses through a sustainable transition. We actively seek to play our part in financing this transition in close cooperation with our clients and expect transition loans to make up a growing part of our loan book going forward.

In preparation for the upcoming new requirements related to the Corporate Sustainability Reporting Directive (CSRD), we have this year integrated our sustainability reporting into the Annual Report for the first time. We view this as a natural step, as sustainability is by now an integral part of our business.

We look back at a busy and succesful year. Once again, our organisation proved capable of adapting to ever-changing circumstances and delivering a very satisfactory result. The previously announced review of the ownership of Danish Ship Finance Holding remains ongoing. We remain committed to supporting our clients' financing needs and expect a gradual and sustained positive momentum in our lending business as conditions in ship financing markets finally begin to normalise.

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

Highlights

During a year that had the shipping industry riding a long wave of demand and still-high freight rates, while financial markets dramatically transitioned to a higher interest rate environment in response to resurgent inflation, we achieved the following:

Our annual dividend contribution to the Danish Maritime Fund for 2023 will, for only the third time since inception of the maritime fund, reach the maximum amount of DKK 83 million. This is another very meaningful contribution which the fund will disburse to projects under the umbrella of "The Blue Denmark". Our total contributions to the DMF now total DKK 962 million, within striking distance of the DKK 1 billion milestone.

- Reached the third-highest net profit in Danish Ship Finance's history, of DKK 818 million
- Welcomed ten new clients
- Maintained a strong regulatory solvency ratio of 23.6%
- Realised an investment return of 3.4%, corresponding to pre-tax income of DKK 347 million
- Maintained very strong credit quality with all loans interest-bearing and 92% of the outstanding loan volume within a loan-to-value ratio of 40%
- Reduced the share of non-performing loans in the loan book for the seventh year running
- Improved the Poseidon Principles climate alignment score to +3.7% from +5.7%
- Maintained a sustainability ratings coverage of 100% of our loan portfolio
- Settled 24% of new loans by volume as sustainability-linked
- Reduced the intensity of financed emissions to 141 tonnes CO_2e per DKK million of lending
- Had the underrepresented gender in 42% of leadership positions
- Issued a new EUR 500 million covered bond in October with participation from 39 investors

The year *in summary*

A very satisfactory net profit of DKK 818 million for the financial year 2023 represents an increase of 23% on the result for 2022 and is our third-highest annual result ever.

The result was achieved against a backdrop of still-buoyant shipping markets as markets rode the crest of a long wave of successive demand shocks and trade disruptions that have boosted freight rates and asset values for the past several years. Tankers and Gas Carriers performed strongly during 2023, as ongoing shifts in global oil and gas trade flows sent earnings skyrocketing. Conversely, weak sentiment in the global economy and easing port congestion lowered freight rates in the Container and Dry Bulk segments.

Our clients took advantage of healthy earnings in buoyant shipping markets to consolidate their balance sheets and reduce debt. Hence, demand for shipping loans was temporarily reduced in 2023 and competitive pressure for fewer deals in the market was high.

Hence, our annual result was achieved despite temporarily lower net income from lending in 2023. At DKK 435 million, this was DKK 119 million below the prior year figure.

Asset values remained very solid throughout the year and credit quality improved once again, from an already robust level. A full 92% of the loan book was within 40% loan-to-value at year-end 2023.

We successfully completed a EUR benchmark bond issuance in October 2023 and saw good demand for our bonds throughout the year.

Net income from funding, including residual funding costs not directly attributable to clients, amounted to an income of DKK 12 million, compared to a cost of DKK 31 million in 2022.

Supported by positive market interest rates, the investments area contributed a very satisfactory pre-tax income of DKK 347 million in 2023, considerably exceeding results in recent years.

Operating costs of DKK 201 million were DKK 14 million, or 7% higher, than in 2022, driven by discretionary compensation costs, reflecting the very strong net profit and certain advisory costs. Underlying operating costs were of a similar magnitude to previous years.

The loan book at the end of the year stood at DKK 32.0 billion, a decrease of DKK 3.0 billion on the previous year-end, in part due to sharply elevated prepayments of DKK 7.5 billion on top of ordinary repayments of DKK 4.4 billion.

We are particularly pleased to have been able to reverse DKK 506 million of loan impairment charges in 2023, a very positive outcome even if it was slightly bettered by DKK 583 million of reversals in 2022.

Non-performing loans as a share of the loan book thus declined for the seventh year in a row. Only non-performing loans to three clients in the Offshore segment remained at year-end, with DKK 0.9 billion total exposure and low loan-to-value ratios.

Our business model of lending to top-tier shipowners, anchored by solid capitalisation and robust liquidity, continues to provide a stable platform. Standard & Poor's again confirmed our covered bond rating of A with a Stable outlook.

Engagement with investors remains a top priority. Recognising that our sustainability efforts will only grow in importance for our investors and other stakeholders, this year, for the first time, we integrate our sustainability reporting into our Annual Report.

This year, the Poseidon Principles has agreed to introduce a revised methodology based on the updated and more ambitious IMO GHG strategy, which we have incorporated in our reporting. Our portfolio climate alignment (based on 2022 data) was +12.0% against the “minimum” trajectory and +16.2% against the “striving” trajectory. Under the existing less demanding benchmark, our portfolio alignment improved to +3.7% in 2023 from +5.7% in 2022.

For the second time, we released comprehensive data on financed emissions. The emission intensity of our financed emissions decreased to 176 tonnes CO_2e per DKK million of lending (from 231 tonnes CO_2e in last year's inaugural reporting).

We reached our goal of having at least 40% of women in leadership positions two years ahead of our deadline, with 42% representation in 2023.

We have the capacity to support our clients in the years ahead and remain fully committed to our strategy of financing the transition.

Income by business area[1]

DKK million	2023	2022
Lending	435	554
Funding	12	(31)
Investments	347	(87)
Income	794	436

1) The link between income according to the income statement and the business areas can be seen in note 3.

Vision

We strive to continuously strengthen our engagement with clients and be the obvious choice in ship finance.

We are committed to shipping for the long run and our unique competitive position is built on repeated application of our enduring core strengths. An essential aspect of our vision is to remain a low-risk institution, carefully adhering to our proven credit policy, to ensure longevity while optimising returns from our lending business over the long term.

Vision

Clients
Supporting reputable shipowners across shipping cycles

Owners
Leveraging our unique business model to provide an attractive return

Investors
Utilising our strong shipping expertise to create a stable investment for bondholders

Society
Working with the shipping industry in its environmental and digital transition

Employees
Retaining, attracting and developing talented employees in a learning organisation

The obvious choice in ship finance

Financing *the transition*

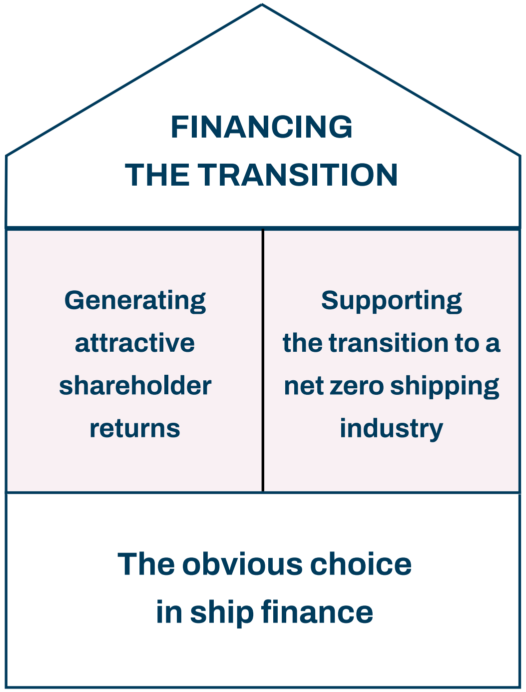
It is imperative that the shipping industry transitions towards a net zero future. Being a business fully dedicated to financing shipping means that we are committed to constantly working with the industry to support and encourage its transition.

The only way for us to create a lasting difference and remain long-term relevant, is to operate efficiently and generate attractive shareholder returns. Hence, our strategy is built on two main pillars: generating attractive shareholder returns through a strong and responsible lending business, and actively financing and supporting the shipping industry's transition to net zero.

Our strategic transition work is guided by the overarching objective of reaching a net zero emission loan book by 2050. This meets the IMO's ambitious revised GHG strategy, which sets a clear net zero emissions target for the shipping industry. Along with EU regulation coming into force from 2024, such as FuelEU Maritime and the inclusion of shipping in the EU ETS, we are confident that the industry will continue to progress, with investments in sustainability and a full focus on the 2050 net zero emissions target.

As our business already has a very limited direct climate impact, it is clear that lowering our financed emissions will have a significantly bigger impact than lowering our direct emissions. Nevertheless, we acknowledge the power of leading by example and continue to critically assess our internal practices and to propel our organisation in an even more sustainable direction.

To ensure we stay on course towards 2050, we have defined shorter-term targets that we continue to work with. These relate to how we work with clients and how we optimise our own operations.



Sustainable finance

We have three shorter-term targets related to how we provide financing. Firstly, by 2025 we will only offer new loans to clients who are actively engaged in shipping's transition to net zero emissions.

Through our ongoing close dialogue with clients, we expect that the vast majority of clients will be actively contributing to the transition in 2025. Any clients who are not sufficiently engaged at that point will not be eligible for new loans until they demonstrate significant improvement.

We actively use our sustainability ratings, which are assigned to all clients, as a tool to assess clients' level of engagement. Sustainability ratings form part of the credit approval process. We monitor the ratings framework continuously to ensure that our assessments are aligned with society's expectations. We also monitor vessels for adequate technical standards in the credit approval process when deemed relevant.

The second target is for our loan book to be fully aligned with the Poseidon Principles emissions trajectory by 2025 (to be reported in the Annual Report 2026). Ambitions have increased considerably for the Poseidon Principles trajectories following the 2023 revision of the IMO GHG strategy. The new trajectories present a huge step-up in the challenge to become aligned as early as 2025. We will pursue this ambition regardless.

The third target is for at least 50% of new loans to be sustainability-linked. Our standard framework for sustainability-linked loans draws upon the Poseidon Principles and thus is an important tool for aligning the loan portfolio with the Poseidon Principles trajectories. The framework provides an economic incentive for clients to steadily improve the sustainability performance of their financed vessels.

To support clients in the transition, we have amended the definition for our target from 2024, to include lending in support of the sustainable transition in structures that were not envisaged under the previous sustainability-linked loan definition. Under the new definition we would have been close to meeting the >50% target already in 2023.

Our direct impact

We have set three short-term targets relating to our own direct emissions and responsible conduct.

Two of the targets are aimed at ensuring a balanced representation of genders, at the Board level and in other leadership positions. We believe this will support a diverse and high-performing organisation.

The third target is reducing our own direct climate impact by at least 5% annually. We have already made considerable improvements in reducing our Scope 1 and 2 emissions over the past few years. Scope 3 emissions from business travel are harder to abate. Close relationships with clients and other stakeholders are part of our DNA, and while we have increased the use of virtual meetings, we find that meeting our clients and prospective clients in person adds significant value. We have, therefore, decided to purchase sustainable aviation fuel (SAF) directly from one of our airline carriers, resulting in a 5% reduction in our total emissions in 2023. SAF reduces greenhouse gas emissions by up to 80% over the fuel's life cycle compared to conventional jet fuel. The feedstock used to produce SAF meets strict sustainability criteria and consists of a variety of waste products, along with agricultural and forestry residues that are not used in food production.

We continue to focus on reducing our own direct climate impact in all other areas. We have implemented several initiatives throughout the organisation such as focus on sustainability in the refurbishment and design of our new domicile and purchasing renewable electricity.

Sustainable finance targets

2024	>50% of new lending is sustainability-linked and/or supports the sustainable transition
2025	Loan portfolio is fully aligned with the Poseidon Principles trajectories
2025	New loans only to clients who are actively engaged in the sustainable transition

Our direct impact targets

2024	Reduce our own direct climate impact by at least 5% annually
2024	12.5% of board members to be of the underrepresented gender
2025	40% of leadership positions to be held by the underrepresented gender

Status on *our targets*

Status on the targets stated in the Annual Report 2022

SUSTAINABLE FINANCE

We are committed to supporting the shipping industry in its sustainable transition by targeting a net zero loan book by 2050.

2023 >50% of new lending is sustainability-linked

Status: *24% of new lending in 2023 was sustainability-linked. We are disappointed not to have met our own >50% target in 2023.*

Updated target: *2024: >50% of new lending is sustainability-linked and/or supportive of the sustainable transition.*

2025 New loans only to clients who are actively engaged in the sustainable transition

Status: *We are in the process of establishing structured and consistent criteria and thresholds for when we will consider a client to be "actively engaged in the sustainable transition".*

2025 Loan portfolio is fully aligned witht he Poseidon Principles trajectories

Status: *In 2023, we reported a portfolio alignment score of +3.7% against the IMO's initial GHG strategy, compared to +5.7% for 2022. Against the IMO's newly adopted "minimum" and "striving" net zero trajectories, we reached +12.0% and +16.2% alignment, respectively.*

OUR DIRECT IMPACT

We are committed to being a responsible employer with a diverse and inclusive culture and a strong focus on minimising our direct environmental footprint.

2023 Reduce our own direct climate impact by at least 5% annually

Status: *We purchased sustainable aviation fuel (SAF), resulting in a 5% reduction in total emissions.*

2024 25% of board members to be of the underrepresented gender

Status: *There were no changes to our Board of Directors during 2023. The Board of Directors has revised this target and now aims for 12.5% of board members to be of the underrepresented gender in 2024, since we expect change to be gradual to maintain continuity on the Board.*

Updated target: *2024: 12.5% of board members to be of the underrepresented gender.*

2025 Minimum 40% of leadership positions to be held by the underrepresented gender

Status: *We are proud to have increased our share of women in leadership roles to 42% from 26% in 2022, and thus we have met our target two years ahead of schedule. The target is now to maintain an equal gender balance in the company's leadership team.*

Management Report

Financial review *by business area*

OUR BUSINESS MODEL IS FOCUSED AND TRANSPARENT

Our areas of activity are as follows:

Lending to our shipowning clients

Issuing bonds and hedging financial risks

Conservatively investing our own funds

Lending

Maintaining a competitive lending business able to meet the needs of our clients is a key value driver. Led by our highly specialised and experienced teams in Client Relations, Credit, Treasury, Sustainability and Research, we work with many of the industry's most reputable shipowners. Our dedication to clients, a disciplined approach to risk management and focus on long-term sustainable results are imbued across the organisation and in every new loan.

We strive to expand the role we play in the industry by leveraging our strong internal competencies in areas supporting our world-class client coverage – research, sustainability, marine legal, technical survey and insurance. We engage with clients on a broader range of issues than just their financing needs and try to play our part as the industry steers towards a net zero emissions future.

2023 in brief

Most major shipping segments continued to benefit from high earnings in 2023, adding to the already substantial cash balances that many shipowners have built up over the last few years. However, 2023 was atypical from a shipping perspective: in previous upcycles, shipowners' windfall earnings have often been invested in fleet expansion or renewal, but in 2023 the uncertainty around future fuel choices caused many owners to defer such investments.

Instead of ordering new tonnage, owners applied surplus cash to prepay debt and deleverage their balance sheets. This affected the development of our loan book. Despite a high level of new lending activity, with DKK 12.1 billion of new loan offers made and accepted, DKK 9.2 billion of new loans disbursed and ten new clients added to the portfolio during the year, this could not fully offset the extraordinary level of loan prepayments. The loan book at year-end thus stood at DKK 32.0 billion, 9% below the year-end 2022 figure. Net income from lending decreased by DKK 119 million year-on-year.

We expect the deluge of prepayments to be a temporary state and take heart from the very strong engagement with both existing and new clients. We remain well positioned to support clients as their financing needs re-emerge and retain our goal to gradually restore the loan book back to the levels of recent years and grow it further. We remain very satisfied with the quality and composition of the loan book. The current long up-

Income, lending

DKK million	2023	2022
Net interest income	421	540
Net fees and commission	15	14
Net income	**435**	**554**

Loan book development
at year-end

2023
32.0
DKK billion

2022
35.0
DKK billion

swing in shipping markets has benefited credit quality, which is now at its strongest for more than 15 years.

Key credit ratios

Loan impairment charges for 2023 amounted to an income of DKK 506 million compared to an income of DKK 583 million in 2022, corresponding to an annual loan impairment ratio of the average loan book of -1.5% in 2023 compared to -1.6% the year before. This highly favourable outcome is attributable to improved credit quality across the loan book, successful workouts on non-performing loans and, in particular, recovery on loans previously written off.

During the past seven years, non-performing loans have decreased from the elevated levels in 2016, when the Offshore and Dry Bulk segments in particular experienced severe downturns. There were no loan defaults in 2023.

At year-end 2023, the weighted average loan-to-value ratio after loan impairment charges stood at a very healthy 40%, and 100% of the loan book after loan impairment charges was secured within 60% of the values of the mortgaged ships. A full 92% of the loan book after loan impairment charges was secured within 40% of the value of the mortgaged ships. Non-performing loans (NPL) decreased by DKK 342 million to DKK 903 million at year-end 2023, equivalent to a NPL ratio of 2.8%, down from 3.6% the year before. Similarly, the net NPL ratio declined to 1.6% at year-end 2023, down from 2.1% the year before. We believe that accumulated loan impairment charges of 2.0% of the loan book at year-end 2023 continue to provide adequate protec tion for future credit losses.

Competition

Shipowners muted financing needs meant increased competition between lenders for the transactions coming to market. Loan margins were under pressure for much of the year. Many of our competitors benefited from substantial deposits priced significantly below wholesale market rates, enabling them to price loans at, or even below, their wholesale funding costs for similar maturities.

The abundance of still-cheap liquidity and strong shipping market performance in the past few years have prompted many banks to look to the shipping sector for financing growth opportunities. We saw new entrants in the ship financing market in 2023, which increased competition further.

We believe this situation to be temporary. Banks' funding costs will gradually normalise and the upcoming capital requirements related to Basel IV are slowly beginning to impact the behaviour of banks, which is expected to level the playing field in the industry. At the same time, shipowners' financing needs will grow significantly as the contours of new technical standards for sustainable shipping assets become clearer.

Key ratios, lending

	2023	2022
Loan impairment charges as % of average loan book (Annual loan impairment ratio)	(1.5)	(1.6)
Net write-offs on loans as % of average loan book	(1.3)	(0.9)
Weighted average loan-to-value after loan impairment charges (%)	40	43
Proportion of loans covered within 60% of market values(%)	100	100
NPL ratio (%)	2.8	3.6
Net NPL ratio (%)	1.6	2.1
Accumulated loan impairment charges as % of loan book (year-end)	2.0	2.1

FINANCED EMISSIONS FROM LENDING

Emissions from financed vessels account for by far the bulk of the indirect climate impact of our activities. It therefore remains our key priority to steer our loan portfolio in the direction of lower emissions by supporting our clients in their sustainable transition.

Maritime transport is one of the hard-to-abate sectors in the global economy, and its current reliance on fossil fuels is clear from the global fleet's significant GHG emissions footprint. We will remain transparent and show relevant climate data about our loan portfolio where possible. Our reporting of financed emissions is based on data collected directly from clients, and only emissions related to lending activities covered by the scope of the Poseidon Principles are included. The investment portfolio is not included.

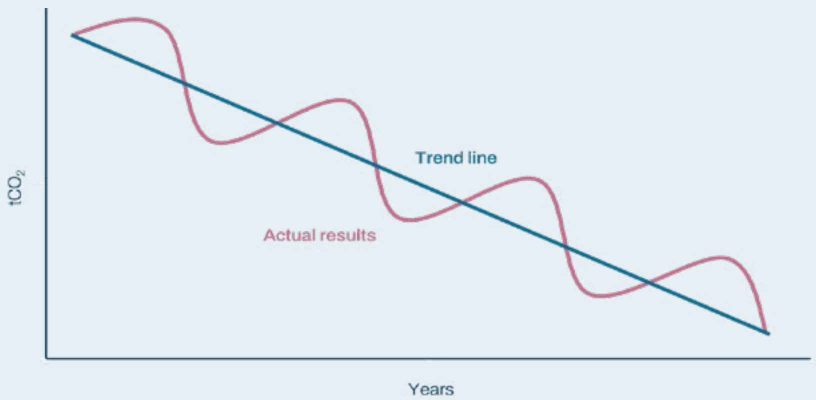
We note that the inclusion of ship values in the calculation has its drawbacks (see note on the right). Ship values are highly volatile – a case in point is the movement in ship values in recent years. This makes individual years' results for financed emissions difficult to analyse in isolation, as they can be greatly influenced by movements in ship values from year to year. Therefore, we urge readers to interpret the data with caution and always analyse trends over several years.

Financed emissions from lending

Reporting year	2023	2022	2021	2020
Absolute emissions (million tonnes CO_2e)	16	19	19	19
- Capital Centre Institute in General	*13*	*16*	*16*	*17*
- Capital Centre A	*3*	*3*	*3*	*3*
CO_2 intensity (tonnes Co_2e / DKKm lending)	176	231	345	305
Share of portfolio covered by emissions data	89%	84%	83%	78%

We use the methodology developed by Finance Denmark (FIDA) in its sector guidelines for CO_2 disclosures, since the Partnership for Carbon Accounting Financials (PCAF) does not currently include specific guidelines for shipping. Due to data constraints in the attribution factor, we use the ratio between the outstanding loan amount and the current ship value. We note that other banks which have published similar data have made the same methodology adjustments.

Development in financed emissions from lending (illustrative)



Macro trends

Geopolitical tensions continued to leave their mark in 2023. Russia's aggression towards Ukraine persisted, while US-China relations somewhat deteriorated, straining the atmosphere on the global stage. The complexity deepened with the eruption of the Israel-Hamas war, triggered by Hamas' terrorist attack on Israel on October 7 and Israel's response. The world has again become more fragmented, with widespread consequences for the global economy and trade.

The year saw a gradual easing of inflationary pressures from peak levels. However, economies are still experiencing inflation at elevated levels, forcing central banks to act and posing ongoing challenges for the global economy. Striking a delicate balance between taming high inflation and fostering economic growth remains a key concern for central banks around the world.

The Chinese economy started the year strongly after dropping its COVID policies at the end of 2022. However, the struggling property sector, which represents about a fifth of the country's economy, has taken a toll on economic activity. Sentiment is low among both consumers and producers, while the economy is grappling with deflation.

Technological advancements in the realms of artificial intelligence (AI) accelerated during 2023. Although AI is expected to fuel economic growth and productivity, its potential contribution to reducing emissions of the global economy is also gaining prominence. Notably, improvements in energy efficiency have the capacity to accelerate the transition away from fossil fuels. This will eventually lead to lower demand for seaborne transport of fossil fuels.

World seaborne trade volumes increased by around 3% in 2023. Seaborne oil, gas and dry bulk trade volumes surged, largely driven by a rebound in the Chinese economy. Demand for Oil and Gas tankers was further supported by shifts in global trade flows due to the Russia-Ukraine war. On the other hand, the increased cost of living shifted consumption away from containerised goods, lowering demand for Container vessels.

The shipping industry

Shipping markets were characterised by diverging trends during 2023. Although the overall index, the Clarksea Index, was relatively stable during the year, this masks the fact that some segments experienced strong earnings while others struggled. Tankers and Gas Carriers performed strongly during 2023, as shifts in global oil and gas trade flows sent earnings skyrocketing. Conversely, freight rates in the Container and Dry Bulk segments initially tumbled due to weaker sentiment in the global economy. Nevertheless, the Clarksea Index, which stood at USD 27,300 per day in December 2023, is moving within the top 30% observed since 2000.

The shipping industry is volatile and shipowners are used to adjusting accordingly. During 2023, Container shipowners and operators reduced vessel speeds and idled capacity to cope with the significant fall in demand. In response to the high freight rates in the Tanker segments, shipowners have increasingly opted to prolong the lifetimes of many of their older vessels. This illustrates how market players adapt to the volatile nature of the industry.

The climate agenda is front and centre in the shipping industry. No silver bullets exist, but the maritime sector is fortunate to be navigating a global regulatory framework that is governed by the International Maritime Organization (IMO). In 2023, the IMO reached a consensus to tighten GHG regulations, closing some of the gap with the objectives of the Paris Agreement. From 2024, the shipping industry will already start operating in accordance with new rules introduced by the IMO.

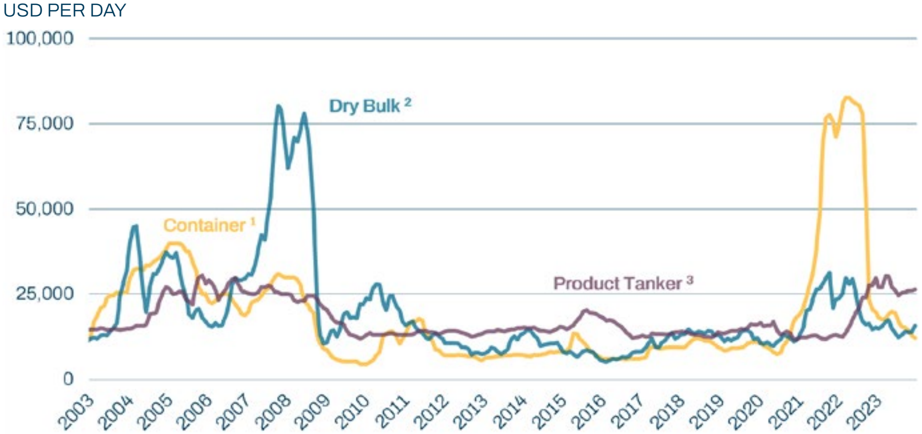
The IMO has introduced both technical and operational measures to ensure that the shipping industry reduces its climate footprint. The Energy Efficiency Design Index (EEDI) is a crucial step in ensuring that new ships are built to reduce the industry's climate impact, while the Carbon Intensity Indicator (CII) targets the operational efficiency of existing ships.

Global regulations are supplemented by regional initiatives. The European Union has included the shipping industry in its Emission Trading System (ETS) from 2024. This introduces a carbon tax on CO_2 emissions from vessels entering EU ports. Moreover, a key component of the EU's Fit for 55 package is the FuelEU Maritime initiative, which aims to stimulate demand for renewable and low-emission fuels in the maritime sector. The FuelEU Maritime regulation is expected to take effect from 2025.

World seaborne trade volumes have regained lost territory. After having experienced a 0.4% decline in 2022, seaborne trade volumes are estimated to have increased by 3.0% in 2023. However, the recovery is uneven, with Tankers and Gas Carriers seeing strong demand growth and high freight rates, and fleet utilisation for Container and Dry Bulk vessels weakening during much of 2023.

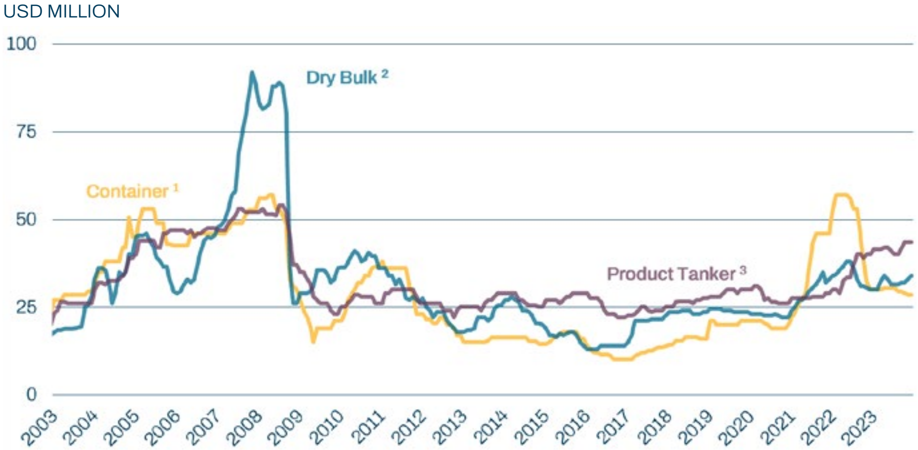
Contracting activity fell sharply in 2023, driven by lower appetite for new Container vessels, while few Tanker and Dry Bulk vessels were contracted.

Timecharter rates



Note: 1 2,750 teu 1 year T/C 2 Panamax 1 year T/C 3 MR 1 year T/C **Sources:** Clarksons, Danish Ship Finance

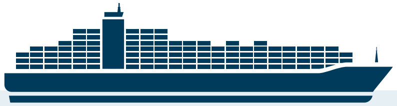
Ship prices by segment



Note: 1 2,800 teu 5 year old 2 Panamax 5 year old 3 MR 5 year old **Sources:** Clarksons, Danish Ship Finance

CONTAINER

The Container market has continued its downward ride after stellar years during the pandemic. The fleet's cargo-carrying capacity increased significantly during 2023 at a time when high inflation and soaring interest rates reduced demand for containerised goods. As a result, both freight rates and secondhand prices experienced substantial declines. A massive inflow of vessels is still projected for 2024 and next year, while high inflation is expected to continue to weigh on the outlook for the global economy. The Container market is therefore expected to suffer from surplus vessel capacity in the coming years, likely leading to further declines in freight rates and increased scrapping of vessels.

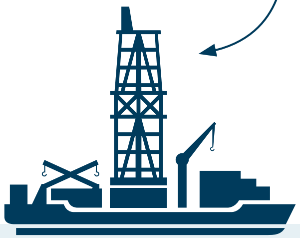


DRY BULK

Market fundamentals in the Dry Bulk market weakened during 2023, as a reduction of port congestion increased the active supply of vessels. Dynamics on the supply side seem positive, as a low orderbook will limit fleet growth in the short term. However, structural challenges related to the Chinese property sector raise concerns on the demand side, which may have a significant impact on the demand for larger vessels. The outlook seems more resilient for the small and mid-sized segments, owing to positive fundamentals on both the supply and demand side.

OFFSHORE

The Offshore market remained in a strong position throughout 2023. Day rates across multiple subsegments rose to decade highs as a result of firm demand, constrained vessel supply and a supportive energy price environment. Continued optimism in the Offshore market is backed by a historically low orderbook, an ageing fleet, and expectations of more investments in upstream greenfield activities in the coming years, propelled by increased concerns about energy security in Western countries. The bright outlook for the Offshore market is expected to gain further support from investments in the offshore wind industry.



OIL TANKERS

The Oil Tanker market remained consistently firm in 2023. Increased global oil demand, mainly attributable to a recovery in Chinese demand, together with longer travel distances as a result of the Russia-Ukraine war and limited fleet growth, has kept both fleet utilisation and freight rates high. Oil supply cuts in OPEC+ countries continue to affect the outlook. Still, a limited inflow of new vessels in the next few years and an ageing fleet could support continuously high fleet utilisation and earnings, even if headwinds escalate.

"The climate agenda is front and centre in the shipping industry. No silver bullets exist, but the maritime sector is fortunate to be navigating a global regulatory framework that is governed by the IMO."

GAS CARRIERS

Gas Carriers continued to benefit from strong market fundamentals during 2023. A surge in long-haul trade, combined with numerous dry-dockings, pushed average earnings in the LPG segment to all-time highs – primarily driven by the larger segments. Earnings in the LNG segment softened compared to 2022 but remain at an elevated level. Although global seaborne gas demand is expected to increase further in the short and medium term, a very large orderbook continues to weigh on the outlook for Gas Carriers.

CAR CARRIERS

Global car sales continued their strong performance in 2023, partly driven by a demand overhang from the pandemic years. This has fuelled excessive demand for Car Carriers, which, along with port congestion, has kept fleet utilisation and timecharter rates at all-time highs. Macroeconomic headwinds and diminishing purchasing power may impact growth in car sales negatively and normalise demand for Car Carriers. Lower demand will reduce port congestion, while a high inflow of new, larger vessels is likely to introduce periods of surplus vessel capacity in the coming years.

RO-RO/FERRIES

A lack of available tonnage in the Ro-Ro market kept earnings and second-hand prices high during 2023. However, economic headwinds in Europe may pressure freight rates to some degree in the short term. The orderbook primarily consists of large vessels, which are expected to replace old small and medium-sized vessels. Market conditions have generally been positive for Ferries, but weakening economic conditions may pose a risk.

Funding

We base our funding model on regular issuance of ship covered bonds and ship mortgage bonds. We maintain ongoing access to domestic and international financial markets, enabling us to issue these instruments to a broad range of investors. Our bond investors are key stakeholders, with whom we interact regularly and we enjoyed significant investor engagement, both domestically and internationally, in 2023.

Investors acknowledge and appreciate our sustainability efforts. Investors in particular recognise that the granularity and precision of emissions data reported under the auspices of the Poseidon Principles initiative is quite unique compared to most other industries. While we constantly seek to raise the bar for our clients' sustainability performance, we expect investors to similarly raise the bar for us as a bond issuer.

We are subject to ever increasing sustainability transparency requirements and likewise, investors increasingly want more detailed data on the sustainability performance of shipping. In particular, investors can make a measurable difference by supporting shipping's sustainable transition. Although shipping remains the most efficient and environmentally friendly form of large-scale transport, it is an industry with high emissions intensity and high absolute emissions. Driving change in shipping can thus have a real and significant impact, and investors want to see this evidenced by hard data, which fortunately is becoming increasingly available in shipping.

2023 in brief

Central banks in most developed economies tightened monetary policy during the year in order to tame accelerating inflation. In particular, the European Central Bank raised its policy rate by 2 percentage points before pausing at 4.5% at year-end. Credit spreads exhibited periods of heightened volatility, especially following the demise of three regional US banks and Credit Suisse in the first part of the year. In the second half of 2023, volatility subsided and credit spreads tightened.

A notable exception was the euro covered bond market, which generally saw widening spreads as issuances were gradually repriced. Even in this somewhat mixed macro environment, our funding position remained very healthy throughout the year.

We were active in both issuing new bonds and buying back existing shorter-dated bonds, following our established pre-funding strategy. We accessed the euro covered bond market in October with a highly successful and well oversubscribed three-year issuance. We were particularly pleased to welcome 12 new investors in this transaction.

By year-end 2023, we had DKK 44 billion of issued bonds at amortised cost with an average maturity of three years, of which 20% were denominated in EUR. All bond issuances, regardless of currency, are subject to the Danish specific balance principle.

Funding spreads increased somewhat during the year alongside the repricing of the EUR covered bond market. This spread widening was partially offset by movements in cross-currency basis spreads that made it cheaper to fund USD with both DKK and EUR. Funding costs not covered amounted to an income of DKK 9 million in 2023 compared to an expense of DKK 16 million in 2022, primarily reflecting timing differences in interest rate fixings, which remained volatile throughout much of the year.

Costs related to warehousing of temporary excess liquidity, stemming from bond issuances, pending loan disbursements and clients' extraordinary loan prepayments, and associated hedges, were DKK 40 million in 2023. This figure doubled from 2022, as the amount held in warehousing was elevated in 2023, owing primarily to an unusually high DKK 7.5 billion of loan prepayments. Given the increased volume and the conservative risk profile of the portfolio, these costs are considered satisfactory.

Non-accrual loans contributed a negative DKK 10 million in foregone interest income in 2023, shown under non-business activities. As the volume of non-accrual loans decreased further during 2023 and all were solved at year-end, the cost of foregone interest was lower than in the previous years, even though the underlying base interest rates were substantially higher. The funding area had a net income of DKK 57 million in 2023 from prior buy-backs of own bonds. Net CVA and DVA charges resulted in a positive fair value adjustment of DKK 1 million. In total, net income from non-business activities amounted to DKK 42 million in 2023.

Funding and hedging, after loan funding charges to lending, amounted to an income of DKK 12 million for 2023 in total, against funding costs of DKK 31 million in 2022.

Income, funding

DKK million	2023	2022
Funding costs not covered [1]	9	(16)
Warehousing	(40)	(19)
Non-business activities	42	4
Net income funding	12	(31)

1) Funding costs not covered are defined as the net costs of external funding costs incurred minus the initial funding costs of the loans (received from the business area Lending).

Investments

Our investments consists of own funds, invested in high-grade fixed income instruments, comprising Danish AAA-rated government bonds and mortgage bonds, highly rated covered bonds from Scandinavian issuers and other highly rated core EU government and supranational agency bonds. A small part of the portfolio was allocated to investment grade bank debt in 2023.

The investment portfolio is managed within prudent risk limits. The risk of losses from outright defaults is viewed as very remote, although the portfolio is exposed to changes in the credit spreads of the instruments held. The interest rate risk in the investment portfolio is very limited, as the portfolio is to a very large extent hedged with derivative instruments. The exception is a hold-to-maturity portfolio of short-dated AAA-rated mortgage bonds, established in 2022 and largely maturing by January 2025. Danish Ship Finance is closely monitoring changes to the regulatory framework around hold-to-maturity portfolios and accounts for any unrealised mark-to-market losses in its capital planning through a Pillar 2 capital requirements add-on and in its stress testing.

The financial markets

Inflationary pressures eased during 2023 following substantial interest rate hikes by many central banks. Policy rates in DKK increased mostly on the back of policy action from the ECB. Inflation fell to the point where the central banks felt comfortable pausing their rate increases in order to evaluate the effects on containing inflation and on the real economy. At the end of 2023, financial markets began to price in expected reductions to central bank policy rates in 2024. Although geopolitical uncertainties remained at the fore, markets generally ended 2023 on a benign note.

2023 in brief

While the investment portfolio was managed with low risk throughout the year, the portfolio return was boosted considerably by the reversion to higher short-term interest rates coupled with benign credit spreads. The investment portfolio generated a result of DKK 347 million against a loss of DKK 87 million in 2022. The day-to-day volatility was low as a result of the conservative risk management. The investment result corresponds to a return of 3.4%, compared to a return of -0.8% in 2022.

Income, investments

DKK million	2023	2022
Net interest income	189	65
Market value adjustments	158	(152)
Net income investments	347	(87)

Management Report

Summary *of performance*

Financial *trends*

Financial highlights

Key figures, DKK million	2023	2022	2021	2020	2019
Net interest income from lending[1]	413	562	541	501	516
Net interest and fee income from lending[1]	428	576	573	522	543
Net interest income from investment activities[1]	189	65	(37)	41	115
Total net interest income	602	626	504	542	631
Net interest and fee income	617	640	536	562	657
Market value adjustments	175	(206)	(82)	(150)	(197)
Staff costs and administrative expenses	(201)	(187)	(167)	(158)	(166)
Loan impairment charges	506	583	39	(100)	2
Profit before tax	1,097	830	326	154	296
Net profit for the year	818	663	254	117	227
Loan book[2]	31,980	35,005	37,544	33,576	41,440
Issued bonds	43,595	41,402	43,228	42,477	47,738
Total equity	10,407	9,755	9,325	9,275	9,260
Total assets	64,228	58,818	54,457	59,804	66,824
Common Equity Tier 1 capital after deductions	9,952	9,263	9,131	9,156	9,065

1) The link between income in the income statement and the business areas can be seen in note 3
2) The link between loans in the balance sheet and the loan book can be seen in note 17

Financial highlights

Key ratios	2023	2022	2021	2020	2019
Return on equity after tax (%)	8.1	7.0	2.7	1.3	2.5
Return on investment activities (%)	3.4	(0.8)	(0.9)	(0.9)	(0.6)
Common Equity Tier 1 capital ratio (%)	23.6	21.9	20.1	22.3	18.5
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	13.3	13.0	11.6	12.0	12.5
Cost/income ratio (%)	25.4	43.2	36.8	38.3	35.5
Equity as a % of loan book	32.5	27.9	24.8	27.6	22.3
Annual loan impairment ratio (%) (avg.)	(1.5)	(1.6)	(0.1)	0.3	0.0
Accumulated loan impairment charges as a % of loan book (year-end)	2.0	2.1	2.6	3.9	4.9
Weighted average loan-to-value ratio after loan impairment charges (%)	40	43	44	54	51
Proportion of loans covered within 60% of market value (%)	100	100	99	98	99
Net write-offs on loans as a % of avg. loan book	(1.3)	(0.9)	0.8	2.1	1.2

Unless otherwise indicated, the key ratios have been calculated in accordance with requirements stipulated in the Danish FSA's executive order on financial reports for credit institutions and investment companies, etc. For definitions, see note 2.

Income

Net interest income from lending, including fee income of DKK 15 million, was DKK 435 million in 2023, a decrease of DKK 119 million compared to 2022. The lower loan book in 2023 was affected by extraordinary repayments of DKK 7.5 billion, which was not fully offset by the higher new lending activity with DKK 9.2 billion of loan disbursements and DKK 12.1 billion of accepted loan offers in 2023, compared to DKK 6.6 billion and DKK 5.0 billion in 2022, respectively.

Net interest income from investment activities was DKK 189 million in 2023, compared to net interest income of DKK 65 million in 2022. This reflected a normalised environment of positive market interest rates throughout the year. The total net income from investments of DKK 347 million contributed very positively to the net profit for 2023.

Market value adjustments of securities and foreign exchange contributed income of DKK 175 million, mostly from AAA-rated DKK bonds and associated derivative hedges.

Expenses

Staff costs and administrative expenses totalled DKK 201 million in 2023, compared to DKK 187 million in 2022. The increase of 7% was primarily due to higher performance-based variable pay and certain advisory costs.

The development of our new domicile at Langebrogade 5 is progressing and we expect to move into our new premises in 2024, at which time we will vacate our current domicile at Sankt Annæ Plads 3, which has served us well for many years. Operating costs of approximately DKK 2 million were incurred in relation to Langebrogade 5 in 2023, in addition to development costs which are capitalised and will be subject to depreciation when moving.

In 2023, the cost/income ratio (excluding loan impairment charges) was 25.4%, compared to 43.2% in 2022. The improved ratio was positively impacted by increased investment income.

Loan impairment charges

Credit quality across the loan book strengthened further from an already good level, positively impacted by healthy freight rates across most shipping segments, apart from the Container segment. Successful workouts of non-performing loans and DKK 442 million recovery on loans previously written off meant that loan impairment charges for the year amounted to an income of DKK 506 million, compared to an income of DKK 583 million in 2022.

The total ECL allowance account amounted to DKK 672 million at year-end 2023, down from DKK 736 million at year-end 2022, primarily as a result of reversal of loan impairment charges following workouts of legacy non-performing loans. As of 31 December 2023, all loans were interest-bearing and only loans to three clients were non-performing.

Tax

The tax expense for the year was DKK 278 million, compared to DKK 166 million in 2022. This translated into an effective tax rate of 25.4% for 2023. The corporate tax rate was 25.2% for 2023, following the Danish Parliament's enactment of an increase in the corporate tax rate for the financial sector in Denmark. The effective tax rate for 2022 amounted was 20.0% affected by remeasurement of deferred tax items in 2022, which led to an income of DKK 7 million and was recognised in the income statement.

Equity

Equity stood at DKK 10,407 million at year-end 2023, up from DKK 9,755 million at year-end 2022, affected by the result for the year of DKK 818 million and the dividend paid out for 2022 of DKK 167 million.

The Board of Directors has proposed a dividend of DKK 320 million for 2023. The proposed dividend covers the mandatory preferred dividend to the Danish Maritime Fund, dividends to Danish Ship Finance Holding A/S (covering accrued interest charges on Group Tier II regulatory capital), and associated minority shareholder dividends. This amount is recognised in shareholders' equity until approval of the distribution at the general meeting in March 2024.

The proposed dividend has been deducted from the Common Equity Tier 1 (CET1) cap-

TRENDS

- Net profit for the year amounted to DKK 818 million, an increase of DKK 155 million compared to 2022, representing the third-highest net profit in DSF's history.
- The loan book declined in 2023, reflecting not only cyclically high loan prepayments, but also subdued investment appetite and pressure on loan margins from widened credit spreads.
- As a consequence, net interest income from lending of DKK 421 million decreased in 2023 compared to 2022.
- Income from investment activities was affected by the positive interest rates and contributed very positively to the result for 2023.
- Staff costs and administrative charges increased in 2023, primarily driven by performance-based variable pay and certain advisory costs.
- Significant loan impairment charges were reversed, mainly through the resolution or reduction of certain NPL exposures and, in particular, recovery on loans previously written off.
- In addition, all loans were interest-bearing as of 31 December 2023.

ital (see note 30).

CET1 capital totalled DKK 9,952 million at year-end 2023, compared to DKK 9,263 million at year-end 2022. The CET1 capital ratio was 23.6% at year-end 2023, up from 21.9% at year-end 2022. There were no supplementary capital instruments as of 31 December 2023 and the CET1 capital ratio equalled the total capital ratio.

Uncertainty as to recognition and measurement

The most significant uncertainty in recognition and measurement concerns expected credit losses and valuation of financial instruments. We estimate that the uncertainty is at a level which is prudent in terms of providing a true and fair view of the financial statements. See the accounting policies in note 1.

Material risks

The most material risks are described in more detail in note 41.

Events after the balance sheet date

No events occurred after the balance sheet date which materially affect the assessment of the Annual Report 2023.

Outlook for 2024

We expect greater divergence between shipping segments to materialise in the coming year. Tankers and Gas vessels are likely to continue to experience elevated demand,

“Our expectation, in the current market environment, is for a robust operating performance in 2024 and net profit in the range of DKK 400-500 million.”

partly as a consequence of geopolitical events affecting supply patterns. On the other hand, market activity and earnings in other segments have started to moderate from the previous extraordinary levels, most notably for large Container Liners. Deliveries of newbuild vessels are likely to cause the supply-demand balance to deteriorate. Dry Bulk could see the current market balance maintained, although further deterioration of conditions in the Chinese property sector represents a downside risk to the outlook.

Overall, the earnings outlook for shipping in 2024 is more mixed than in 2023, in our view, with a gradual normalisation of rates and values in some segments. We expect that earnings and vessel values will remain elevated in the Tankers and Gas segments, while lower rates in the Container segment will likely depress values. The outlook for small and mid-sized Dry Bulk vessels seems more resilient, while the still-struggling Chinese property sector may negatively impact demand for larger Dry Bulk vessels. We expect the present security situation in the Red Sea to provide a short-term uptick in freight rates, particularly in the Container segment and to a lesser extent for Gas and Car Carriers, as vessels are rerouted from the Suez Canal to around the Cape of Good Hope. We expect little impact on freight rates in the medium term, as third-party countries will seek to re-establish safe passage. Conversely, Container freight rates will suffer from significant fleet growth in 2024.

Secondhand prices in some segments are expected to decline, particularly where technological change, declining demand and increased scrapping activity are lowering vessels’ economic lifetimes. Container and Capesize Bulk vessels seem most exposed.

A normalisation of vessel values will provide a favourable environment for new lending activity compliant with our objective of strong credit metrics and comfortable loan-to-value ratios being sustained. We expect that the outsized volume of loan pre-payments experienced in the past 18 months as a consequence of inflated sector earnings will gradually subside as earnings begin to normalise.

Our intense engagement with clients and good momentum in new lending, particularly in the second half of 2023, support our conviction in a high level of lending activity in the coming year. As extraordinary loan prepayments gradually abate, we expect to grow the loan book over the next 12 months.

We expect to still be able to access the Danish and European covered bond markets at favourable terms that will underpin our ability to offer attractive loan financing to our clients.

Our very robust credit quality, and strong solvency and liquidity give us headroom to support our clients' requirements and grow lending in a sustainable manner.

We expect the credit quality of the loan book to remain stable and do not anticipate a need for additional loan impairment charges in 2024. We expect the three remaining legacy non-performing loans to be adequately covered by the existing ECL allowance account and aim to resolve some of these in 2024.

We remain upbeat on the outlook for the investments area. The current market environment of positive interest rates is favourable for our high-grade investment portfolio and we expect a strongly positive investment result again in 2024, even while maintaining a conservative investment strategy.

We expect operating costs to decline in 2024, with lower advisory costs and normalisation of variable compensation. We expect to maintain the headcount at around the current level and to continue to invest in sustainability, digitalising core processes, and Operational Excellence initiatives to support the business.

Our expectation, in the current market environment, is for a robust operating performance in 2024 and net profit in the range of DKK 400 million to DKK 500 million.

The previously announced review of the ownership of Danish Ship Finance Holding remains ongoing.

The business outlook remains subject to market factors and elements beyond our direct control. Uncertainties related to global politics, pandemics, macroeconomics and global trade may impact the shipping markets. Unexpected credit or market events could lead to a reassessment of the outlook. Adverse conditions in financial markets, in particular primary and secondary bond markets, interest rate and foreign exchange markets, may affect financial performance.

While we believe that the total ECL allowance account of DKK 672 million provides adequate coverage for future credit losses, adverse credit performance always remains a risk to our outlook for the coming year.

Macro outlook

The global recovery remains slow and uneven. Economic activity is still falling short of pre-pandemic estimates, while households continue to struggle with the higher cost of living. Although the global economy is forecast to grow in the short and medium term, divergences have started to appear. Some advanced economies in Europe already find themselves in technical recession, whereas the US has surprised on the upside with resilient consumption and investment activity. The IMF currently projects the global economy to grow by 3.1% in 2024 and 3.2% in 2025 – lower than the historical average of 3.8% during 2000-2019. Global inflation is expected to remain high at 5.8% in 2024 and 4.4% in 2025. The balance of risks to global growth remains tilted to the downside.

Rising inflation and interest rates have also taken a toll on global trade volumes. Excess savings in advanced economies (built up during the pandemic) have largely been eroded, while the Chinese economy continues to be weighed down by the struggling property sector. Consequently, global trade volumes increased by 0.4% in 2023 and is expected to grow by 3.3% in 2024 and 3.6% in 2025.

Geopolitical tensions continue to pose a risk to the global economy, causing the world to become more fragmented. To name a few, the Russian aggression against Ukraine continues, conflicts in the Middle East are escalating and US-China relations are still at a low. Depending on how these scenarios unfold, they could have a significant impact on the global economy, leading to volatility in prices. Global inflation likely peaked in 2022 but is expected to remain elevated until 2025.

FINANCIAL RESULTS RELATIVE TO OUTLOOK

The net profit of DKK 818 million for 2023 significantly exceeds our original expectations.

We upgraded our net profit guidance for the year in company announcements on 27 November 2023 and 18 January 2024. As communicated in those announcements, key drivers of the annual result were substantial reversals of loan impairment charges due to the resolution of certain legacy non-performing loans and a very satisfactory income contribution from the investment portfolios.

Aggregate business performance in 2023 was in line with expectations. Albeit the relative result contributions from the different business activities slightly changed, these were comparable to historical norms, as investment of own funds again made a significant contribution.

Investment returns were solidly positive in 2023. This reflected above all a conclusive exit from the era of negative central bank interest rates of the past several years. Conditions in fixed income markets were relatively benign. Occasional volatility, most notably in covered bond markets, was well contained by defensive positioning. The investment result was realised on a very stable and predictable basis.

Notwithstanding healthy new lending activity, the loan book did not grow as expected in 2023, as many shipowners continued to benefit from elevated earnings and with investment in fleet renewal mostly subdued, many chose to prepay on existing loans. Pricing of new shipping loans remained highly competitive as lenders actively competed for the financing transactions in the market.

Net funding requirements were not significant in 2023. Investors showed good interest in our EUR benchmark issuance in the fourth quarter of 2023 and in the open DKK bond series. Funding costs remained stable throughout the year. Investors remained actively engaged in many productive dialogues, particularly around shipping, our business and sustainability topics.

As expected, we were able to sustain, and even improve on, very strong credit quality metrics and loan-to-value ratios. Loan book credit quality was again bolstered by the resolution of legacy non-performing loans and reversal of loan impairment charges amounting to DKK 506 million with large recoveries on loans previously written off.

Operating costs developed largely as expected, albeit with an increase in variable compensation costs due to the higher-than-originally-expected net profit. Our Operational Excellence efforts were augmented by the establishment of a Digitalisation team, tasked with driving business process improvement across the organisation.

Liquidity and solvency ratios again remained at very healthy levels in 2023.

The previously announced review of the ownership of Danish Ship Finance Holding and evaluation of the Group capital structure remain ongoing.

No material market impacts relating to upcoming regulations were observed in 2023.

Shipping markets were characterised by diverging trends during 2023. This was generally in line with the outlook that we set out in the 2022 Annual Report. The Container segment continued to suffer from surplus vessel capacity during the year, even though the tensions in the Red Sea have caused a short-term increase in earnings. Market fundamentals in the Dry Bulk segment also weakened, as a reduction of port congestion increased the active supply of vessels. Conversely, increased global oil demand coupled with limited fleet growth has kept earnings high in the Tanker segments.

Sustainability *trends*

ESG key figures

Sustainable finance	Unit	2023	2022	2021	2020	2019	Definition
Sustainability-linked lending, share of new lending	%	24	37	21	11	0	Share of new disbursements and refinancings on loan agreements with specfic terms to adjust the margin based on ESG performance
Sustainability-linked lending, share of total loan book	%	23	18	10	3	0	Share of loan agreements with specfic terms to adjust the margin based on ESG performance in total loan book
Financed emissions from lending, emissions from loan book	Million tonnes CO_2e	16	19	19	19	n/a	Absolute emissions (from loan book covered by the scope of the Poseidon Principles)
Financed emissions from lending, emissions intensity	Tonnes CO_2e/ DKK million	176	231	345	305	n/a	Tonnes CO_2e intensity per DKK million exposure (from loan book covered by the scope of the Poseidon Principles)
Own emissions							
CO_2e Scope 1	Metric tonnes	5	9	13	13	13	Emissions from sources controlled or owned by the company
CO_2e Scope 2 market-based	Metric tonnes	1	0	0	0	16	Emissions from purchased energy. The market-based method corrects emissions from electricity via Power Purchase Agreements and renewable energy certificates
CO_2e Scope 2 location-based	Metric tonnes	35	21	24	25	21	The location-based method for Scope 2 accounting reflects the average emissions intensity of grids on which energy consumption occurs
CO_2e Scope 3 excl. financed emissions from lending	Metric tonnes	297	202	41	69	269	Emissions occurring indirectly in the value chain of our organisation. These numbers only reflect upstream activities
Total CO_2e emissions excl. financed emissions from lending	**Metric tonnes**	**302**	**211**	**54**	**82**	**298**	**Total CO_2e emissions based on the market-based approach, excl. financed emissions**
CO_2e emissions per FTE	Metric tonnes	4	3	1	1	4	Total emissions divided by the number of full-time employees (FTEs)
Energy consumption (electricity and heat)[1]	MWh	774	685	739	431	349	Annual electricity and heat consumption is based on automatic data transfers to the company's supplier of energy from smart meters and meter readings
Energy consumption per FTE	MWh	10	9	10	6	4	Total energy consumption (MWh) divided by the number of full-time employees
Renewable energy share	%	127	106	88	90	50	Renewable energy share related to Scope 2 emissions
Purchased goods and services	Metric tonnes	3	4	6	6	1	Includes emissions stemming from water, copy paper and coffee consumption
Business travel	Metric tonnes	276	181	19	52	253	Includes air transport, train journeys and hotel accommodation booked through our travel agency
Emissions reduced through SAF	Tonnes CO_2e	15	0	0	0	0	Purchased sustainable aviation fuel (SAF) from our airline carrier in an amount equivalent to a reduction in CO_2e emissions

1) Energy consumption currently covers our current domicile on Sankt Annæ Plads and our new domicile on Langebrogade. Electricity consumption from Langebrogade was included from 2020 and heat was included from 2021. Our energy consumption has experienced a temporary increase due to the ongoing renovation of Langebrogade.

ESG key figures continued

Social data	Unit	2023	2022	2021	2020	2019	Definition
Employees	FTE	81	80	75	76	78	Total FTEs employeed at year-end (1 FTE = 160 hours/month)
Gender diversity	% of women	36	32	35	37	37	Number of women FTEs / total FTEs
Gender diversity in leadership	% of women	42	27	31	25	18	Women in leadership. Leadership is the Executive Board and employees that has direct reports and report directly to the Executive Board
Gender pay ratio	Times	0.8	0.7	0.7	0.7	0.7	Median male salary/median female salary
Employee turnover	%	11	9	9	12	12	Involuntary and voluntary leavers during the year divided by the average number of employees throughout the year
Sickness absence	Days per employee	3	7	1	1	3	Number of total sickdays registered for all employees / total FTEs
Employee survey							
Employee satisfaction	Index	78	79	77	78	77	Based on responses to specific questions in annual employee survey. Questions are answered on a scale of 1-10, and then indexed
Healthy work-life balance	Index	84	84	80	79	77	Based on responses to specific questions in annual employee survey. Questions are answered on a scale of 1-10, and then indexed
No prolonged periods of stress experienced	Index	84	79	78	79	77	Based on responses to specific questions in annual employee survey. Questions are answered on a scale of 1-10, and then indexed
Governance data							
Gender diversity, AGM-elected board members	%	0	0	0	0	0	Share of women elected by the annual general meeting. Employee representatives are not included
Board meeting attendance rate	%	92	95	98	98	90	Share of board meeting attendance by all members of the board, both AGM- and employee-elected are included. Attendance in ordinary and extraordinary board meeting
CEO pay ratio	Times	5.7	5.3	4.3	5.4	5.8	CEO compensation / median staff salary incl. bonus

Reporting principles

During 2023, we started optimising our internal processes and systems regarding our emission baseline data. Commencing this process has already improved our understanding and internal capabilities, and we are pleased to have started this work early as we prepare for reporting according to the requirements of the Corporate Sustainability Reporting Directive (CSRD). The CSRD applies to our organisation for the fiscal year 2025, with the first report to be published in 2026. Our aim is to structure and manage ESG data the same way as financial data.

For the 2023 Annual Report, we have revisited the data calculations and restated data points reported historically (see more details in the box 'Restatement of published data from previous years and additions').

Climate accounting

DSF's climate accounting has been completed using 'Klimakompasset' - a tool developed by the Danish Energy Agency in collaboration with the Danish Business Authority. The calculation model underlying this tool follows the Corporate Standard of the Greenhouse Gas Protocol. DSF's accounting principles follows the GHG's definition of operational control.

Data covers actual consumption in the financial year whenever possible, but for a small part of our water and heating for the year 2023, the data is based on expected consumption due to timing of scheduled meter readings.

DSF's climate accounting currently covers the following categories: leased company cars (Scope 1), purchased electricity and heating (Scope 2), upstream emissions of purchased electricity (Scope 3), purchased goods and services, including paper, water and coffee consumption (Scope 3), business travel, including air travel, hotel accommodation, and train journeys booked through our travel partners (Scope 3).

All categories have been calculated based on physical units as opposed to monetary units.

In accordance with the GHG protocol, we report two figures for our Scope 2 emissions, the location-based and the market-based approach. However, given our active decision to purchase electricity with Guarantees of Origin since September 2019 and our commitment to 0-Mission[1] since October 2022, we adopt the market-based approach and include these emissions in subsequent calculations.

We disclose financed emissions related to our lending portfolio only, and only for the share of the portfolio that is covered by the scope of the Poseidon Principles. We have yet to complete an emissions inventory on all our financed emissions, i.e. to also include emissions related to our investments.

1) The 0-Mission offers a way for smaller companies to contribute to the expansion of the renewable power grid in Denmark by adding new sustainable energy capacity that is privately financed. Our consumption corresponds to the production of approx. 950 metres of solar panels and the park is expected to reach full capacity in 2024.

RESTATEMENTS OF PUBLISHED DATA FROM PREVIOUS YEARS AND ADDITIONS

Sustainable finance

- We have restated financed emissions for all years due to updated emissions factors – they now reflect well-to-wake emissions instead of only tank-to-wake emissions.

Own emissions

- Water, heating and electricity have all been restated to now include consumption from our new office building, which was acquired in mid-2020. Emissions from heating have furthermore been recalculated by applying the respective emission factor for the Copenhagen area for each year.
- We have added an indicator showing the share of renewable energy of our Scope 2 emissions.
- Upstream emissions of purchased electricity relate to our Scope 1 and 2 categories and are a new addition to this year's climate accounting. These emissions are those that precede our use of energy, such as the production and distribution of electricity.
- We have added emissions from our coffee consumption, with data retrieved directly from our supplier and based on actual life-cycle analyses of the specific coffee types purchased.
- Emissions from business travel have been restated for all years and assigned the latest emission factor from July 2023. We have also corrected them for the Radiative Forcing Index, taking into account the fact that CO_2e emitted higher up in the atmosphere has a greater greenhouse effect than CO_2e emitted at ground level.

Social data

- We present data on the number of employees based on the number of FTEs rather than headcount.
- To align with new legislation about reporting on the underrepresented gender, we have updated the definition of leadership, such that leadership only includes the Executive Board and employees with staff management responsibility that report directly to the Executive Board.
- We only include annual general meeting-elected members of the board in the gender diversity data for board members.

Task force on *climate-related Financial Disclosures*

The task Force on Climate-Related Financial Disclosures is established by The Financial Stability Board, setting forth recommendations for more effective climate-related disclosures, enabling stakeholders to get a better understanding of the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

Task Force on Climate-related Financial Disclosures

Governance		**References**	**page**
a.	Describe the board's oversight of climate-related risks and opportunities	Letter to our stakeholders Organisation and responsibilities	4-5 54-55
b.	Describe management's role in assessing and managing climate-related risks and opportunities	Financing the transition Sustainability in lending	11-13 41-43
Strategy			
a.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Letter to our stakeholders Financing the transition	4-5 11-13
b.	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	Letter to our stakeholders Financing the transition Sustainability in lending Employees	4-5 11-13 41-43 58-61
c.	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including 2 degrees C or lower scenario	Financing the transition Sustainability in lending	11-13 41-43

Task Force on Climate-related Financial Disclosures continued

Risk Management

a.	Describe the organisation's processes for identifying and assessing climate-related risks	The year in summary Financed emissions from lending Sustainability in lending	8 17 41-43
b.	Describe the organisation's processes for managing climate-related risks	The year in summary Financing the transition Sustainability in lending	8 11-13 41-43
c.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Sustainable finance Financed emissions from lending Sustainability in lending	12 17 41-43

Metrics and Targets

a.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Financing the transition Financed emissions from lending Sustainability trends	11-13 17 31-32
b.	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions (GHGe), and the related risks	Financing the transition Financed emissions from lending Sustainability trends Poseidon Principles	11-13 17 31-32 42
c.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Financing the transition Poseidon Principles	11-13 42

Management Report

Credit risk *from lending*

Credit risk *from lending*

We provide financing to large, reputable shipowners in Denmark and internationally. We offer our clients ship financing, subject to first priority mortgages on the financed vessels.

When assessing a request for a loan, we consider the client's credit quality through the shipping cycle along with the market outlook for the relevant shipping segment, the vessel type and age, the client's sustainability rating and the terms of the loan, including the initial loan-to-value, the repayment schedule and financial covenants.

The most significant risk we face is the risk of incurring credit losses in situations where the value of financed vessels cannot cover the outstanding debt in the event of a client's default on a loan.

Our credit policy contains specific guidelines for managing such risk, as well as guidelines for credit risk appetite and the ongoing risk management carried out in relation to lending activities.

We follow several predefined standard operating procedures as part of our ongoing credit risk management and governance processes, ensuring a consistent approach to credit reviews and credit risk management, the most important of which are presented in the following sections.

Diversification

The composition of the loan book adheres to a set of diversification requirements. The purpose of the requirements is to ensure adequate diversification by vessel type, client and country.

In order to manage large exposures, we have established a set of guidelines, outlining to what extent and under which conditions we will allow large credit exposures, including credit exposures exceeding 25% of the eligible capital. No exposure to non-danish clients exceeds 25% of the eligible capital.

The five largest credit exposures as of 31 December 2023, including loans and guarantees but excluding credit exposures with financial institutions, were secured by mortgages on 61 vessels split between nine vessel types. The credit exposure to one client group accounted for about 16% of the loan book.

Movements in five largest credit exposures

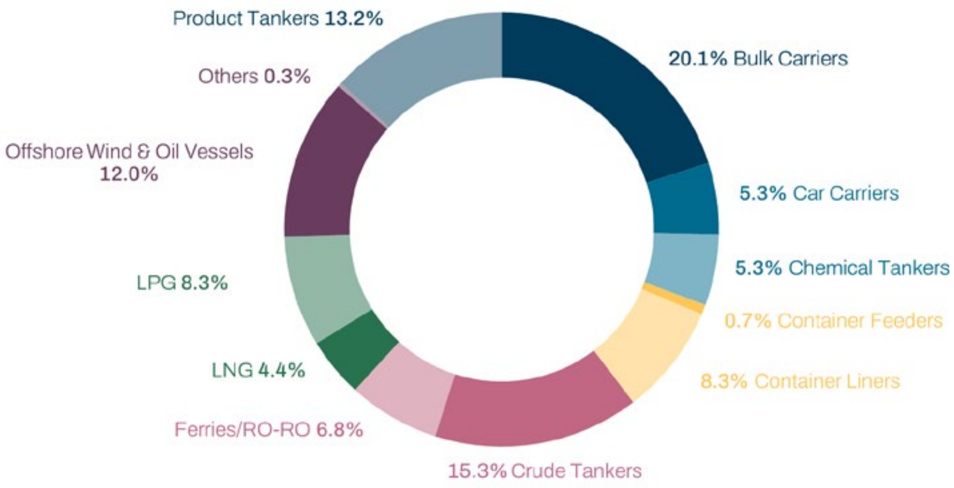
(DKK million)	2023	2022
Five largest credit exposures	10,444	9,156
Loan book	31,980	35,005

Diversification of risk on a client level also encompasses diversification across vessel types within each credit exposure. Our largest credit exposure was secured by mortgages on 26 vessels split between two different vessel types: Container Liners and Offshore Wind & Oil Vessels.

Ongoing credit risk monitoring

A central part of managing our credit risk is monitoring all credit exposures on an ongoing basis, assigning internal DSF Ratings to clients and reviewing them at least annually, or upon receipt of new information or in case of risk events.

Loan book broken down by mortgaged vessel type as of 31.12.2023 - DKK 31,980 million



We assess the credit exposures based on the most recent financial information on clients, such as financial statements, interim reports and budgets, as well as the current market valuations of the financed vessels, the current point in the shipping cycle and the shipping market outlook.

In addition, we monitor all credit exposures to ensure that clients fulfil their obligations under the individual loan agreements.

This entails the following:

- Semi-annual updating of the market values of all financed vessels and verifying compliance with any agreed loan-to-value limits
- Verifying that any other collateral meets the specified minimum requirements
- Verifying the existence of adequate insurance cover on financed vessels
- Verifying compliance with financial covenants

If a credit exposure is considered to entail increased credit risk, monitoring is intensified to safeguard the position to the greatest possible extent.

Market valuations

Market valuations performed by external brokers for all financed vessels are obtained and updated semi-annually. In a few cases, we may assess the market values of the financed vessels internally, typically based on a recent sales price for a specific vessel or external valuations of sister vessels.

The market valuations of vessels are, among other things, used to determine the loan-to-value (LTV) ratios on loans and for control purposes when reassessing the collateral value of mortgaged vessels (after haircuts) as part of our semi-annual loan impairment review.

Loan-to-value intervals

By year-end 2023, 92% of the loan book after loan impairment charges was on average secured by mortgages within 40% of the market valuation of financed vessels. A full 100% of the loan book after loan impairment charges was secured by mortgages within 60% of the market valuation of vessels, as displayed in the chart.

Declines in vessel prices do not in general have a material adverse effect on the collateral coverage of the loan book. This is due to the positive effect of regular loan repayments and the benefit of minimum value clauses (MVC) in a significant number of loan agreements, which gives us the right to demand partial prepayment and/or additional collateral if the market values of the mortgaged vessels fall below an agreed threshold. In the chart, the loan-to-value (LTV) intervals are shown together with the development in vessel prices based on a price index obtained from Clarksons across all the major vessel types (the solid line).

The chart illustrates how MVC stabilise our portfolio LTV ratio even with significant changes in the market values of vessels.

Loan impairment charges and write-offs

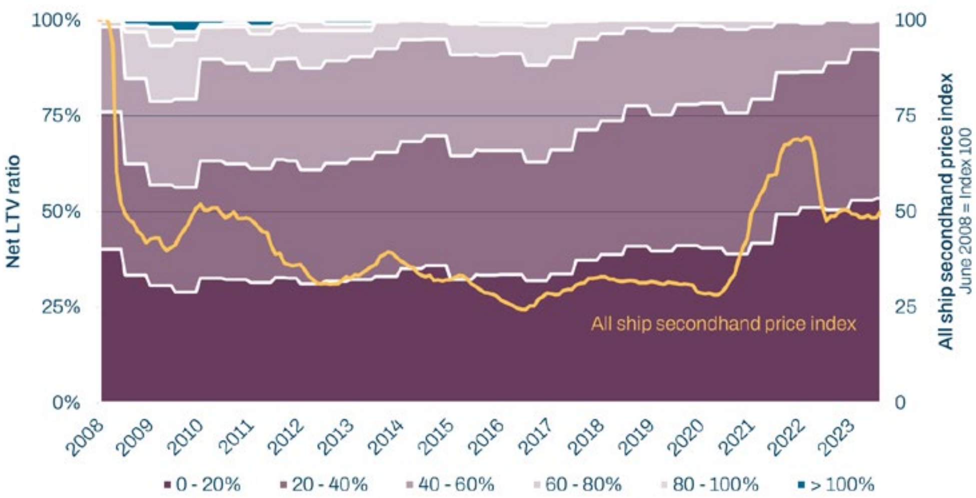
We review all credit exposures on a semi-annual basis, with the purpose of calculating loan impairment charges for expected credit losses (ECL) under the guidelines set out in the Danish FSA's Executive Order on Financial Reports.

The IFRS 9 impairment rules form the basis for staging of credit exposure and calculating loan impairment charges for ECL, as set out in the table on the following page.

The stage migration for the purpose of calculating loan impairment charges for ECL is closely linked to the development of clients' DSF Ratings. Note 17 provides more detailed information.

The credit quality of the loan book strengthened further in 2023, positively impacted by healthy freight rates across most shipping segments, apart from the container segment, successful workouts of legacy non-performing loans and, in particular, recovery on loans previously written off, leading to DKK 506 million reversal of loan impairment charges for the year, compared to DKK 583 million in 2022.

Net LTV vs price index for all vessel types



At year-end 2023, DKK 75 million in management judgments, relating to uncertainties associated with the restructuring of legacy non-performing loans, was included in the total ECL allowance account. Macroeconomic factors – across all shipping segments on an aggregated basis – were positive in our ECL impairment model.

In 2023, recovery on loans previously written off amounted to DKK 442 million compared to DKK 311 million net recoveries in 2022.

Arrears/past due date

Loans in arrears/past due for 30 days or more (but less than 90 days) are generally showing significant signs of weakness, and they are classified as Stage 2 for calculating ECL. Loans in arrears/past due for 90 days or more are in default, and they are classified as Stage 3 for the purpose of calculating ECL. At year-end 2023, no performing loans were in arrears/past due, and no loans were recognised as being in Stage 2.

Loans subject to forbearance measures

We focus on having a credit risk management framework that ensures consistency between the credit risk profile, credit risk appetite and current legislation, and on having a robust capital structure. Our credit risk management efforts should ensure financial solutions that are viable in the short, medium and long term.

Normally, forbearance plans are adopted to assist clients in temporary financial difficulty.

Given the cyclical nature of shipping, temporary forbearance measures are common in ship finance. Concessions granted to clients include temporary payment deferrals, interest-only schedules and term extensions. Forbearance plans are granted solely in accordance with the credit policy with the aim of reducing the long-term risk of credit losses. At year-end 2023, forbearance measures had been granted on a very limited number of loans to three clients.

The Risk Report 2023 provides more detailed information on our credit risk management.

Non-performing loans

NPL encompass all credit-impaired loans (DSF Rating 11) and all defaulted loans (DSF Rating 12). This includes clients with loans for which no loan impairment charges have been recognised, for example because adequate collateral has been provided. All NPL are classified as Stage 3 for the purpose of calculating ECL.

As of 31 December 2023, NPL represented 2.8% of the loan book, compared to 3.6% the year before, with an average loan-to-value ratio on NPL after loan impairment charges of 32% at year-end 2023. Net NPL constituted 1.6% of the loan book after loan impairment charges as of 31 December 2023, compared to 2.1% as of 31 December 2022. The significant decrease in NPL volume was primarily driven by DKK 342 million in repayments following successful workouts.

Note 15 in the Annual Report and the Risk Report 2023 provide more detailed information on NPL.

Stages of credit exposure

Stage	Recognition	ECL
Stage 1	No increase in credit risk since initial recognition	12-month PD
Stage 2	The credit risk has increased significantly since initial recognition and/or is showing significant signs of weakness	Lifetime PD
Stage 3	Credit-impaired	Lifetime PD

Management Report

Sustainability *in lending*

Sustainability *in lending*

Financial institutions determine to whom and to what activities they channel their capital. This is why sustainability constitutes one of the two pillars of our corporate strategy.

Our financed emissions – i.e. the vessels constituting our portfolio – account for by far the majority of the climate impact of our business. It is therefore our top priority to steer our portfolio in the right direction and support our clients in their transition to become net zero by 2050 while meeting the interim targets set by the IMO for 2030 and 2040.

Clients

Our most important task is to deliver a good client experience and provide attractive solutions that match our clients' needs, while acting with integrity and not compromising on our core values or obligations to the client relationship.

Our client portfolio consists of reputable, top-tier shipowners. Competition for these clients is intense, but we are confident that our value proposition is one of the most attractive in the industry.

We take a number of steps to ensure that we preserve our reputation and track record before we embark on new client relationships (illustration to the right). Together, these measures allow us to ensure that we only enter into business with the most prudent, reputable shipowners. Most of our clients have been with us for many years, and when we take on new clients, we are diligent in our assessment process. Thus, the regulatory KYC requirements for screening our customers are merely a formality, albeit a very important one. As expected, our extensive screening procedures have not revealed any problematic client relationships.

Sustainability ratings

Sustainability ratings are a natural part of our broader credit approval process and provide valuable insights into our clients' documented levels of engagement, accountability, and future planning on material environmental, social and governance issues.

In 2023, we continued to monitor developments in the market and changes in the legislative landscape from institutions such as the IMO and the EU. In line with recent developments and in acknowledgement of society's growing expectations, we revised our internal framework, ultimately raising our own expectations for clients on key sustainability issues. Moving forward, we will consider ways in which we can improve the objectivity of the framework, and we intend to perform a more extensive revision in 2024 with the

Checks and balances for client relationships

- In-person meetings with management teams
- Requirements for flag state and class society
- Know-your-customer controls
- Internal sustainability ratings
- Physical inspections of vessels
- Track record of management
- Prudent governance structures
- Energy efficiency and design specification of vessels

goal of making our sustainability ratings more data driven as more data becomes available.

Since our framework is significantly influenced by changes in the market and the growing awareness of the adverse effects caused by the industry, it is also dynamic in nature. Therefore, regular adjustments are essential for maintaining the relevance and purpose of the framework, ultimately allowing for a fair depiction of clients' sustainability performance measured against current market standards. In-depth analyses of clients' sustainability engagement will only gain in importance, and we will continue to integrate these elements into our lending decision-making process. As such, clients that are able to demonstrate a strong engagement in the sustainability agenda and those with a clear plan for how they intend to position themselves within the bounds of a sustainable economy will benefit.

A very large part of our client base is already very much at the forefront of the sustainability agenda. As in previous years, we also saw an increase in the level of transparency among our clients throughout 2023. This signals that these clients are also becoming increasingly accustomed to sharing relevant information with external stakeholders. It also indicates that overall, the industry is progressing in the transition towards a sustainable shipping sector. We have on several occasions assisted smaller clients, which may be earlier in their transition, in structuring and formalising their own initial reporting.

Poseidon Principles

In 2019, we were one of the founding signatories of the Poseidon Principles initiative, a global framework for responsible ship finance, which currently consists of 34 leading banks, jointly representing approximately USD 200 billion in shipping finance. We maintained our seat on the Poseidon Principles Steering Committee throughout 2023, a position which we have used to support raising the level of ambition within the association. The Poseidon Principles are consistent with the policies and ambitions of the IMO. In July 2023, following the 80th MEPC session, the IMO decided to revise its GHG strategy, raising the bar significantly. We welcome this attempt to accelerate the efforts to reduce emissions from shipping.

These quite fundamental changes to the IMO's initial GHG strategy mean that this year, we disclose our climate alignment score based on both the IMO's initial GHG strategy and its revised strategy. We furthermore report two climate alignment scores in relation to the revised strategy: one against the "minimum" trajectory and one based on the "striving for" trajectory. The results came in at +3.7%, +12.0% and +16.2%, respectively. We were also happy to see that 98% of the in-scope portfolio reported data.

The revision of the IMO's initial GHG strategy from 2018 has introduced considerably enhanced targets to tackle harmful emissions and accordingly significantly steeper emissions trajectories.

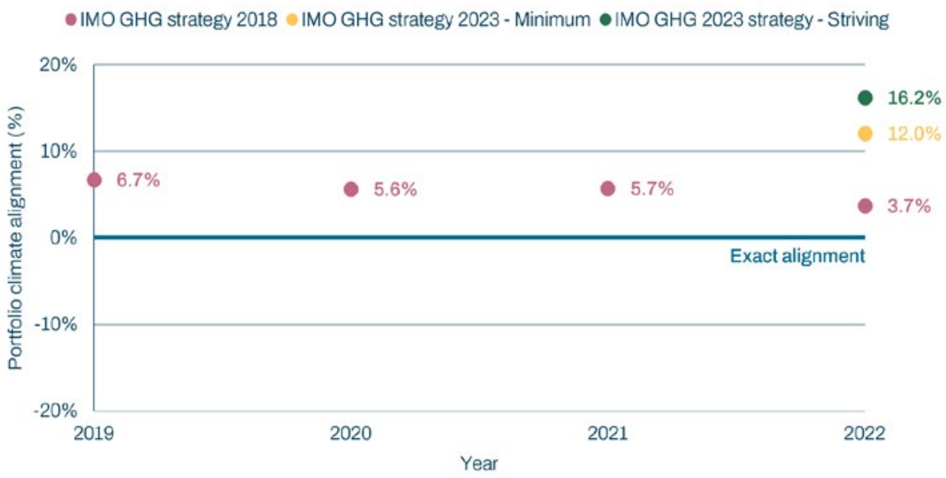
Sustainability rating framework

We assess all clients' documented levels of engagement, accountability and future planning on the following material issues:

Environment	Fuel consumption and energy efficiency
	GHG emissions
	Pollution prevention and biodiversity
Social	Health and safety
	Human rights[1] and responsible business practices
Governance	Anti-corruption and anti-bribery
	Organisational anchoring of sustainability
Ship recycling	Ship recycling policies and practices
Quality of information	Public reporting and other information shared

1) An evaluation of whether our clients have policies related to human rights (at least addressing human rights in general, labour rights issues such as workplace discrimination, fair working conditions and wages and freedom of association) is part of the sustainability assessment and rating, which is consistently carried out on all clients.

Poseidon Principles portfolio climate alignment results



Sustainability-linked loans

In 2023, we continued to push for new loans to be sustainability-linked.

To support clients in their transition, we have amended the criteria of our target for 2024 to also include transactions that do not fit within the current sustainability-linked loan framework but that nevertheless support the transition.

The share of sustainability-linked loans in the total loan book has seen a steady increase since 2020. In 2023, it was 24%, up from 18% in 2022 and 10% in 2021. We believe that as more owners engage even further in the transition of the industry, sustainability-linked facilities will remain a relevant instrument and we look forward to continuing to add even more sustainability-linked loans to our loan book.

The framework has an incentive-based structure, meaning that the loan margin can be either reduced or increased, depending on the reported results. By taking this approach, we ensure that our framework supports our clients' continuous progress.

Whenever possible, we collect data for our clients' entire fleets to ensure that the clients are overall on the right trajectory. The reason we do this is because the subset of vessels that we finance may provide an inaccurate reflection of a client's performance.

Ship recycling

The scrapping and recycling of ships is a core sustainability issue in shipping and can be associated with substantial human cost and reputational risk if owners do not scrap vessels responsibly.

In 2023, the Hong Kong Recycling Convention, which was adopted in May 2009, was finally ratified. The convention will enter into force at the end of June 2025.

Among other initiatives, the Hong Kong Convention requires that:

- An inventory of hazardous materials on board a ship is prepared and maintained at all times.
- Shipowners undertake due diligence of yards used for ship recycling.

We recognise the very good timing of this important development, considering BIMCO's forecast that between 2023 and 2032 the deadweight capacity to be recycled will more than double compared to the last ten years.

In an effort to push for more responsible ship recycling practices among shipowners, we joined the Responsible Ship Recycling Standards (RSRS) for banks back in December 2021. At the end of 2023, 13 banks were members of the RSRS initiative. The RSRS initiative, founded in 2017, is a collaboration between global shipping banks to create common standards for ship recycling and incorporate these into new loan documentation.

Since joining the initiative, we are pleased to see that close to 100% of all new transactions and refinancings have included a covenant on this important issue, reflecting the high standing of our client base in this regard.

IMO GHG STRATEGY

The IMO's revised GHG strategy includes an enhanced common ambition to reach net zero GHG emissions from international shipping by or around 2050, along with a commitment to ensure the uptake of alternative zero and near-zero GHG fuels by 2030.

Indicative checkpoints for 2030 and 2040 have also been established, including two trajectories, a "minimum" and a "striving". These are as follows:

1. To reduce the total annual GHG emissions from international shipping by at least 20%, striving for 30% by 2030, compared to 2008; and

2. To reduce the total annual GHG emissions from international shipping by at least 70%, striving for 80% by 2040, compared to 2008.

Management Report

Capital, funding *and liquidity*

Capital, funding *and liquidity*

Own funds, total capital ratio and capital requirements

Regulatory own funds after deductions were DKK 9,952 million at year-end 2023, up by DKK 689 million from year-end 2022. Own funds consist mainly of share capital, tied-up reserve capital and retained earnings from previous years less deductions.

The Board of Directors proposes a dividend of DKK 320 million, to be declared at the annual general meeting on 19 March 2024. In the balance sheet, the dividend is not deducted from equity as of 31 December 2023 but is carried for accounting purposes until its approval by the annual general meeting.

The Board of Directors' proposed dividend of DKK 167 million for 2022 was adopted at the annual general meeting held on 29 March 2023. The proposed dividend covers the mandatory preferred dividend to the Danish Maritime Fund, accrued interest charges on Tier II regulatory capital held in Danish Ship Finance Holding A/S, and associated minority shareholder dividends.

For the calculation of capital ratios, the proposed dividend is deducted from own funds as of 31 December 2023.

The own funds requirement (also referred to as the Pillar 1 requirement) is a total capital ratio of 8%, equivalent to the statutory minimum requirement.

Own funds are defined as the sum of Common Equity Tier 1 (CET1) capital, Additional Tier 1 (AT1) capital and Tier 2 capital, and the ratio of own funds to the total risk exposure amount is referred to as the total capital ratio. At year-end 2023, Danish Ship Finance's own funds consisted solely of CET1 capital.

We follow the Danish FSA guidelines on adequate own funds and capital adequacy requirements for credit institutions (the Pillar 2 requirement). The guidelines provide an interpretation of Annex 1 to the Danish Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need. The Danish FSA has defined benchmarks and calculation methods within the areas which typically are relevant for a credit institution to assess in determining its adequate own funds and has listed additional factors to be included in the assessment.

The calculation is shown in the table 'Adequate own funds and internal capital adequacy requirement' on the following page.

A Pillar 2 solvency market risk reservation of DKK 574 million was made in 2023 to cover risk exposure to Danish mortgage bond credit spreads, interest risk, difference between amortised cost and market value from non-trading activities (IRRBB) and our new domicile. All other reservations were of minor significance.

As of 31 December 2023, our adequate own funds and the total risk exposure amount were DKK 3,979 million and DKK 42,093 million, respectively. The internal capital adequacy requirement including the combined capital buffer requirement totalled 13.3% or DKK 5,608 million. Our own funds after deductions totalled DKK 9,952 million, resulting in a total capital ratio of 23.6%. This corresponds to excess coverage in the amount of DKK 4,344 million, or 10.3 percentage points.

Calculation of total capital ratio

DKK million / %	2023	2022
Own funds after deductions	9,952	9,263
Total risk exposure amount	42,093	42,389
Total capital ratio	23.6	21.9

DIVIDEND PROPOSAL

It has been proposed that the A shareholders receive a dividend of DKK 237 million, and that the B shareholder, the Danish Maritime Fund, receives the maximum dividend of DKK 83 million.

If shareholders approve the proposed dividend for 2023, we will, since the conversion of the company in 2005, have made total distributions of DKK 962 million to the B shareholder, the Danish Maritime Fund. The purpose of the Fund is to develop and promote the Danish maritime sector (Blue Denmark).

Adequate own funds and internal capital adequacy requirement

DKK million	2023	2022
Total risk exposure amount	42,093	42,389
Pillar 1 requirement (8% of total risk exposure amount)	3,367	3,391
Pillar 2		
Credit risk		
- Credit risk exposure to large clients in financial difficulty	0	0
- Other credit risk	-	30
- Concentration risk	37	32
Market and liquidity risk	574	641
Total adequate own funds	**3,979**	**4,095**
Internal capital adequacy requirement (%)	**9.5**	**9.7**
- Capital conservation buffer (%)	2.5	2.5
- Institution-specific countercyclical capital buffer requirement (%)	1.4	0.9
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	**13.3**	**13.0**

The combined capital buffer requirement

The combined capital buffer requirement consists of the following elements for Danish Ship Finance:

- A capital conservation buffer
- An institution-specific countercyclical capital buffer

The regulatory capital conservation buffer is fixed at 2.5% of the total risk exposure amount. The institution-specific countercyclical capital buffer may be between 0.5% and 2.5% of the total risk exposure amount. Based on the geographical distribution of credit risk exposures, the capital requirement for the institution-specific countercyclical capital buffer was calculated at DKK 577 million as of 31 December 2023. The capital requirement pertains currently to exposures in Denmark, Germany, Great Britain, Hong Kong, Netherland, Luxembourg, Norway and Sweden, which have set the following countercyclical capital buffer rates:

- Denmark: 2.50%
- Germany: 0.75%
- Great Britain: 2.00%
- Hong Kong: 1.00%
- Luxembourg: 0.50%
- Netherlands: 1.00%
- Norway: 2.50%
- Sweden: 2.00%

In accordance with the Executive Order on Management and Control of Banks, etc., a capital contingency plan has been prepared, which contains a catalogue of possible courses of action to strengthen the capital position in a critical situation. The capital contingency plan would take effect in the unlikely event of predefined triggers being activated.

For further information on our capital management, including a detailed description of the determination of adequate own funds, please refer to the Risk Report on our website.

Credit rating

Our covered bonds have been assigned a rating of A by S&P Global Ratings, with a Stable outlook, based on S&P's methodology for rating covered bonds. Our covered bond rating is two notches above our issuer credit rating of BBB+, with a Stable outlook.

Bond rating	A
Issuer credit rating	BBB+
Outlook	Stable

S&P regularly monitors and provides instrument and issuer credit ratings.

Balance principle

Mortgage lending in Denmark is regulated by the balance principle, which applies to ship mortgage lending, as well as real estate mortgage lending. The balance principle limits the financial risk the issuer may assume in relation to funding and lending.

Danish mortgage institutions may apply either the specific balance principle or the general balance principle. We apply the specific balance principle. The specific balance principle permits a future liquidity deficit between issued bonds and loans disbursed of up to 100% of own funds. The deficit occurs if the future payments related to bonds, other funding and financial instruments exceed the future incoming payments on loans, financial instruments and positions.

In our internal policies, we have set stricter requirements for any liquidity deficits between issued bonds and disbursed loans.

Funding

Our bonds are typically issued in DKK and EUR, whereas most of our loans are disbursed in USD. We source USD for funding of USD loans via so-called cross-currency basis swaps. Sourcing USD liquidity relies on an efficient capital market. Internal policies govern the maximum USD funding requirements over time.

All bonds issued by Danish Ship Finance are on the European Commission's list of bonds meeting the gilt-edged requirements of Article 52(4) of the UCITS Directive.

Debenture bonds

This refers to certain bonds issued before 1 January 2008. By definition, the bonds are considered covered bonds under the CRD until maturity.

Ship mortgage covered bonds

Ship covered bonds and ship mortgage bonds are issued to finance lending secured by mortgages on vessels of up to 60% and 70% of the market value of the mortgaged vessel(s), respectively.

In respect of loans funded by ship covered bonds, the loan-to-value ratio shall at no time exceed 60%. Such requirement for continuous compliance with a certain loan-to-value ratio does not apply to loans funded by ship mortgage bonds. In respect of loans funded by ship mortgage bonds, compliance with loan-to-value limits is only required at the time of the loan offer.

Additional capital charge

Loans exceeding 70% of the value of the vessel(s) may be granted subject to an additional capital charge in the form of a deduction from own funds in the calculation of the total capital ratio.

We have not utilised this option to acquire new business for a number of years and no deduction was made in 2023.

Issued bonds

Our issued bonds totalled DKK 43.6 billion at amortised cost as of 31 December 2023, of which about 80% were denominated in DKK and 20% were denominated in EUR. All our bond issuances are listed and traded on Nasdaq Copenhagen. At year-end of 2023, we held own bonds totalling DKK 2.7 billion.

Interest rate risk

There is a risk that the coupon on our floating-rate bonds will be negative, in the event of which we will have a claim against the bondholders. In such a case, we are entitled, but not required, to redeem for settlement at par value, and an amount of bonds equivalent to a value up to the nominal negative interest coupon. The procedure is stated in the final terms for each applicable floating-rate bond issue since 2017. However, it can be waived in future final terms if necessary.

Issuing EUR ship covered bonds is a strategic priority for us in order to diversify our investor base.

For this purpose, we established a new Capital Centre A in 2019. 2023 marked the fourth EUR benchmark issuance from Capital Centre A.

Our DKK covered bonds are issued from the Capital Centre Institute in General. Both capital centres hold an A rating from S&P Global Ratings with a Stable outlook.

The rules governing bond issuance are described in the Act on a Ship Finance Institute and the Executive Order on a Ship Finance Institute, as well as in the Bond Executive Order. Lending operations are funded through previously issued debenture bonds, issuance of ship mortgage bonds, ship covered bonds, lending of own funds, and proceeds from loans raised in money markets and capital markets.

Subordinated debt
We did not issue any subordinated debt in 2023 and none is outstanding.

Bail-in-able senior debt and senior unsecured debt
No senior resolution notes (SRN) or any other senior bail-in-able or senior unsecured debt were issued in 2023 or are outstanding.

Issuance schedule for 2024
We expect to issue the equivalent of approximately DKK 5 billion in covered bonds to support clients' refinancing needs and loan book growth. The bonds are expected to be issued in DKK and EUR. We will continue to focus on maintaining a well-diversified investor base.

Liquidity

Liquidity management and the statutory liquidity requirements are aimed at maintaining liquidity risks at very low levels.

Liquidity risk involves the risk of:

- A disproportionate rise in the cost of funding
- Not being able to meet payment obligations due to a lack of funding

Through issued bonds, derivative contracts and available own funds, we maintain sufficient liquidity coverage for existing loans and credit commitments until expiry. Potential future liquidity needs are monitored within strict limits. A change in our external credit rating would not change our robust liquidity position but could lead to a different level of funding costs for new loans.

The average maturity of our issued bonds (DKK issuances) equals the average maturity of loans in the Capital Centre Institute in General. In Capital Centre A, the average maturity of issued bonds (EUR issuances) exceeds the average maturity of loans. Small residual loan exposures at certain maturities are covered by the capital allocated to the capital centre.

According to the CRR, liquidity is required to ensure that a credit institution has an adequate stock of unencumbered high-quality liquid assets (HQLA) consisting of cash or assets that can be converted into cash at little or no loss of value in private markets. Liquidity needs for a 30-calendar-day liquidity stress scenario shall be covered by HQLA.

The liquidity coverage ratio (LCR) as of 31 December 2023 was 498%.

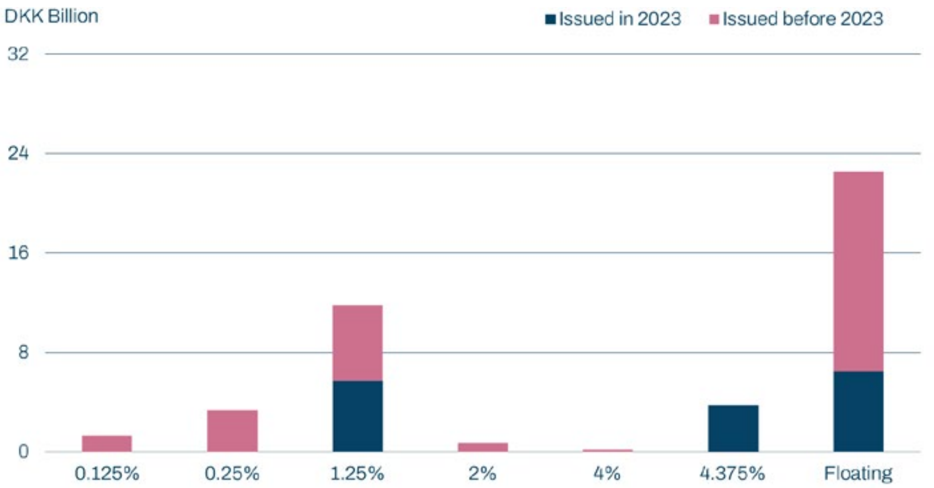
We treat EUR as a significant currency due to the EUR bonds issued in Capital Centre A and accordingly calculate a EUR LCR. The LCR in EUR as of 31 December 2023 was 2,316%.

"The liquidity coverage ratio (LCR) as of 31 December 2023 was 498%"

Our securities portfolio represents a significant part of our assets. The securities portfolio consists primarily of government and mortgage bonds, money market transactions and interest-sensitive financial instruments. Interest rate risk in the securities portfolio may be fully or partially hedged.

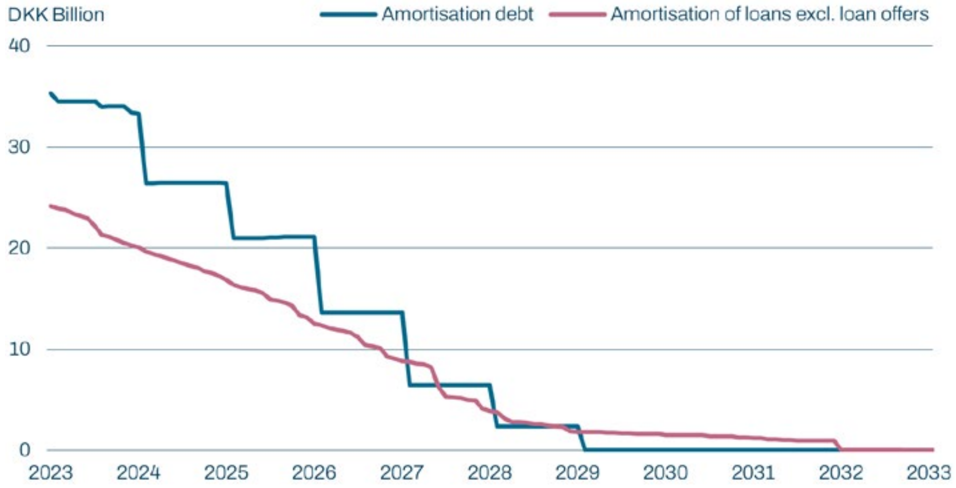
In accordance with the Executive Order on Management and Control of Banks, etc., a liquidity contingency plan has been prepared, which contains a catalogue of possible courses of action to strengthen the liquidity position in a critical situation. The liquidity contingency plan will take effect if predefined triggers are activated.

Issued bonds by type



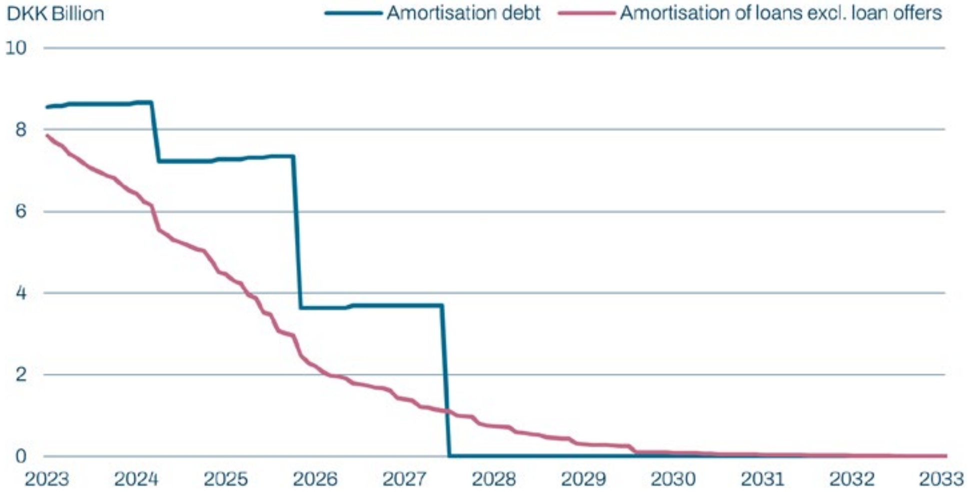
$$\text{LCR} = \frac{\text{HQLA}}{\text{Net liquidity outflow over a 30 days stress period}} \geq 100\%$$

Capital Centre Institute in General: developments in issued bonds relative to loans

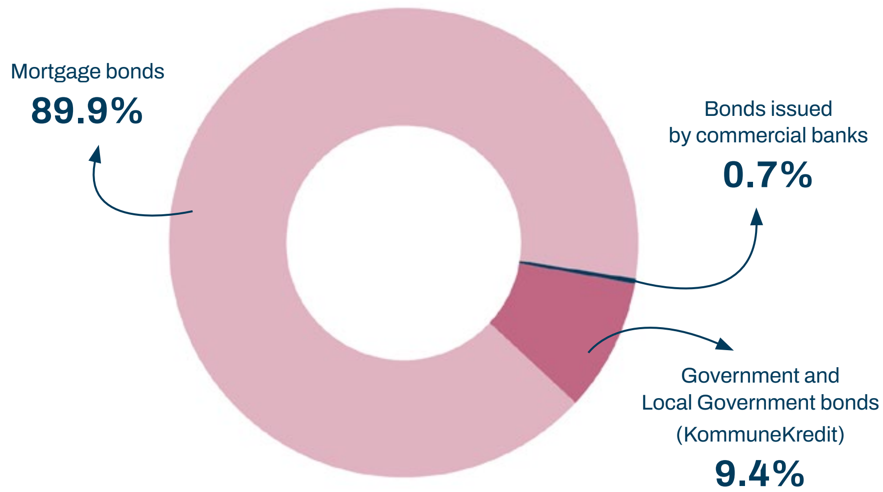


The LCR fluctuates above the 100% requirement

Capital Centre A: developments in issued bonds relative to loans



Distribution of securities portfolio



Management Report

Corporate *governance*

Corporate *governance*

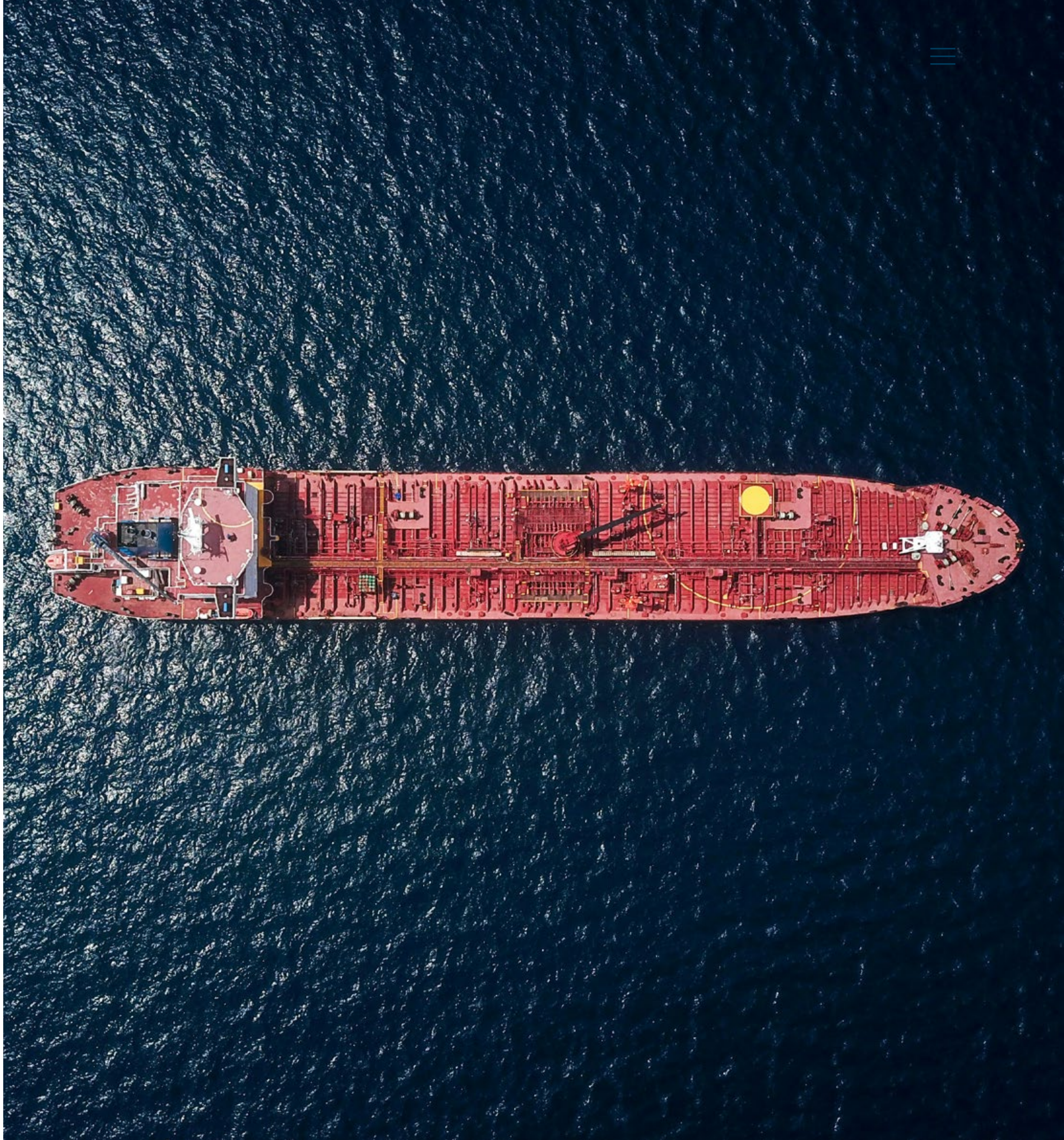
As our shares are not listed for trading on Nasdaq Copenhagen, we are not subject to corporate governance rules. However, we have resolved to follow the corporate governance guidelines.

We also comply with the corporate governance code of Finance Denmark. This code is more comprehensive than the recommendations of the Corporate Governance Committee and also builds on a "comply or explain" principle. We comply with these guidelines.

Through the ownership by DSH, we are partly owned by a private equity fund, managed by Axcel Management A/S, which is a member of Active Owners Denmark, and we have therefore adopted Active Owners Denmark's guidelines. These guidelines build on a "comply or explain" principle and are available on Active Owners Denmark's website. We also comply with these guidelines.

Corporate governance reports must be published at least once a year. The reports are published on our website in conjunction with publication of the Annual Report.

Detailed information about corporate governance is provided in the reports on our website.



Ownership

Share capital

Our ambition is to deliver an absolute and risk-weighted return that is satisfactory to our shareholders. The Board of Directors continually assesses whether the company's capital structure is consistently aligned with the interests of the shareholders and appropriate to support the strategy. The Board of Directors assesses that the capital structure is currently appropriate given the strategy.

The nominal value of share capital amounts to DKK 333 million and is divided into A shares with a nominal value of DKK 300 million and B shares with a nominal value of DKK 33 million. Each A share of nominally DKK 1 carries ten votes, and each B share of nominally DKK 1 carries one vote. Other than that, there are no restrictions on the number of votes or shares for each shareholder. The shares are not listed for trading on a regulated market.

Ownership

Danish Ship Finance Holding A/S (DSH) owns 86.6% of the shares in DSF. Furthermore, the Danish Maritime Fund owns 10% of the shares (the B shares). The remaining 3.4% of shares are owned by a small number of minority shareholders.

The ownership of DSH is as follows:

- 97.7% of DSH is owned by a consortium consisting of Axcel, PFA and PKA
- The remaining 2.3% is owned by members of the Board of Directors, the Executive Board and current or former employees of DSF

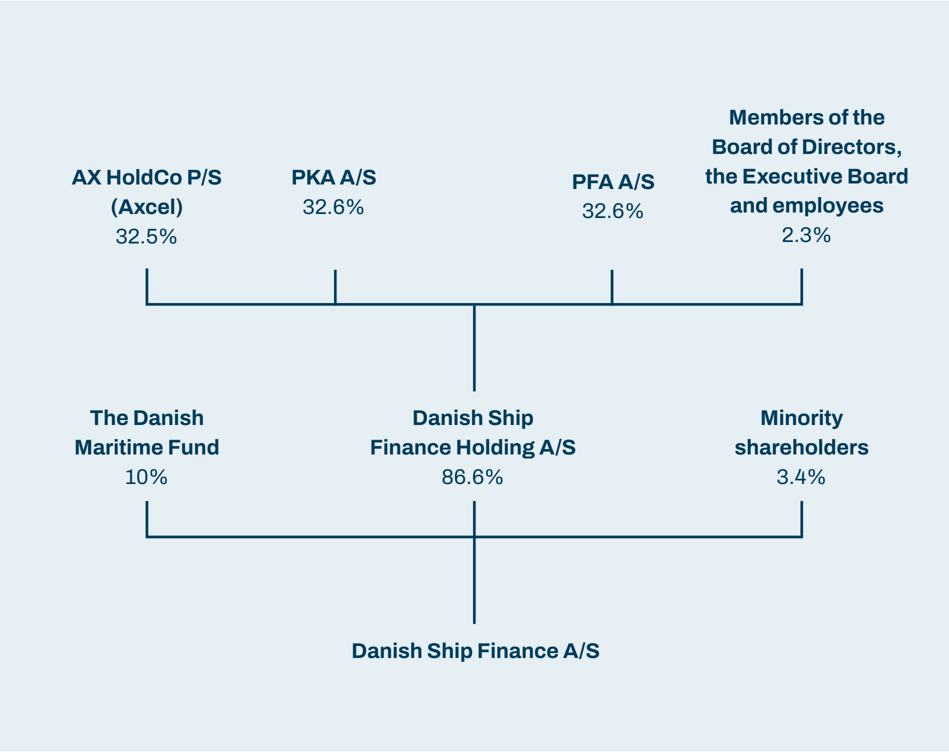
According to the Danish Companies Act, shareholders must notify the company if the voting rights of their shares represent 5% or more of the voting rights of the company's share capital or if the nominal value of their shares represents 5% or more of the share capital. Shareholders must also disclose changes in shareholdings if they exceed or fall below specified percentage thresholds.

The following shareholders, listed in alphabetical order, hold at least 5% of the total voting rights or own at least 5% of the shares in DSF.

- AX IV HoldCo P/S (Axcel)
- The Danish Maritime Fund
- The Social Workers', Social Pedagogues' and Office Staff Pension Fund (PKA)
- The Healthcare Professionals' Pension Fund (PKA)
- The State Registered Nurses' and Medical Secretaries' Pension Fund (PKA)
- PFA A/S

The previously announced review of the ownership of Danish Ship Finance Holding remains ongoing.

Ownership structure



THE DANISH MARITIME FUND

Through our contribution of 15% of our annual net profit to the Danish Maritime Fund, we indirectly fund initiatives supporting the development and growth of the Danish shipping and shipbuilding industries and their suppliers.

Based on our financial performance in 2023, the Danish Maritime Fund will receive a proposed preferred dividend of DKK 83 million.

Since 2005, **DKK 962 million** of profits from Danish Ship Finance have been transferred to the Danish Maritime Fund.

About the Danish Maritime Fund
The Danish Maritime Fund is a commercial fund established by law in 2005 upon the transformation of Danish Ship Finance into a private limited liability company. The Fund was at the time awarded 10% of the share capital in Danish Ship Finance. Each year, the Fund receives 15% of Danish Ship Finance's net result after tax as a preferred dividend (limited to DKK 83 million per year).

The objectives stated in the Fund charter are i) to ensure the perpetual existence of a ship finance institution in Denmark through its shareholding and ii) to provide grants and financing to initiatives and activities that grow and develop the Danish shipping and shipbuilding industries.

Danish Ship Finance is not involved in the operation of the Fund or the distribution of grants.

Danish maritime companies or organisations are eligible for support from the Danish Maritime Fund.

Read more here

DEN DANSKE
MARITIME FOND

Organisation *and responsibilities*

General meeting

Our highest decision-making authority is the general meeting. In 2023, the annual general meeting was held on 29 March. Our articles of association are available on our website and contain information about the notice convening the general meeting, shareholders' admission and voting rights, and shareholders' right to submit proposals and have specified business transacted at the meeting.

The Board of Directors and the Executive Board seek to promote active ownership, including participation by the shareholders at the general meeting, and efforts are made to ensure that all members of the Board of Directors and the Executive Board are represented at general meetings.

The next annual general meeting will be held on 19 March 2024.

Board of Directors

The Board consists of 12 members, eight of whom are elected by the general meeting and four of whom are elected by and among the employees.

Board members elected by the general meeting stand for election every year. As prescribed by Danish law, members elected by and among the employees serve on the Board of Directors for a four-year term. An election was held in January 2024 and the newly elected members will join the Board of Directors following the annual general meeting on 19 March 2024.

Eivind Kolding is Chairman of the Board of Directors, and Peter Nyegaard is Vice Chairman.

The Board of Directors defines our overall strategy, policies and guidelines. Each year, the Board of Directors also defines its principal duties in respect of financial and management control, which helps ensure control within all key areas.

Dates and agendas for the ordinary meetings are fixed more than one year in advance. Board meetings, however, are held whenever deemed necessary or when requested by a member of the Board of Directors or the Executive Board. In 2023, the Board of Directors held 36 meetings, of which eight were ordinary scheduled meetings and the remainder were extraordinary meetings due to, among other things, new lending above certain limits, which must be submitted to the Board of Directors for approval.

The board member attendance rate for board meetings was 92% in 2023.

The Executive Order on Management and Control of Banks, etc. requires the board members' experience and competencies to be evaluated on an annual basis. The Board of Directors has assessed that the board as a whole possesses the competencies deemed necessary to ensure a professional management.

The competency profile is as follows:

- Banking and mortgage lending
- Financial derivatives
- International maritime industry and shipping
- IT
- Credit approval processes
- Management experience from a relevant financial enterprise
- Legislation
- Macroeconomics
- Bond issuance
- Management of shipping companies
- Risk management in a financial institution
- Finance and accounting
- Cyber risk
- Sustainability

The Board of Directors is elected within the framework of a shareholders' agreement. When new board members are elected, consideration is given to the composition of the board, including in terms of diversity.

Evaluation of the Board of Directors

The Board of Directors carried out an evaluation of the Board of Directors, including its composition, the work done by the Board and the leadership of the Chairman. To ensure anonymity, an external consulting firm facilitated the evaluation and the members of the Board of Directors answered comprehensive questionnaires. The findings and conclusions were subsequently presented to and discussed by the Board of Directors.

The aim of the evaluation was to ensure, among other things, that the composition of the Board of Directors as well as the special competencies of each board member enable the Board of Directors to perform its tasks.

The results of the latest evaluation were good overall and showed good alignment within the Board of Directors. The Board of Directors will continue to work on the agreed focus areas in 2024.

Committees

Audit Committee
The Board has set up a statutory Audit Committee consisting of members of the Board of Directors. In composing the Audit

Committee, it has ensured that the Chairman of the Board of Directors does not act as the Chairman of the Audit Committee. It has also ensured that the Committee has professional capabilities and experience in financial matters and in finance and accounting.

The Audit Committee consists of Anders Damgaard (Chairman), Peter Nyegaard, Michael N. Pedersen and Henrik Sjøgreen.

The Audit Committee is a preparatory and monitoring body. The duties of the Audit Committee are defined in the terms of reference of the Audit Committee. The Audit Committee is to inform the Board of Directors of the outcome of the statutory audit and assist the Board of Directors in monitoring the financial reporting process, monitoring the efficiency of the internal control and risk management systems, monitoring the audit of the Annual Report, monitoring and verifying the independence of the auditors, and selecting and recommending new auditors.

In 2023, the Audit Committee held three ordinary meetings, two of which took place prior to the presentation of the Annual Report and the Interim Report, respectively. The Committee reports to the Board of Directors, and minutes of the Committee's meetings are discussed at the first ordinary board meeting after the Audit Committee's meeting.

Additional information on the Audit Committee is available on our website.

Remuneration Committee

The Remuneration Committee consists of members of the Board of Directors and undertakes preparatory work and assists the Board of Directors in matters related to remuneration of the Board of Directors, the Executive Board, material risk takers and other employees.

The Remuneration Committee monitors pay developments in general. Furthermore, it ensures that the incentive programmes are designed to create sustained and long-term value and that the remuneration policy is complied with.

The Remuneration Committee consists of Eivind Kolding (Chairman), Christian Frigast, Thor Jørgen Guttormsen and Jacob Meldgaard.

The Remuneration Committee holds ordinary meetings twice a year. In 2023, the committee also held one extraordinary meeting. The Committee reports to the Board of Directors, and minutes of the Committee's meetings are discussed at the first ordinary board meeting after the Remuneration Committee's meeting.

Additional information on the Remuneration Committee is available on our website.

The Executive Board and senior management

The Executive Board reports to the Board of Directors and together with senior management it oversees the day-to-day management of the company.

The Executive Board consists of:

- Erik I. Lassen, CEO
- Lars Jebjerg, CFO and CRO

Senior management consists of:

- The Executive Board
- Flemming Møller, Head of Credit and Executive Vice President

Changes in management

CCO and member of the Executive Board, Michael Frisch, tendered his resignation in August 2023.

Internal control *and risk management*

The primary responsibility for risk management and internal controls in relation to the financial reporting process rests with the Board of Directors, including compliance with applicable legislation and other financial reporting regulations.

Our risk management processes and internal control systems are designed with a view to effectively minimising the risk of errors and omissions. Our business processes, risk management processes and internal control systems provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions, including in financial reporting, are avoided.

The Audit Committee is responsible for monitoring and controlling accounting and auditing matters and for preparing the decision basis for accounting and audit-related topics for consideration by the Board of Directors.

The Board of Directors, the Audit Committee and the Executive Board regularly assess significant risks and the adequacy of internal controls in relation to the operations and their potential impact on the financial reporting processes.

Overall control environment

The key component of our control environment is an appropriate organisation, including adequate segregation of functions, internal policies, and business processes and procedures. In accordance with applicable legislation, the Board of Directors, alongside the Audit Committee, regularly assesses the need for an internal audit function. We have an internal control function, which performs its controls in conjunction with our external auditors. The Board of Directors finds this set-up adequate given the level of complexity of the organisation and therefore maintains its view that an internal audit function is not required.

Risk assessment

At least once a year, the Board of Directors, the Audit Committee and the Executive Board undertake a general assessment of risks in relation to the financial reporting process. In addition, management regularly assesses the need for new internal controls to be implemented to reduce and/or eliminate identified risks.

In its risk assessment, the Board of Directors specifically assesses the organisation of risk measurement and risk management, the accounting and budget organisation, internal

"The key component of our control environment is an appropriate organisation, including adequate segregation of functions, internal policies, business processes and procedures"

controls, segregation of functions, IT usage and IT security, including measures taken to reduce cyber risk. As part of the risk assessment, the Board of Directors also considers the risk of fraud.

The Board of Directors and the Executive Board assess whether the organisation has the necessary competencies to ensure that internal controls and risk management procedures are managed effectively.

Control activities

We use systems and manual processes for monitoring data that form the basis of the financial reporting process.

The purpose of the control activities is to prevent, detect and correct any errors or omissions. In the context of our financial reporting process, control activities are performed to ensure that the financial statements are presented in accordance with current legislation.

Information and communication

The Board of Directors has adopted a number of requirements for the presentation of the financial statements and the external financial reporting in accordance with current legislation and guidelines. The objective is to ensure that applicable disclosure requirements are met and that disclosures are full, complete and accurate.

Monitoring and reporting

Monitoring takes place by means of regular and/or periodic assessments and controls at all levels. Reports on the appropriateness and/or weaknesses of the controls, control failures, cases of non-compliance with adopted policies, limits, etc. or other significant deviations are escalated in the organisation in accordance with the policies and instructions.

Whistleblower scheme

We have implemented a whistleblower scheme in accordance with the Danish Financial Business Act. The scheme enables employees to report any instance of non-compliance with financial legislation, economic crime, suspected corruption, breach of occupational safety, breach of confidentiality, sexual harassment or other harassment due to race, political or religious affiliation to an independent third party.

In the event of a report being made, the independent third party will undertake a provisional screening to assess whether the instance of non-compliance falls within the scope of the whistleblower scheme.

As in previous years, no reports were made in 2023.

Know your customer (KYC)
We have a strong compliance culture and carry out our KYC procedures in accordance with current regulations. These procedures also serve as our anti-money laundering and counter-terrorist financing measures.

This means we must verify the identity of the management teams and the ultimate owners of our clients. We must do this at certain intervals throughout the client relationship and in the event of any change in management or ownership. This partly entails relying on information provided by our clients. They must forward the information by certain deadlines; we are obliged to report any failure to do so to the authorities. In 2023, the mandatory compliance training of employees was in the form of e-learning and scheduled in-person training for the relevant employees.

Data ethics
We have adopted a personal data protection policy which describes the principles for how we work with personal data. The purpose is to protect the rights of individuals and define guidelines on how employees treat personal data with integrity and confidentiality. DSF mainly collects data about clients required according to the Danish AML Act and contact details related to subscribers to newsletters. Since data processing is not an integral part of the company's business activities, and the ethically correct way of handling data is already described in the personal data protection policy, we have not a prepared a separate policy for data ethics.

Data privacy and security
We update our policy on personal data protection annually in order to ensure continuous alignment with applicable national and international governmental regulation. Our policy contains descriptions on procedures for issues such as money laundering, personally sensitive information, data on employees, etc.

Anti-corruption and bribery
We take a zero-tolerance approach to corruption and bribery and address this in our code of conduct, personnel handbook and relevant policies. In practice, we work to mitigate the risk of bribery and corruption through our compliance procedures, which include continuous training, controls and escalation steps.

RELEVANT POLICIES

Sustainability policy
Main principles in Danish Ship Finance's Sustainability policy:

We are responsible for the impact, positive and negative, of our business. We want to be a reliable and trustworthy partner for our clients and all other stakeholders and aim to conduct our business in an ethical and responsible manner in relation to all stakeholders. We include human rights, labour rights, environmental and climate responsibility, and anti-corruption in our decision-making.

We commit:

- To be a good corporate citizen
- To respect human rights
- To be engaged in diversity, equal opportunities and the well-being our employees
- To be honest, reliable, and to conduct our business ethically and responsibly
- To be engaged in environmental and climate stewardship
- To deny bribery and corruption in any form.

Other relevant policies

- Code of conduct
- Guidelines in personnel handbook to prevent corruption
- Policy for anti-money laundering and counter-terrorist financing
- Policy for gifts and hospitality
- Disclosure policy
- Policy for personal data protection
- Policy for healthy corporate culture
- Code of conduct for business relations

For additional and more detailed information about our work on corporate governance, read more here: Corporate governance and Risk Report 2023

Employees

Our employees are our greatest asset, and we strive to support their wellbeing and satisfaction in the workplace. One way in which we seek to do so is offering a flexible working experience. Employees may work from home two days a week. As we are aware that such a change may challenge employees' sense of belonging and the overall cohesion among the workforce, we have maintained a strong focus on arranging several events of both social and professional character throughout the year.

Our employees are covered by a collective labour agreement (negotiated by Finansforbundet) with attractive terms and benefits for all employees in the company. This forms an integral part of the employment at Danish Ship Finance.

We promote a healthy and safe working environment free of discrimination and harassment and conduct annual surveys in this respect. We ensure employee rights to freedom of association and collective bargaining. Likewise, we expect all employees to protect and respect human rights, and to act in accordance with the company's internal guidelines and relevant policies, including but not limited to our publicly available Sustainability policy.

In 2023, we initiated a major IT project to digitalise key business processes across the entire organisation with the aim of simplifying workflows and increasing the agility of our day-to-day operations. We expect this to free up time for work that may feel more fulfilling, ultimately contributing to an increase in job satisfaction. Modernising our digital capabilities will also help safeguard against cyberattacks, a growing threat faced by many organisations. We use phishing awareness training to teach employees how to spot and report suspected phishing attempts. Continuous training lowers the risk of hacking and increases the awareness of potential threats substantially.

In 2024, we expect to finally move into our new office in Christianshavn. Throughout the entire design phase of this new office building, it has been a priority to create an inspiring office environment. Several members of staff, including the Sustainability department, have been involved since the beginning of the project. Integrating sustainability consideration wherever feasible has been a priority from start to finish. Among various other initiatives, we have sought to keep as much of the original building as possible without compromising on the aesthetics. We have chosen a supplier of office furniture with a very strong and holistic approach to sustainability; the selected furniture is of high quality both in terms of material and ergonomic design, offering long product lifetimes. Everything is produced and assembled locally in the Nordics and thus subject to very strict environmental regulation.

We expect that this new office setup will facilitate improved interaction between various departments.

At the end of 2023, we had 85 employees, of whom 30 were female and 55 were male. Our employees possess a high level of professionalism and deep knowledge of the industry, as well as an average seniority of nine years. We seek to have a diverse workforce. This is evidenced by the fact that in 2023 we hired 11 new employees with different work experience and competencies, ranging in age from 23 to 63 years.

Every year, we conduct a well-being survey, to which all employees (excluding the Executive Board) are invited to respond. The collected data helps us steer our efforts to continuously increase the level of well-being and job satisfaction among our employees.

In 2023, 96% of employees responded to our survey. The results show a slight improvement in employee work-life balance, while fewer are experiencing longer periods of stress. Employee satisfaction is on par with previous years.

Targets and policies for the underrepresented gender and diversity in management

We value the diversity of our employees' backgrounds, experience, qualifications and personal qualities. Every employee offers something unique to our company and culture. We recognise that there is still room for improvement in terms of reflecting the composition of society in our organisation and we acknowledge that diversity goes beyond gender. We believe a more diverse workforce would be a strength and beneficial to our overall performance.

In our "Financing the transition" strategy, we have updated our previously defined target for the gender composition of the Board of Directors to reflect the current circumstances of the company. The target is for at least 12.5% of the Board of Directors to be of the underrepresented gender (excluding employee-elected members) by 2024. Including employee-elected members, 11 board members were male and one female as of 31 December 2023. At year-end 2023, all eight general meeting-elected board members were men.

The shareholders select candidates for the Board of Directors. Hence, the Board has no direct influence on which candidates are nominated. However, the Board tries to influence the process where possible.

Moreover, we have set a target for at least 40% of leadership positions to be held by the underrepresented gender. We are delighted that more women now hold leadership positions in the organisation with 42%

Targets and policies for the underrepresented gender and diversity in management

		2023	2022	2021	2020	2019
Board of Directors (only AGM-elected members)	AGM-elected members of the Board of Directors	8	8	8	8	8
	Share of women AGM-elected members of the Board of Directors	0%	0%	0%	0%	0%
	Target for gender diversity on the Board of Directors	12.5%	25.0%	25.0%	12.5%[1]	12.5%[1]
	Expected year for fulfillment of target figure	2025	2024	2023	2021[1]	2020[1]
Other leadership (Level 1 and 2)	Number of employees in leadership positions	12	14	13	12	11
	Share of women in leadership	42%	27%	31%	25%	18%
	Target for gender diversity in leadership	40%	40%	40-60%	n/a	n/a
	Expected year for fulfillment of target figure	2025	2025	2030	n/a	n/a

1) Before 2021 the target for the underrepresented gender on the Board of Directors was formulated in the relevant policy as "one member must be a woman at the next election" – this refers to the data for both 2020 and 2019 in this table.

of the leadership team being women up from 27% in 2022. We define leadership as the Executive Board and employees with staff management responsibilities who report directly to the Executive Board. This group consists of 12 people of which seven are male and five are female. With this result we have achieved an equal distribution in leadership positions, and will work to maintain gender equality in the leadership team going forward. Our short-term goal for 2025 is to keep minimum 40% of leadership positions held by women, including Executive Board. We note that the Executive Board consists of two people and both are male.

We are committed to fostering an inclusive workplace that champions equal opportunities between genders. We strive to have a balanced representation of genders present in final recruitment rounds for leadership positions and besides this to assess a diverse group of candidates on other parameters than gender such as competencies and age. During 2023 we hired two new leaders – both were female, younger and have different backgrounds which added to the diversity of the leadership team.

Further information can be found in our policy "Targets and policies for the underrepresented gender and diversity in management" available on our website.

Remuneration Report

A remuneration policy has been prepared covering the Board of Directors, the Executive Board and all other employees.

Both members of the Executive Board received total compensation in excess of EUR 1 million for the financial year. See the Remuneration Report for further details.

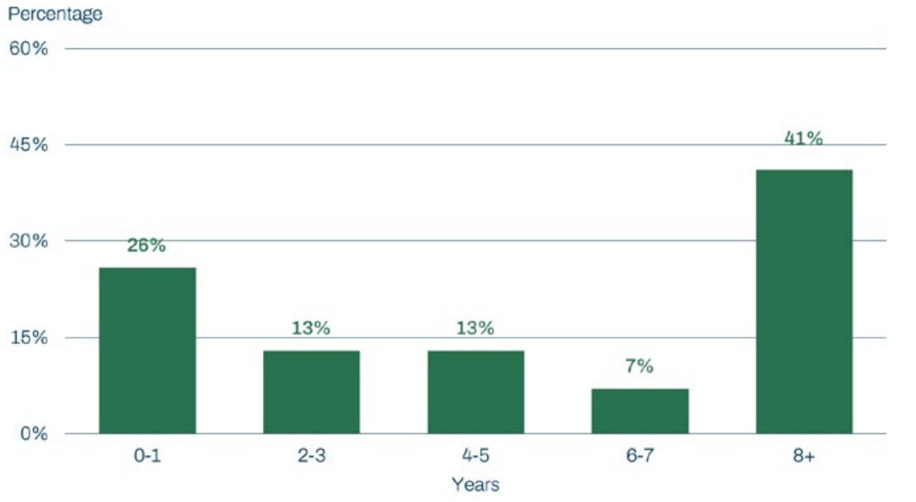
A specification of the total remuneration of the Board of Directors, the Executive Board and other employees whose activities are deemed to have a material impact on the risk profile is presented in note 9.

The enclosed quantitative information in the Risk Report Annex (Template: EU REM1 to REM5) complies with the Danish FSA and EBA Capital Requirements Regulation article 450 on disclosure of remuneration related to material risk takers.

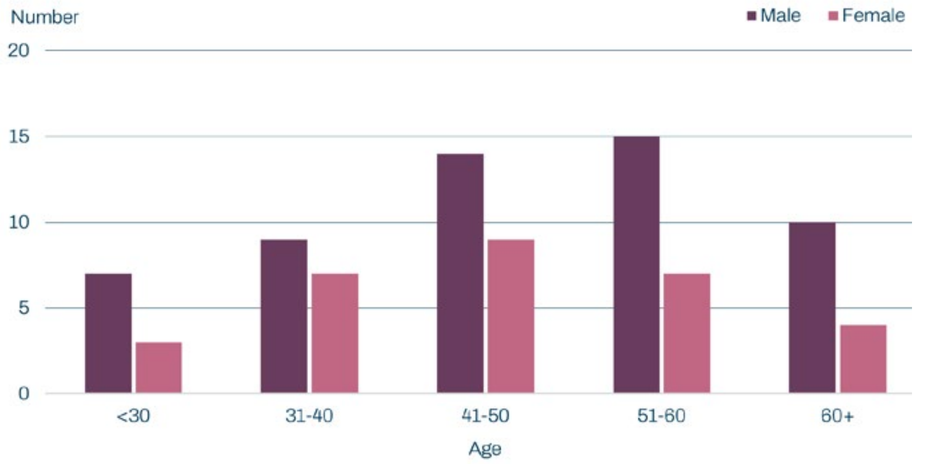
Further information on our remuneration policy is available on our website.

The link between the remuneration of the Executive Board and the strategy
The remuneration of the Executive Board consists of a fixed salary and a variable part (incentive programme). The variable part is structured as a grant of a share-like instrument, an instrument whose future value is based on a total shareholder return (TSR) index. The remuneration of the Executive Board complies with the remuneration policy laid down by the Board of Directors in compliance with the Danish Financial Business Act. The remuneration of the Executive Board is presented in the Remuneration Report 2023 on our website.

Seniority



Age distribution by gender



Material risk takers
At year-end 2023, a total of 21 risk takers were identified:

- Members of the Board of Directors: 12
- Members of the Executive Board: 2
- Other material risk takers: 7
- The principles for identifying "other material risk takers" are approved annually by the Board of Directors.

Details on our remuneration policy and practices are available on our website, note 9 to the financial statements and in the Risk Report Annex (Template: EU REM1 to REM5).

Incentive programmes for other employees
Individual incentive programmes are offered to some members of staff in line with market standards for such positions.

Formal incentive programmes are not offered to other employees, but employees may receive individual bonuses based on their performance.

Financial *statements*

Income statement

NOTE	1 January - 31 December DKK million	2023	2022
4	Interest income	5,023	2,314
5	Interest expenses	(4,421)	(1,687)
6	**Net interest income**	**602**	**626**
7	Fee and commission income	15	14
	Net interest and fee income	**617**	**640**
8	Market value adjustments	175	(206)
	Other operating income	2	1
9,10	Staff costs and administrative expenses	(201)	(187)
22,23	Depreciation and impairment of tangible assets	(1)	(2)
16	Loan impairment charges	506	583
	Profit before tax	**1,097**	**830**
11	Tax	(278)	(166)
	Net profit for the year	**818**	**663**
	Comprehensive income for the year	**818**	**663**

1 January - 31 December DKK million	2023	2022
AMOUNT AVAILABLE FOR DISTRIBUTION		
Distributable reserves	842	346
Comprehensive income for the year	818	663
Total	**1,661**	**1,009**
PROPOSED ALLOCATION OF PROFIT		
Distribution	320	167
Distributable reserves	1,341	842
Total	**1,661**	**1,009**

Balance sheet

NOTE	At 31 December DKK million	2023	2022
	ASSETS		
12	Due from credit institutions and central banks	2,818	22
13,14,15,16,17	Loans and other receivables at amortised cost	31,187	34,029
18,19,20	Bonds at fair value	21,155	15,297
18,19,20	Bonds at amortised cost	4,963	4,920
21	Shares, etc.	0	75
22	Land and buildings		
	Domicile properties	421	340
23	Other tangible assets	8	6
	Current tax assets	326	7
28	Deferred tax assets	79	48
24	Other assets	3,271	4,074
	Total assets	**64,228**	**58,818**
	LIABILITIES AND EQUITY		
	Liabilities		
25	Due to credit institutions and central banks	6,249	2,786
26	Issued bonds at amortised cost	43,595	41,402
	Current tax liabilities	310	331
20,27	Other liabilities	3,620	4,534
	Total liabilities	**53,774**	**49,053**

NOTE	At 31 December DKK million	2023	2022
	Provisions		
	Other provisions	47	9
	Total provisions	**47**	**9**
29	**Equity**		
	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	70	70
	Retained earnings	1,341	842
	Proposed dividend for the financial year	320	167
	Total equity	**10,407**	**9,755**
	Total liabilities and equity	**64,228**	**58,818**
	Off-balance sheet items		
31	Contingent liabilities	-	85
32	Other contingent liabilities	3,093	2,667
	Total off-balance sheet items	**3,093**	**2,752**

Statement of changes in equity

DKK million	Share capital	Tied-up reserve capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
Equity as of 1 January 2022	**333**	**8,343**	**70**	**451**	**128**	**9,325**
Dividends paid for the financial year 2021	-	-	-	-	(128)	(128)
Extraordinary dividends	-	-	-	(105)	-	(105)
Comprehensive income	-	-	-	496	167	663
Equity as of 31 December 2022	**333**	**8,343**	**70**	**842**	**167**	**9,755**
Dividends paid for the financial year 2022	-	-	-	-	(167)	(167)
Comprehensive income	-	-	-	498	320	818
Equity as of 31 December 2023	**333**	**8,343**	**70**	**1,341**	**320**	**10,407**

List of notes

1 Accounting policies
2 Key figures
3 Reconciliation of business areas
4 Interest income
5 Interest expenses
6 Net interest income
7 Fee and commission income
8 Market value adjustments
9 Staff costs and administrative expenses
10 Audit fees
11 Tax
12 Due from credit institutions and central banks
13 Loans at amortised cost
14 Loans at amortised cost broken down by due date
15 Non-performing loans
16 Loan impairment charges
17 Credit risk
18 Bonds
19 Bonds by time to maturity
20 CSA collateral
21 Shares, etc.
22 Land and buildings
23 Other tangible assets
24 Other assets
25 Due to credit institutions and central banks
26 Issued bonds at amortised cost
27 Other liabilities
28 Deferred tax
29 Equity
30 Capital adequacy
31 Contingent liabilities
32 Other contingent liabilities
33 Related parties
34 Consolidated financial statements
35 Hedge accounting
36 Notional principals of outstanding derivatives
37 Fair values of outstanding derivatives
38 Foreign exchange risk and use of derivatives
39 Market risk sensitivity
40 Fair value of financial instruments measured at amortised cost
41 Supplementary notes without reference
42 Capital centres

NOTE 1 ACCOUNTING POLICIES

GENERAL
The Annual Report has been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (Executive Order on Financial Reports). Furthermore, the Annual Report complies with the additional Danish disclosure requirements for issuers of listed bonds.

The accounting policies are unchanged from those applied in the Annual Report 2022. Certain insignificant changes have been made to the comparative figures for 2022 due to reclassifications.

Financial statement figures are stated in Danish kroner (DKK) rounded to the nearest million, unless otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded and the underlying decimals are not presented to financial statement users. Figures stated as zero (0) denote rounding off an underlying value, and figures stated as a dash (-) represent no value.

The financial statements of DSF are consolidated into the financial statements of Danish Ship Finance Holding A/S (DSH), the smallest and largest group entities for which consolidated financial statements are prepared.

Significant accounting estimates
The preparation of the Annual Report is based on management's estimates and assumptions of future events that may significantly affect the carrying amounts of assets and liabilities. The amounts most influenced by the critical estimates and assumptions are:

- Measurement of expected credit losses (ECL)
- Fair value measurement of financial instruments
- Parameters used for amortisation of fees which are an integral part of the current yield of a financial instrument

The estimates and assumptions are based on premises that management finds reasonable, but which are inherently uncertain and unpredictable. The assumptions could, for example, be challenged by unexpected future events or circumstances that arise. Therefore, such estimates and assumptions are difficult to make and will always entail some degree of uncertainty, even under stable macroeconomic conditions, when they involve transactions with clients and other counterparties. Accounting estimates and assumptions made on the balance sheet date express management's best estimate of such events and circumstances.

Measurement of expected credit losses
The measurement of expected credit losses (ECL) on loans, guarantees and credit commitments (credit exposure) is set out in the Executive Order on Financial Reports, which is based on the three-stage (Stage 1, 2 and 3) expected credit loss impairment model (ECL impairment model) pursuant to IFRS 9. Bonds measured at amortised cost are also subject to the ECL impairment model.

According to the ECL impairment model, ECL are calculated for all credit exposures measured at amortised cost. The loan impairment charge for ECL depends on the current stage of the credit risk.

If the credit risk has not increased significantly since initial recognition, the loan impairment charge equals ECL for the next 12 months (Stage 1). If the credit risk has increased significantly since initial recognition or is showing significant signs of weakness, or the credit exposure is in default or otherwise impaired, the loan impairment charge equals the lifetime ECL (Stages 2 and 3).

For more information, see 'Loan impairment charges' below.

Fair value measurement of financial instruments
Measurements of financial instruments for which prices are quoted in an active market or which are based on generally accepted models with observable market data are not subject to material estimates.

Measurements of financial instruments which are only to a limited extent based on observable market data are subject to estimates. This applies to unlisted shares and shares received in connection with financial restructuring of loans as well as certain bonds for which an active market does not exist.

For more information, see 'Determination of fair value' below.

Segment reporting
Segment reporting of the business pursuant to the definitions in the Executive Order on Financial Reports is not applicable, as DSF is solely involved in ship finance.

Offsetting
Amounts due to and from DSF are offset when DSF has a legally enforceable right to offset the recognised amounts and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously.

Translation of transactions in foreign currency
The financial statements are presented in DKK, and the functional currency is DKK.

NOTE 1 CONTINUED

On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Gains and losses due to exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing at the balance sheet date. Exchange rate adjustments of assets and liabilities arising due to differences in the exchange rates applying at the transaction date and at the balance sheet date are recognised in the income statement.

Exchange rate adjustments are included in the fair value adjustments of assets and liabilities.

Financial instruments

Purchases and sales of financial instruments are measured at the settlement date, which is usually the same as the transaction price. See the description under the individual items.

For financial instruments that are subsequently measured at fair value, changes in the value of financial instruments before the settlement date are recognised in the income statement. For assets which are measured at amortised cost price there are no changes in value in the period between the trading date and the settlement date.

Financial instruments are derecognised on the settlement date when the right to receive (obligation to pay) cash flows from financial assets or liabilities has expired, or if it has been transferred, and DSF has transferred substantially all risks and rewards of ownership.

Classification

Financial instruments are divided into financial assets and financial liabilities.

At the date of recognition, financial assets are divided into the following categories:

- Loans and other financial receivables measured at amortised cost
- Trading book assets measured at fair value
- Hold-to-maturity (HTM) assets held within the framework of a business objective of collecting payment flows and measured at amortised cost

At the date of recognition, financial liabilities are divided into the following two categories:

- Trading book liabilities measured at fair value
- Other financial liabilities measured at amortised cost

The trading portfolio, which is measured at fair value, comprises the following financial assets and liabilities:

- Bonds at fair value
- Shares, etc.
- Derivatives (other assets and other liabilities)

The HTM portfolio comprises the following financial assets:

- Bonds at amortised cost

Hedge accounting

DSF uses derivatives to hedge the interest rate risk on fixed-rate items measured at amortised cost.

Hedged risks that meet specific criteria qualify for fair value hedge accounting and are treated accordingly. The interest rate risk on the hedged items is measured at fair value in the income statement. The accounting treatment of the hedged risk subsequently corresponds to the accounting treatment of the hedging instrument, which is also recognised at fair value in the income statement.

If the criteria for hedge accounting cease to be met, the accumulated value adjustment of the hedged item is amortised over the remaining time to maturity.

Determination of fair value

The fair value of financial assets and liabilities is measured based on quoted market prices of financial instruments traded in active markets. If an active market exists, the fair value is based on the most recently observed market price at the balance sheet date.

If the market for one or more financial assets or liabilities is illiquid or if there is no publicly recognised price, the fair value is determined using generally accepted valuation techniques. Such techniques comprise the use of similar recent transactions between independent parties, reference to other similar instruments, discounted cash flow analysis and other models based on observable market data.

If no active market exists, the fair value of standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, is measured according to generally accepted valuation techniques. Market-based parameters are used for measuring the fair value, and the fair value of derivatives is subject to credit valuation adjustment (CVA), considering the possibility of a counterparty's default.

NOTE 1 CONTINUED

INCOME STATEMENT

Interest income and expenses
Interest income and expenses in respect of interest-bearing financial instruments measured at amortised cost are recognised in the income statement applying the effective interest rate method based on the cost of the financial instrument.

Interest includes amortisation of fees which are an integral part of the current yield of the financial instrument, including origination fees, and amortisation of any additional difference between cost and redemption price.

Interest income and expenses also include interest on financial instruments measured at fair value.

Recognition of interest on credit impaired loans is made based on the value after ECL loan impairment charges.

Fee and commission income and expenses
Fee and commission income and expenses are generated by the lending activities. Commission for services provided over a period, such as guarantee commissions and commitment fees, is accrued over the relevant period.

Market value adjustments
Market value adjustments comprise realised and unrealised market value adjustments of financial instruments at fair value, i.e., shares, bonds and derivatives and exchange rate adjustments.

Staff costs and administrative expenses
Staff costs
Salaries and other consideration expected to be paid for work carried out during the year are expensed under staff costs and administrative expenses. This item comprises salaries, bonuses, holiday allowances, anniversary-related bonuses, pension costs, payroll tax and other consideration.

Bonuses and share-based payments
Bonuses and share-based payments (including revaluations) are expensed in the period they are granted or revalued.

Pension costs
DSF's contributions to defined contribution plans are recognised in the income statement as they are earned by the staff. DSF has no defined benefit plans.

Depreciation and impairment of tangible assets
This item consists of depreciation and impairment charges on the owner-occupied property and other tangible assets.

Loan impairment charges
This item includes write-offs on loans, recovery on loans previously written off and loan impairment charges for ECL on loans (including amounts due from credit institutions), guarantees and credit commitments.

Tax
Current and deferred tax calculated on profit for the year adjusted for tax on the taxable income of previous years is recognised in the income statement. Income tax for the year is recognised in the income statement based on the current income tax rate, adjusted for non-taxable income and non-deductible expenses.

BALANCE SHEET

Due from credit institutions and central banks
Amounts due from credit institutions and central banks include amounts due relates to reverse transactions, that is purchases of securities from credit institutions to be resold later. On subsequent recognition, amounts due from credit institutions and central banks are measured at amortised cost, which corresponds to the nominal amount.

Loans
Loans consist of credit exposures which have been disbursed to shipping clients either on a bilateral basis or as part of a syndicated transaction. Loans comprise traditional shipping loans against mortgages on vessels but may also to a limited extent comprise financing of shipping clients' payment of instalments to shipyards under shipbuilding contracts.

On initial recognition, loans are measured at fair value plus transaction costs less origination fees and other charges. Subsequently, loans are measured at amortised cost according to the effective interest rate method, less loan impairment charges for ECL, if any. The difference between the value at initial recognition and the nominal value is amortised over the time to maturity and recognised under interest income.

Loan impairment charges
Loan impairment charges are calculated, pursuant to IFRS 9, with a forward-looking approach to measuring impairment of financial assets based on expected credit losses (ECL).

The loan impairment charge for ECL depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loan impairment charge equals ECL within the next 12 months (Stage 1). If the credit risk has increased significantly since initial recognition or is showing significant signs of weakness (e.g., a loan is more than 30 days past due),

NOTE 1 CONTINUED

the loan impairment charge equals the lifetime ECL (Stage 2). If the credit exposure is in default (e.g., a loan is more than 90 days past due) or otherwise impaired, the loan impairment charge equals the lifetime ECL (Stage 3).

ECL are calculated for all individual credit exposures as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD), adjusted for forward-looking information by way of a macroeconomic factor (MEF). MEF is based on management's expectations and various scenarios (base case, best case, and worst case) for each shipping segment.

ECL = PD * EAD * LGD * MEF

In a few situations where the ECL impairment model is believed to either overestimate or underestimate ECL, an adjustment is made based on management's judgement. Loan impairment charges for ECL are booked in an ECL allowance account and offset against loans or recognised as provisions (loss allowances) for guarantees and credit commitments.

The Risk Report provides more information on the ECL impairment model.

Bonds at fair value
Bonds at fair value comprise financial assets in the form of debt instruments acquired or concluded with a view to a subsequent sale or repurchase.

The bonds are measured on initial recognition at fair value excluding transaction costs and subsequently at fair value with value adjustments through the income statement.

Bonds at amortised cost
Bonds at amortised cost comprise financial assets in the form of debt instruments acquired or concluded with a view to collecting the assets' contractual payment flows, and with cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test in IFRS 9).

The bonds are after initial recognition measured at amortised cost with no changes in value in the period between the trading date and the settlement date. Interest income is recognised according to the effective interest method, including amortisation of the difference between cost and the redemption value over the term to maturity of the bonds.

The interest rate risk on bonds at amortisd costs is not hedged.

Shares, etc.
Shares, etc., comprise investments in sector shares and shares received in connection with financial restructuring of loans.

The shares are measured on initial recognition at fair value excluding transaction costs and subsequently at fair value with value adjustments through the income statement.

Shares received in connection with financial restructuring of loans are measured on initial recognition at no value and subsequently at fair value with value adjustments through the income statement, provided that the related restructured loans are no longer characterised as non-performing loans.

Land and buildings
Land and buildings consist of the DSF's fully owned domiciles located at Sankt Annae Plads 3, DK-1250 Copenhagen K and Langebrogade 5, DK-1411 Copenhagen K.

Domicile properties
On initial recognition, the domicile properties used for DSF's own operations is measured at cost. The domicile properties are subsequently measured at the revalued amount plus property improvement expenditures and less depreciation. Revaluations and any reversals of previous revaluations are made through other comprehensive income, while any impairment charges relative to cost are made via the income statement.

The straight-line depreciation of the domicile property is based on the expected scrap value and an estimated useful life of 100 years.

Other tangible assets
Other tangible assets consist of operating equipment, vehicles, and furniture, which are recognised at cost less accumulated depreciation and impairment charges. Depreciation is provided on a straight-line basis over the expected useful life of the assets considering the assets' residual values.

The expected useful life is:
Fixture, equipment and vehicles 5-10 years
IT equipment 3-5 years

Other assets
Other assets include interest and commission receivables, prepayments and derivatives with a positive market value. Future payments which DSF is likely to receive are recognised as other receivables at present value.

Due to credit institutions and central banks
Amounts due to credit institutions and central banks include amounts received under repo transactions (sale of securities with an agreement to repurchase the same securities back later). Amounts due to credit institutions and central banks are measured at amortised cost, which corresponds to the nominal amount.

NOTE 1 CONTINUED

Issued bonds at amortised cost
Issued bonds comprise ship mortgage bonds, ship covered bonds and debenture bonds issued by DSF, which are recognised at amortised cost with the addition of the fair value of the hedged interest rate risk.

Issued bonds are measured at amortised cost (i.e., including any discount at issuance and any commission that is considered an integral part of the effective rate of interest). Pursuant to the rules on hedge accounting, the fair value of the hedged interest rate risk for fixed rate issued bonds is recognised.

The portfolio of own bonds is deducted from the line item "issued bonds at amortised cost" using the amortised cost with the addition of the value of any hedging transaction attached thereto.

Interest income from the portfolio of own bonds is offset against interest expenses for own bonds.

Provisions
Provisions are recognised and measured as the best estimate of the costs required to settle an expected obligation related to an occured event which cause a probable economic outflow at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at discounted value. Other provisions includes provisions/loss allowances relating to guarantees and credit commitments.

Other liabilities
Other liabilities include accrued interest, prepayments, derivatives with a negative market value and the liability is recognised at the present value of expected payments.

Deferred tax assets and deferred tax liabilities
Deferred tax is calculated in accordance with the balance sheet liability method on all temporary differences between the tax base of the assets and liabilities and their carrying amounts. Deferred tax is recognised in the balance sheet under deferred tax assets and deferred tax liabilities based on the tax rates at which they are expected to crystallise.

Deferred tax assets arising from unused tax losses are recognised to the extent that it is probable that such losses can be offset against taxable income in the following financial year. Therefore, recognition of deferred tax assets requires that management assesses the probability and size of future taxable income.

Equity
Equity comprises issued share capital, tied-up reserve capital, retained earnings, revaluation reserves and net profit for the period.

Proposed dividends
The Board of Directors' proposal for dividends for the year submitted to the general meeting is recognised in equity as a component of net profit for the period. Dividends are recognised as a liability once the annual general meeting has adopted the proposal to distribute dividends.

OFF-BALANCE SHEET ITEMS

Contingent liabilities
Contingent liabilities comprise guarantee commitments made as part of the lending activities.

Due to its business volume, DSF may be a party to various lawsuits. The probability of such lawsuits is regularly assessed, and the necessary provisions are made based on an assessment of the risk of incurring a loss.

Other contingent liabilities
Other contingent liabilities comprise irrevocable credit commitments made and unutilised drawing rights on credit facilities provided as part of lending activities.

NOTE 2 KEY FIGURES

DKK million	2023	2022	2021	2020	2019
Net interest income from lending	413	562	541	501	516
Net interest income from investment activities	189	65	(37)	41	115
Total net interest income	602	626	504	542	631
Net interest and fee income from lending	617	640	536	562	657
Market value adjustments	175	(206)	(82)	(150)	(197)
Staff costs and administrative expenses	(201)	(187)	(167)	(158)	(166)
Loan impairment charges	506	583	39	(100)	2
Profit before tax	1,097	830	326	154	296
Net profit for the year	818	663	254	117	227
Loans and other receivables at amortised cost	31,187	34,029	36,293	31,950	39,082
Bonds at fair value and amortised cost	26,118	20,217	16,007	24,319	25,027
Total equity	10,407	9,755	9,325	9,275	9,260
Total assets	64,228	58,818	54,457	59,805	66,824

NOTE 2 CONTINUED KEY RATIOS

DKK million	2023	2022	2021	2020	2019
Common Equity Tier 1 capital ratio (%)	23.6	21.9	20.1	22.3	18.5
Tier 1 capital ratio (%)	23.6	21.9	20.1	22.3	18.5
Total capital ratio (%)	23.6	21.9	20.1	22.3	18.5
Return on equity before tax (%)	10.9	8.7	3.5	1.7	3.2
Return on equity after tax (%)	8.1	7.0	2.7	1.3	2.5
Income/cost ratio	(2.6)	(1.1)	3.5	1.6	2.8
Income/cost ratio (excluding loan impairment charges)	3.9	2.3	2.7	2.6	2.7
Foreign exchange position (%)	4.3	5.8	3.1	2.9	2.8
Gearing of loans	3.0	3.5	3.9	3.4	4.2
Annual growth in lending (%)	(8.4)	(6.2)	13.6	(18.2)	6.4
Annual loan impairment ratio (%)	(1.6)	(1.7)	(0.1)	0.3	0.0
Accumulated loan impairment charges as a % of loan book	2.0	2.1	2.6	3.9	4.9
Rate of return on assets (%)	1.3	1.1	0.5	0.2	0.4

The key ratios are calculated in accordance with Appendix 5 of the Danish FSA's Executive Order on Financial Reports.

NOTE 2 CONTINUED

DEFINITIONS

Financial ratios	
Return on equity before tax (%)	*Profit (loss) before tax for the year divided by average equity.*
Return on equity after tax (%)	*Profit (loss) after tax for the year divided by average equity.*
Income/cost ratio	*Total income divided by total costs less tax for the year.*
Income/cost ratio (excluding loan impairment charges)	*Total income divided by total costs less impairment charges and tax for the year.*
Foreign exchange position (%)	*Total currency position divided by Common Equity Tier 1 capital after deductions at year-end.*
Gearing of loans	*Loans and other receivables at amortised cost divided by total equity at year-end.*
Annual growth in lending (%)	*Loans and other receivables at amortised cost at year-end divided by loans and other receivables at amortised cost the beginning of the year.*
Annual loan impairment ratio (%)	*Loan impairment charges for the year divided by the sum of loans and other receivables at amortised cost, guarantees and total allowance account at year-end.*
Accumulated loan impairment charges as % af loan book	*Accumulated loan impairment charges divided by total loan book at year-end.*
Rate of return on assets (%)	*Profit (loss) after tax for the year divided by total assets at year-end.*

Financial ratios - capital and capital adequacy	
Total capital ratio (%)	*Own funds after deduction divided by the total risk exposure amount at year-end.*
Tier 1 capital ratio (%)	*Tier 1 capital after deduction divided by the total risk exposure amount at year-end.*
Common Equity Tier 1 capital ratio (%)	*Common Equity Tier 1 capital after deduction divided by the total risk exposure amount.*
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	*Own funds divided by the capital adequacy requirement calculated according to the 8+ method.*

Other financial ratios	
Return on investment activities (%)	*Total time-weighted investment portfolio including HTM at year-end divided by net profit from investment activities less return from shares.*
Cost/income ratio (%)	*Total costs less impairment charges and tax divided by total income for the year.*
Equity as a % of loan book	*Total equity divided by the loan book at year-end.*
Annual loan impairment ratio (%) (avg.)	*Loan impairment charges for the year divided by average loan book.*
Net write-offs on loans as a % of avg. loan book	*Gross write-offs debited to the allowance account less recovery on loans previously written off divided by average loan book.*
NPL ratio	*Non-performing loans divided by the loan book at year-end.*
Net NPL ratio	*Non-performing loans less loan impairment charges divided by the loan book at year-end less accumulated loan impairment charges.*

2023 **DKK million**

NOTE 3 RECONCILIATION OF BUSINESS AREAS

Business areas		Net interest income, lending	Net interest income, investment activities	Fee and commission income	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of tangible assets	Loan impairment charges	Profit before tax
Income										
Lending										
Net interest income	**421**	420	-	-	-	-	-	-	1	-
Net fees and commission	**15**	-	-	15	-	-	-	-	-	-
Funding										
Funding costs not covered	**9**	19	-	-	(9)	-	-	-	-	-
Warehousing	**(40)**	(58)	-	-	19	-	-	-	-	-
Non-business activities	**42**	33	-	-	7	2	-	-	-	-
Investments										
Net interest income	**189**	-	189	-	-	-	-	-	-	-
MV adjustments	**158**	-	-	-	158	-	-	-	-	-
Total income	**794**	413	189	15	175	2	-	-	1	-
Staff costs and administrative expenses	**(203)**	-	-	-	-	-	(201)	(1)	-	-
Loan impairment charges before reclassification of interest	**506**	-	-	-	-	-	-	-	506	-
Profit before tax	**1,097**	-	-	-	-	-	-	-	-	1,097
	Total	**413**	**189**	**15**	**175**	**2**	**(201)**	**(1)**	**506**	**1,097**

2022 **DKK million**

NOTE 3
CONTINUED

RECONCILIATION OF BUSINESS AREAS

Business areas	Total	Net interest income, lending	Net interest income, investment activities	Fee and commission income	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of tangible assets	Loan impairment charges	Profit before tax
Income										
Lending										
Net interest income	**540**	540	-	-	-	-	-	-	0	-
Net fees and commission	**14**	-	-	14	-	-	-	-	-	-
Funding										
Funding costs not covered	**(16)**	(6)	-	-	(10)	-	-	-	-	-
Warehousing	**(19)**	2	-	-	(21)	-	-	-	-	-
Non-business activities	**4**	26	-	-	(23)	1	-	-	-	-
Investments										
Net interest income	**65**	-	65	-	-	-	-	-	-	-
MV adjustments	**(152)**	-	-	-	(152)	-	-	-	-	-
Total income	**436**	562	65	14	(206)	1	-	-	0	-
Staff costs and administrative expenses	**(189)**	-	-	-	-	-	(187)	(2)	-	-
Loan impairment charges before reclassification of interest	**583**	-	-	-	-	-	-	-	583	-
Profit before tax	**830**	-	-		-	-	-	-	-	830
	Total	**562**	**65**	**14**	**(206)**	**1**	**(187)**	**(2)**	**583**	**830**

NOTE 4 INTEREST INCOME

DKK million	2023	2022
Due from credit institutions and central banks	114	7
Loans and other receivables	2,291	1,422
Bonds	497	147
Other interest income	0	3
Derivatives		
Interest rate contracts	2,107	735
Foreign exchange contracts	14	0
Total interest income[1]	**5,023**	**2,314**
Of this amount, income from genuine purchase and resale transactions recognised in:		
Due from credit institutions and central banks	110	5

1) A DKK 0.3 million component of interest income reflects negative interest rates in 2023 (2022: DKK 0.4 million).

NOTE 5 INTEREST EXPENSES

DKK million	2023	2022
Credit institutions and central banks	(172)	(14)
Bonds	0	(1)
Issued bonds	(1,165)	(244)
Other interest expenses	(10)	(50)
Derivatives		
Interest rate contracts	(3,073)	(1,379)
Total interest expenses[1]	**(4,421)**	**(1,687)**
Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:		
Due to credit institutions and central banks	(171)	(14)

1) A DKK 0.1 million component of interest expenses reflects negative interest rates in 2023 (2022: DKK 0.7 million).

NOTE 6 NET INTEREST INCOME

DKK million	2023	2022
Net interest income from lending		
Loans and other receivables	2,291	1,422
Bonds	200	38
Due from credit institutions	29	(13)
Interest to credit institutions	(1)	(1)
Issued bonds	(1,165)	(244)
Other interest income	12	3
Derivatives		
Interest rate contracts	(966)	(644)
Foreign exchange contracts	14	0
Total net interest income from lending	**413**	**562**
Net interest income from investment activities		
Bonds	297	107
Due from credit institutions	85	20
Other interest income	-	0
Interest to credit institutions	(171)	(13)
Other interest expenses	(22)	(49)
Total net interest income from investment activities	**189**	**65**
Total net interest income	**602**	**626**

NOTE 7 FEE AND COMMISSION INCOME

DKK million	2023	2022
Guarantee commission	0	1
Fee and other commission income	14	12
Total fee and commission income	**15**	**14**

NOTE 8 MARKET VALUE ADJUSTMENTS

DKK million	2023	2022
Market value adjustment of bonds	347	(1,325)
Exchange rate adjustments	(4)	(5)
Market value adjustment of derivatives	(167)	1,124
Total market value adjustments	**175**	**(206)**

NOTE 9 STAFF COSTS AND ADMINISTRATIVE EXPENSES

DKK million	2023	2022
Remuneration of Board of Directors and Executive Board		
Board of Directors	(3)	(3)
Executive Board	(26)	(25)
Total remuneration of Board of Directors and Executive Board	**(29)**	**(28)**
Staff costs		
Salaries and wages	(97)	(91)
Pensions	(10)	(9)
Social security costs and financial services employer tax	(21)	(18)
Total staff costs	**(128)**	**(118)**
Other administrative expenses	(44)	(41)
Total staff costs and administrative expenses	**(201)**	**(187)**
Number of employees - full-time equivalents	81	82
Average number of employees - full-time equivalents	80	81

NOTE 9 CONTINUED INFORMATION ON REMUNERATION POLICY

Information about remuneration policy and practice for the Board of Directors, the Executive Board and other material risk takers.

The remuneration policy and remuneration report were adopted at the annual general meeting on 29 March 2023.

The remuneration policy and remuneration report are available on the company's website.

In accordance with the remuneration policy, variable remuneration may be granted to the Executive Board and other material risk takers as well as employees in key functions.

The variable remuneration of the Executive Board is in the form of equity-like instruments (Total Shareholder Return based - ("TSR")) with a deferral period of five years and a one year lock-up.

The variable remuneration of other employees is in the form of either TSR, a combination of TSR and cash, or cash only. TSR awards to other employees have a deferral period of four years and a one year lock-up.

The items Fixed remuneration and Adjustment of previous years' variable remuneration relate to the given financial year.

Variable remuneration relates to awards for performance in the preceding financial year.

Detailed information about remuneration for the Board of Directors and the Executive Board can be found in the remuneration report which includes information on variable remuneration granted for performance in 2023.

The pension plans of all employees are defined contribution plans.

DKK million

NOTE 9 CONTINUED

2023	Fixed remune-ration	Adjustment of previous years' varia-ble remune-ration	Variable remune-ration	Total remune-ration	Number of recipients
Board of Directors	3	-	-	3	12
Executive Board[1)]	16	5	7	29	3
Other material risk takers	14	2	4	20	7
Total	**33**	**8**	**12**	**52**	

1) Michael Frisch resigned from the Executive Board with effect from 31 December 2023 and will not be eliglible for retention and incentive bonuses.

2022	Fixed remune-ration	Adjustment of previous years' varia-ble remune-ration	Variable remune-ration	Total remune-ration	Number of recipients
Board of Directors	3	-	-	3	12
Executive Board	15	3	5	23	3
Other material risk takers	13	1	2	17	7
Total	**31**	**4**	**7**	**43**	

NOTE 10 AUDIT FEES

DKK million	2023	2022
Fees for statutory audit of financial statements	(0.8)	(0.8)
Fees for tax advisory services	(0.0)	(0.1)
Fees for non-audit services	(0.1)	(0.3)
Fees for other assurance engagements	(0.2)	(0.1)
Total fees	**(1.2)**	**(1.3)**

Fees for non-audit services provided by EY Godkendt Revisionspartnerselskab to Danish Ship Finance A/S cover accounting and reporting advisory.

NOTE 11 TAX

DKK million	2023	2022
Tax on profit for the year		
Estimated tax on profit for the year	(308)	(331)
Changes in deferred tax	30	149
Adjustment of prior-year tax charges	(1)	8
Adjustment to deferred tax due to higher corporate tax rate 1 January 2023 (financial special tax)	1	7
Total tax	**(278)**	**(166)**

The estimated tax on the profit for the year is calculated at a tax rate of 25.2% for 2023, while deferred tax items are calculated at a tax rate of 26.0% according to the special financial tax.

	2023	2022
Effective tax rate	**Pct.**	**Pct.**
Corporate tax rate in Denmark	25.2	22.0
Non-taxable income and non-deductible expenses	0.1	(0.1)
Adjustment for increase of corporate tax rate	(0.1)	(0.9)
Adjustment of prior-year tax charges	0.1	(1.0)
Effective tax rate	**25.4**	**20.0**

NOTE 12 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK million	2023	2022
Genuine purchase and resale transactions (reverse repo)	2,706	(0)
Other receivables	112	22
Total due from credit institutions and central banks	**2,818**	**22**
Broken down by due date		
Demand deposits	52	22
Up to 3 months	2,767	0
Total due from credit institutions and central banks	**2,818**	**22**

The company cannot have term deposits with central banks.

NOTE 13 LOANS AT AMORTISED COST

DKK million	2023	2022
As of 1 January	34,029	36,293
Additions	9,240	6,577
Ordinary repayments and redemptions	(4,440)	(5,765)
Extraordinary repayments	(7,534)	(4,779)
Net change concerning revolving credit facilities	650	(573)
Exchange rate adjustment of loans	(855)	2,017
Change in amortised cost for the year	(4)	(5)
Depreciation, amortisation and impairment for the year	102	265
As of 31 December	**31,187**	**34,029**

NOTE 14 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

DKK million	2023	2022
Gross loans at exchange rates at the balance sheet date	31,812	34,756
Accumulated loan impairment charges	(624)	(726)
Total loans	**31,187**	**34,029**
Total loans broken down by due date		
Up to 3 months	1,248	1,428
From 3 months to 1 year	4,034	3,924
From 1 to 5 years	21,284	23,715
Over 5 years	4,621	4,962
Total loans	**31,187**	**34,029**
Total loans		
Loans at fair value	31,221	34,155
Loans at amortised cost	31,187	34,029

Loans at fair value are assessed using the market value of fixed-rate loans.

NOTE 15 NON-PERFORMING LOANS

DKK million	2023	2022
Impaired loans (DSF Rating 11)		
Loans subject to forbearance or otherwise impaired, gross	903	544
Accumulated loan impairment charges	(406)	(218)
Impaired loans, net	**497**	**326**
Defaulted loans (DSF Rating 12)		
Loans in default, gross	-	701
Accumulated loan impairment charges	-	(296)
Defaulted loans, net	**-**	**405**
Non-performing loans, gross (NPL)	**903**	**1,245**
Non-performing loans, net (net NPL)	**497**	**731**
NPL ratio	**2.8%**	**3.6%**
Net NPL ratio	**1.6%**	**2.1%**

See note 2 for definitions on NPL ratios.

Note 17 provides detailed information on loan-to-value intervals for the total loan book and for non-performing loans.

NOTE 16 LOAN IMPAIRMENT CHARGES

DKK million	2023	2022
The following loan impairment charges/loss allowances were made on loans/credit commitments		
Accumulated loan impairment charges	624	726
Accumulated loss allowances for credit commitments	47	9
Total	**672**	**736**
Accumulated loan impairment charges as a % of the loan book	2.0	2.1
Reconciliation of total allowance account		
As of 1 January	736	1,007
New loan impairment charges/loss allowances	176	253
Reversal of loan impairment charges/loss allowances	(239)	(523)
Gross write-offs debited to the allowance account	0	(2)
Total	**672**	**736**
Loan impairment charges for the period		
New loan impairment charges/loss allowances	(176)	(253)
Reversal of loan impairment charges/loss allowances	239	523
Reclassification of interest	1	0
Recovery on loans previously written off	442	313
Loan impairment charges	**506**	**583**

NOTE 17 CREDIT RISK

DKK million	2023	2022
Reconciliation of loans and guarantees (loan book)		
Balance sheet		
Loans at amortised cost	31,187	34,029
Other receivables	169	164
Accumulated loan impairment charges	624	726
Total balance sheet items	**31,980**	**34,920**
Guarantees	-	85
Total guarantees	**-**	**85**
Total loans and guarantees	**31,980**	**35,005**
Reconciliation of other contingent liabilities		
Credit commitments	3,093	2,667
Total other contingent liabilities	**3,093**	**2,667**
Reconciliation of financial exposure		
Due from credit institutions and central banks	2,818	22
Bonds at fair value and amortised cost	26,118	20,217
Shares, etc,	0	75
Derivatives	2,711	775
Total financial exposure	**31,647**	**21,089**
Total credit risk from loans, guarantees, credit commitments and financial exposures	**66,720**	**58,761**

DKK million

NOTE 17 CONTINUED RATING CATEGORY BREAKDOWN

The internal DSF Rating scale consists of 12 rating categories.

The main objective of the DSF Rating model is to rank clients according to credit risk and to estimate each client's probability of default (PD). As an integral part of the credit risk management, each client is assigned a DSF Rating, and the DSF Rating is reviewed upon receipt of new information or in case of a risk event, and at least annually.

Clients with non-performing loans are placed in DSF Rating category 11 or 12. This includes clients with loans for which no loan impairment charges have been recognised, for example because adequate collateral has been provided.

Loan book before loan impairment charges broken down by rating category

DSF Rating	Loans and guarantees 2023	Loans and guarantees 2022
1 - 2	-	-
3 - 4	6,186	4,495
5 - 6	13,760	16,646
7 - 8	11,132	12,588
9 - 10	-	31
11 (impaired)	903	544
12 (default)	-	701
Total	**31,980**	**35,005**

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Loan book before loan impairment charges broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2023
1	-	-	-	-
2	-	-	-	-
3	2,007	-	-	2,007
4	4,178	-	-	4,178
5	4,448	-	-	4,448
6	9,313	-	-	9,313
7	10,234	-	-	10,234
8	898	-	-	898
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	903	903
12 (default)	-	-	-	-
Total	**31,078**	**-**	**903**	**31,980**

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Credit commitments 2023
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	846	-	-	846
7	1,904	-	-	1,904
8	343	-	-	343
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,093**	**-**	**-**	**3,093**

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Loan book before loan impairment charges broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2022
1	-	-	-	-
2	-	-	-	-
3	2,075	-	-	2,075
4	2,420	-	-	2,420
5	5,806	-	-	5,806
6	10,840	-	-	10,840
7	10,442	-	-	10,442
8	2,146	-	-	2,146
9	-	31	-	31
10	-	-	-	-
11 (impaired)	-	-	544	544
12 (default)	-	-	701	701
Total	**33,728**	**31**	**1,245**	**35,005**

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Credit commitments 2022
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	366	-	-	366
6	1,198	-	-	1,198
7	647	-	-	647
8	456	-	-	456
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**2,667**	**-**	**-**	**2,667**

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

	Stage 1	Stage 2	Stage 3	Total
As of 1 January 2023	210	12	514	736
Transferred to Stage 1 during the period	12	(12)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	125	-	50	176
Reversal of loan impairment charges/ loss allowances	(81)	-	(158)	(239)
Gross write-offs for the period	-	-	-	-
Total ECL allowance account as of 31 December 2023	**266**	**-**	**406**	**672**
Of which:				
- Accumulated loan impairment charges	219	-	406	624
- Accumulated loss allowances for credit commitments	47	-	-	47
Of which:				
- Management judgments	-	-	75	75

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

	Stage 1	Stage 2	Stage 3	Total
As of 1 January 2022	171	37	800	1,007
Transferred to Stage 1 during the period	7	(7)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	101	12	140	253
Reversal of loan impairment charges/ loss allowances	(69)	(30)	(424)	(523)
Gross write-offs for the period	-	-	(2)	(2)
Total ECL allowance account as of 31 December 2022	**210**	**12**	**514**	**736**
Of which:				
- Accumulated loan impairment charges	201	12	514	726
- Accumulated loss allowances for credit commitments	9	-	-	9
Of which:				
- Management judgments	-	-	85	85

NOTE 17 CONTINUED

Classification, stage migration and loan impairment charges

The classification of loans between Stages 1 and 2 for the purpose of calculating loan impairment charges for expected credit losses (ECL) depends on whether the credit risk has increased significantly since initial recognition and/or is showing significant signs of weakness. All credit-impaired loans are placed in Stage 3.

The stage migration of a loan is closely linked to the development of the client's DSF Rating. The assessment of whether the credit risk has increased significantly since initial recognition and/or is showing significant signs of weakness is supported by an internally developed stage migration model, which is based on a combination of the internal rating model and the rating model used by the Danish FSA according to guidelines set out in the Executive Order on Financial Reports.

For loans classified as being in Stage 1, loan impairment charges for 12-month ECL are recognised, and for loans in Stages 2 and 3, loan impairment charges for lifetime ECL are recognised.

The Risk Report 2023 provides more detailed information.

NOTE 17 CONTINUED

Arrears/past due loans

Loans in arrears/past due for 30 days or more (but less than 90 days) are generally showing significant signs of weakness, and they are classified as Stage 2 for the purpose of calculating ECL. Loans in arrears/past due for 90 days or more are in default, and they are classified as Stage 3 for the purpose of calculating ECL. For all such loans, ECL arising over their remaining lifetimes have been recognised.

Credit risk mitigation

All loans are granted against a first lien mortgage on vessels, assignment in respect of each vessel's primary insurances and, where relevant, supplementary collateral.

The USD market value of mortgaged vessels increased by 3.2% on average in 2023.

NOTE 17 CONTINUED

Loan book after loan impairment charges broken down by loan-to-value interval

Loan-to-value interval	Share of loans 2023	Share of loans 2022
0 - 20 %	53%	50%
20 - 40 %	39%	38%
40 - 60 %	8%	11%
60 - 80 %	0%	0%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 2023, 100% (2022: 100%) of all loans were secured within 60% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 40% (2022: 43%).

NOTE 17 CONTINUED

Non-performing loans after loan impairment charges broken down by loan-to-value interval

Loan-to-value interval	Share of loans 2023	Share of loans 2022
0 - 20 %	63%	60%
20 - 40 %	37%	37%
40 - 60 %	0%	3%
60 - 80 %	0%	0%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 2023, 100% (2022: 100%) of non-performing loans were secured within 60% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 32% (2022: 36%).

NOTE 18 BONDS

DKK million	2023	2022
Bond portfolio		
Own non-callable bonds (amortised cost)	2,710	1,925
Non-callable bonds (fair value)	20,808	14,944
Non-callable bonds, hold-to-maturity (amortised cost)	4,963	4,920
Callable bonds (fair value)	346	353
Total portfolio of bonds	**28,828**	**22,142**
Own bonds (offset against issued bonds at amortised cost)	(2,710)	(1,925)
Total bond portfolio	**26,118**	**20,217**

DKK million	2023	2022
Bond portfolio		
Own bonds (amortised cost)	2,710	1,925
Government bonds and bonds issued by KommuneKredit (fair value)	1,295	1,537
Mortgage bonds (fair value)	19,860	13,760
Mortgage bonds, hold-to-maturity (amortised cost) [1,2]	4,963	4,920
Total portfolio of bonds	**28,828**	**22,142**
Own bonds (offset against issued bonds at amortised cost)	(2,710)	(1,925)
Total bond portfolio	**26,118**	**20,217**

1) The calculated ECL as of 31 December 2023 for hold-to-maturity bonds was zero.

2) Fair value of mortgage bonds, hold to maturity amounts to DKK 4,921 million as of 31 December 2023 (2022: DKK 4,822 million)

NOTE 19 BONDS BY TIME TO MATURITY

DKK million	2023	2022
Bond portfolio		
Bonds with a maturity up to and including 1 year	5,194	2,757
Bonds with a maturity over 1 year and up to and including 5 years	18,355	15,964
Bonds with a maturity over 5 years and up to and including 10 years	2,045	974
Bonds with a maturity over 10 years	524	522
Total bonds specified by time to maturity	**26,118**	**20,217**

NOTE 20 CSA COLLATERAL

DKK million	2023	2022
Collateral under CSA agreements		
Collateral received	920	1,621
Collateral delivered	(828)	(827)
Net value of collateral under CSA agreements	**91**	**794**

The bonds received and delivered have been recognised in the balance sheet so that they reduce the market values of derivatives by the market value of the bonds at the balance sheet date. The portfolio of bonds at fair value has been adjusted correspondingly by the net market value hereof.

DKK million	2023	2022

NOTE 21 SHARES, ETC.

DKK million	2023	2022
Listed shares	0	75
Total shares, etc.	**0**	**75**

NOTE 22 LAND AND BUILDINGS

DKK million	2023	2022
Domicile properties		
Valuation, as of 1 January	342	334
Property improvements during the year	82	8
Valuation including improvements, as of 31 December	**424**	**342**
Accumulated depreciation, as of 1 January	2	2
Depreciation for the year	0	0
Accumulated depreciation, as of 31 December	**2**	**2**
Total valuation, as of 31 December	**421**	**340**

NOTE 22 CONTINUED

The domicile properties are the office properties at Sankt Annæ Plads 3, Copenhagen (public property valuation on 13 December 2022: DKK 79 million) and Langebrogade 5, Copenhagen (public property valuation on 13 December 2022: DKK 88 million).

The domicile property on Langebrogade has been valued based on rent levels and yields for similar properties in the respective areas. Consequently, a recalculation has been made to the recognised value. External experts have not been involved in valuing the domicile properties.

In mid-July 2020, we entered into an agreement for the sale of our current domicile property at Sankt Annæ Plads and the property has therefore been valued based on its sale price. The sale will be effected once we can move to our new office, expected to be in 2024.

NOTE 23 OTHER TANGIBLE ASSETS

DKK million	2023	2022
Cost, as of 1 January	13	13
Additions during the year	3	1
Disposals during the year	-	1
Cost, as of 31 December	**16**	**13**
Accumulated depreciation, as of 1 January	7	7
Disposals during the year	-	0
Depreciation during the year	1	1
Accumulated depreciation, as of 31 December	**8**	**7**
Total other tangible assets	**8**	**6**

NOTE 24 OTHER ASSETS

DKK million	2023	2022
Interest receivable	528	379
Prepayments to swap counterparties	9	12
Derivatives	2,711	3,620
Other receivables	24	63
Total other assets	**3,271**	**4,074**

NOTE 25 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK million	2023	2022
Repo transactions	6,249	2,786
Total due to credit institutions and central banks	**6,249**	**2,786**
Broken down by due date		
Up to 3 months	6,249	2,786

NOTE 26 ISSUED BONDS AT AMORTISED COST

DKK million	2023	2022
As of 1 January	41,402	43,228
Additions in connection with pre-issuance	15,971	8,189
Amortisation of cost	55	(87)
Adjustment for hedge accounting	(141)	(1,204)
Exchange rate adjustment	13	0
Own bonds	(622)	1,289
Ordinary and extraordinary redemptions	(13,082)	(10,013)
As of 31 December	**43,595**	**41,402**

Specification of issued bonds

DKK million	2023	2022
Bonds issued in DKK		
Bullet bonds	35,507	35,669
Amortising CIRR bonds	-	73
Total Danish bonds	**35,507**	**35,742**
Bonds issued in foreign currency		
Bullet bonds	10,798	7,585
Total bonds issued in foreign currency	**10,798**	**7,585**
Own bonds	(2,710)	(1,925)
Total issued bonds	**43,595**	**41,402**

NOTE 26 CONTINUED

Broken down by term to maturity

DKK million	2023	2022
Up to 3 months	769	1,428
From 3 months to 1 year	1,455	49
From 1 to 5 years	39,118	33,754
Over 5 years	4,963	8,096
Total issued bonds	**46,305**	**43,327**
Own bonds	(2,710)	(1,925)
Total issued bonds	**43,595**	**41,402**

NOTE 27 OTHER LIABILITIES

DKK million	2023	2022
Interest payable	676	242
Derivatives	2,802	4,225
Other liabilities	143	67
Total other liabilities	**3,620**	**4,534**

NOTE 28 DEFERRED TAX

DKK million	2023	2022
Deferred tax, as of 1 January	48	(108)
Estimated deferred tax on profit for the year	30	149
Adjustment for increase in corporate tax rate	1	7
Total deferred tax	**79**	**48**

	2023 Deferred tax assets	2023 Deferred tax liabilities	2023 Deferred tax net	2022 Deferred tax net
Tangible assets	-	(24)	(24)	(24)
Loans	44	-	44	43
Shares, etc.	2	-	2	2
Issued bonds	35	-	35	10
Employee obligations	22	-	22	17
Total deferred tax	**104**	**(24)**	**79**	**48**

NOTE 29 EQUITY

DKK million	2023	2022
Share capital		
A shares	300	300
B shares	33	33
Total share capital	**333**	**333**
Tied-up reserve capital	8,343	8,343
Revaluation reserves	70	70
Retained earnings	1,341	842
Proposed dividends for the financial year	320	167
Total equity	**10,407**	**9,755**

The share capital is divided into the following denominations:

A shares 300,000,000 shares of DKK 1.00 each
B shares 33,333,334 shares of DKK 1.00 each

Each A share of DKK 1.00 entitles the holder to 10 votes.
Each B share of DKK 1.00 entitles the holder to 1 vote.

NOTE 30 CAPITAL ADEQUACY

DKK million	2023	2022
Common Equity Tier 1 capital		
Share capital - A shares	300	300
Share capital - B shares	33	33
Tied-up reserve capital	8,343	8,343
Retained earnings	1,341	842
Proposed dividends for the financial year	320	167
Revaluation reserves	70	70
Total Common Equity Tier 1 capital before deductions	**10,407**	**9,755**
Deductions from Common Equity Tier 1 capital		
Proposed dividends for the financial year	320	167
Additional capital charge pursuant to the Executive Order		
on a Ship Finance Institute	-	-
Prudent valuation pursuant to article 105 of the CRR	37	31
Deductions for NPE Loss coverage	64	260
Deductions pursuant to transitional rules regarding B share capital	33	33
Total deductions from Common Equity Tier 1 capital	**455**	**492**
Common Equity Tier 1 capital after deductions	**9,952**	**9,263**

NOTE 30 CONTINUED

DKK million	2023	2022
Risk exposure amount		
Assets outside the trading book	32,842	34,414
Off-balance sheet items	1,546	1,892
Counterparty risk outside the trading book	2,995	2,645
Market risk	3,660	2,625
Operational risk	1,050	813
Total risk exposure amount	**42,093**	**42,389**
Common Equity Tier 1 capital ratio	**23.6**	**21.9**
Tier 1 capital ratio	**23.6**	**21.9**
Total capital ratio	**23.6**	**21.9**
The risk exposure amount for market risk consists of:		
Position risk related to debt instruments	3,216	1,994
Position risk related to shares	18	93
Total currency position	425	538
Total risk-weighted exposure amount for market risk	**3,660**	**2,625**

NOTE 31 CONTINGENT LIABILITIES

DKK million	2023	2022
In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	-	85
Total contingent liabilities	**-**	**85**

NOTE 32 OTHER CONTINGENT LIABILITIES

DKK million	2023	2022
In the ordinary course of its lending operations, DSF has undertaken commitments in relation to unutilised drawing rights on loans with revolving credit facilities in the amount of	1,224	1,117
In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable credit commitments in the amount of	1,868	1,550
Total other contingent liabilities	**3,093**	**2,667**

DKK million	2022	2021

NOTE 33 RELATED PARTIES

Related parties comprise members of the company's Executive Board and Board of Directors.

Related parties furthermore comprise Danish Ship Finance Holding A/S, which holds an ownership interest of 86.2% and more than 20% of the voting rights in the company.

Danish Ship Finance Holding A/S is owned by Axcel, PFA and PKA, which hold more than 20% of the share capital each and more than 20% of the voting rights each and are therefore also related parties of Danish Ship Finance A/S.

Transactions with the Executive Board and the Board of Directors only concerned remuneration. See Note 9.

Related-party transactions concerning loans and loan offers totalled a nominal amount of DKK 1,308 million as of 31 December 2023 (DKK 1,417 million as of 31 December 2022). Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

Furthermore, related-party transactions included settlement of administration services provided by Danish Ship Finance Holding A/S and dividends to Danish Ship Finance Holding A/S.

There were no related-party transactions other than those stated above.

DKK million

NOTE 34 CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of DSF are consolidated into the consolidated financial statements of Danish Ship Finance Holding A/S.

The consolidated financial statements are available on request from Danish Ship Finance Holding A/S, Sankt Annæ Plads 3, DK-1250 Copenhagen K.

DKK million

NOTE 35 HEDGE ACCOUNTING

The company in part hedges the interest rate risk on fixed-rate assets and liabilities. The effectiveness of such hedges is measured on a regular basis.

2023	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	22,141	21,053	21,011
Total commitments	**22,141**	**21,053**	**21,011**
Derivatives			
Interest rate swaps	(22,141)	525	525
Total derivatives	**(22,141)**	**525**	**525**
Net	**-**	**21,577**	**21,536**

2022	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	16,141	14,895	15,227
Total commitments	**16,141**	**14,895**	**15,227**
Derivatives			
Interest rate swaps	(16,141)	1,125	1,125
Total derivatives	**(16,141)**	**1,125**	**1,125**
Net	**-**	**16,019**	**16,352**

DKK million	2023	2022

NOTE 36 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES

Swap agreements
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:

	2023	2022
Receivables	-	73
Credit institutions	58,312	59,533

Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:

	2023	2022
Credit institutions	103,347	113,544

Swap agreements for which financial risks are not fully hedged have been made with the following parties:

	2023	2022
Credit institutions	37,008	56,423

Forward interest rate and currency agreements
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and foreign exchange risk:

	2023	2022
Credit institutions	14,122	12,966

NOTE 37 FAIR VALUES OF OUTSTANDING DERIVATIVES

Swap agreements
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:

DKK million	2023 Positive	2023 Negative	2022 Positive	2022 Negative
Receivables	-	-	16	-
Credit institutions	1,084	114	1,284	92

Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:

DKK million	2023 Positive	2023 Negative	2022 Positive	2022 Negative
Credit institutions	1,321	1,881	1,123	2,112

Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:

DKK million	2023 Positive	2023 Negative	2022 Positive	2022 Negative
Credit institutions	1,079	1,617	2,580	2,821

Forward interest rate and currency agreements
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and foreign exchange risk:

DKK million	2023 Positive	2023 Negative	2022 Positive	2022 Negative
Credit institutions	156	20	250	93

NOTE 37 CONTINUED

Netting of exposure value
The positive gross fair value of financial contracts after netting:

DKK million	2023 Positive	2022 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	559	1,025
Counterparties with risk weight of 50%	3,081	4,211
Counterparties with risk weight of 100%	-	16

Value of total counterparty risk calculated according to the market valuation method for counterparty risk:

DKK million	2023 Positive	2022 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	148	278
Counterparties with risk weight of 50%	1,378	1,398
Counterparties with risk weight of 100%	-	16

DKK million

NOTE 38 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

Our total unhedged foreign currency position as of 31 December 2023, translated at year-end exchange rates into DKK, amounts to DKK +425 million (DKK +538 million as of 31 December 2022).

All amounts are translated into DKK at the year-end exchange rates.

The net position is specified as follows:

	USD	Other currencies	Total currencies	DKK	Total
Loans at year-end exchange rates	29,722	1,473	31,195	617	31,812
Loan impairment charges	-	-	-	(624)	(624)
Loans as per the balance sheet					**31,187**
Due from credit institutions and central banks	47	1,718	1,765	1,053	2,818
Bond portfolio	-	3,479	3,479	22,638	26,118
Interest receivable, other assets, etc.	105	717	822	3,283	4,105
Total assets as per the balance sheet	**29,874**	**7,387**	**37,261**	**26,967**	**64,228**
Issued bonds at year-end exchange rates	0	(8,903)	(8,903)	(34,692)	(43,595)
Issued bonds as per the balance sheet					**(43,595)**
Due to credit institutions and central banks	-	(2,394)	(2,394)	(3,855)	(6,249)
Interest payable, other payables	(127)	(811)	(938)	(2,992)	(3,930)
Provisions	-	-	-	(47)	(47)
Total equity	-	-	-	(10,407)	(10,407)
Total liabilities as per the balance sheet	**(127)**	**(12,108)**	**(12,235)**	**(51,993)**	**(64,228)**
Derivatives - receivables	6,668	19,968	26,636		
Derivatives - payables	(36,394)	(14,843)	(51,237)		
Total net position	**22**	**404**	**425**		

NOTE 39

MARKET RISK SENSITIVITY

DKK million	2023	2022

Interest rate risk

Our equity is invested primarily in Danish government and mortgage bonds. Some of the bond investments are in fixed-rate claims where the interest rate risk is partly hedged using DKK or EUR interest rate swaps. In our internal calculations, EUR rates and DKK rates are assumed to be fully correlated.

	2023	2022
Calculated in accordance with internal calculation methods, the interest rate risk associated with a 1 percentage point increase in interest rates would technically lead to:	(61)	(94)
Calculated in accordance with internal calculation methods, the interest rate risk associated with a 1 percentage point decrease in interest rates would technically lead to:	47	82

Exchange rate risk

Most of the loans are denominated in USD, and most of the ship mortgages provided as collateral for the loans are also valued in USD. In the calculation of the collateral value of the ship mortgages for determining the level of loan impairment charges, a haircut is made to the market value of the vessel. For loans on which loan impairment charges have been made, there is typically a difference in USD between the size of the credit exposure and the mortgage values. All else being equal, the loan impairment charges are therefore adversely affected in the event of an increase and positively affected by a fall in the USD/DKK exchange rate. Since a small proportion of the loans are denominated in currencies other than USD, while the ship mortgage in question is valued in USD, the total positive net effect from a fall in the USD/DKK exchange rate is reduced, and the sensitivity is thus not symmetric in the event of changes in the USD/DKK exchange rate.

Furthermore, earnings and loan impairment charges from lending are primarily denominated in USD, GBP and NOK, which means that, all else being equal, an increase in the exchange rates for these currencies against the DKK results in higher earnings from lending and vice versa if these currencies fall. The opposite applies to loan impairment charges.

NOTE 39 CONTINUED

DKK million	2023	2022
An appreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	5	45
Percentage change in total capital ratio	(2.3)	(2.0)
A depreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	(7)	(49)
Percentage change in total capital ratio	2.9	2.5
An appreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	(6)	-
Percentage change in total capital ratio	0.0	-
A depreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	6	-
Percentage change in total capital ratio	0.0	-
An appreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	(7)	(25)
Percentage change in total capital ratio	(0.1)	(0.2)
A depreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	7	19
Percentage change in total capital ratio	0.1	0.2

The impact on net profit for the year and equity from a change in the USD, GBP and NOK exchange rates assumes a permanent change of 15% (which equals a DKK 1 change against the USD) for an entire financial year. The impact comprises the change in the value of ongoing net interest and fee income as well as the change in the need for loan impairment charges due to the change in the exchange rates in question.

The impact on the total capital ratio of a change in the currencies in question occurs immediately after the exchange rate change.

DKK million	2023	2022

NOTE 40 FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

Financial instruments are measured in the balance sheet at fair value or amortised cost.

The difference between carrying amounts and fair value-based values, which are not recognised in the income statement and which are attributable to the difference between the amortised costs and the calculated fair values, is shown below.

Loans		
Measured at amortised cost	31,187	34,029
Measured at fair value	31,221	34,155
Difference between carrying amounts and fair value-based value of loans, total	**34**	**125**

Loans at fair value are assessed using the market value of fixed-rate loans.

Issued bonds		
Measured at amortised cost, incl. hedging	43,595	41,402
Measured at fair value	43,460	41,363
Difference between carrying amounts and fair value-based value of issued bonds, total	**(135)**	**(39)**

For issued bonds, the fair value is calculated on the basis of quoted market prices. For unlisted bonds, the fair value is calculated on the basis of observable market data. For fair value of hold-to-maturity bonds, see note 18.

NOTE 41 SUPPLEMENTARY NOTES WITHOUT REFERENCE FINANCIAL RISKS AND POLICIES FOR FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT

DSF is exposed to different types of risk. The most material types of risk are:

Credit risk: The risk of loss arising from clients or counterparties failing to meet all or part of their payment obligations.

Market risk: Market risk is the risk of loss following movements in the financial markets, including movements in interest rates, credit spreads, foreign exchange rates and costs for hedging volatility.

Liquidity risk: The risk of loss arising from the inability to fulfil immediate and short-term payment obligations.

CREDIT RISK

Credit risk is the risk of incurring losses because of clients (shipping companies) or financial counterparties (financial institutions) failing to meet their payment obligations to us. We are mainly exposed to the credit risk of clients through loans collateralised by vessels.

We are exposed to the credit risk of financial counterparties through the high-quality bonds we hold in our portfolio and the financial contracts we have entered into with those counterparties.

Credit risk is managed pursuant to the credit policy approved by the Board of Directors, containing specific guidelines for credit risk appetite, risk-taking and ongoing risk management carried out in relation to lending activities.

The criteria and approach used for defining the credit risk management policy and setting credit risk limits are based on extensive experience of the shipping markets and how the volatility in freight rates and vessel values is best managed.

Credit risk limits are set according to the creditworthiness of clients, including the assigned DSF Rating, and the characteristics of the segment in which the vessels pledged as collateral operate.

Note 17 includes a more detailed description of credit risk.

NOTE 41 CONTINUED

MARKET RISK

Market risk is the risk of loss following movements in the financial markets, including movements in interest rates, credit spreads, foreign exchange rates and costs for hedging volatility, etc.

The risk profile and the framework for market risk management are laid out in our market risk policy, which is set by the Board of Directors.

The market risk policy sets limits and specific guidelines for the ongoing management of risks relating to changes in financial risk factors, and lays down clear and measurable limits on, inter alia, interest rate and foreign exchange risks, building on the Executive Order on Bond Issuance and other provisions. Our internal market risk limits are more stringent than external regulatory requirements.

The market risk policy sets limits and specific guidelines for the ongoing management of risks relating to changes in financial risk factors, and lays down clear and measurable limits on, inter alia, interest rate and foreign exchange risks, building on the Executive Order on Bond Issuance and other provisions. Our internal market risk limits are more stringent than external regulatory requirements.

The risk management department provides a full market risk report to the Board of Directors and to the Executive Board members on a regular basis. The risk management department provides relevant data for internal and external reports in which market risk is reported.

NOTE 41
CONTINUED

LIQUIDITY RISK

Liquidity risk is the risk of loss arising from the inability to fulfil immediate and short-term payment obligations.

The risk profile and the framework for liquidity risk management are laid out in our liquidity risk policy, which is set by the Board of Directors.

We currently fund our lending by issuing covered bonds. The funding area is subject to the Danish specific balance principle in accordance with the provisions of the Executive Order on Bond Issuance. We are thereby required by law to ensure that any liquidity deficit can be covered by our own funds. Furthermore, the liquidity risk is managed via strict internal liquidity limits, and liquidity stress tests are carried out on a regular basis.

Liquidity risk primarily arises from future liquidity mismatch as loans and issued bonds are not matched on a loan-by-loan basis. Changes in exchange rates due to the hedging agreements entered into under bilateral collateral agreements, as well as mark-to-market resets on certain derivatives may also require liquidity. This risk is partly mitigated by pre-funding of all loans and commitments to clients under the Danish specific balance principle.

We conduct our daily operations in observance of internal guidelines laid down by the Board of Directors, setting even stricter limits for liquidity risk than those set by regulation. In conclusion, we believe that our liquidity risk may be characterised as low.

Notes 38-39 include more detailed descriptions of foreign exchange risk and market risk sensitivity.

For further information, please see the unaudited Risk Report at our website.

NOTE 42 CAPITAL CENTRES 2023

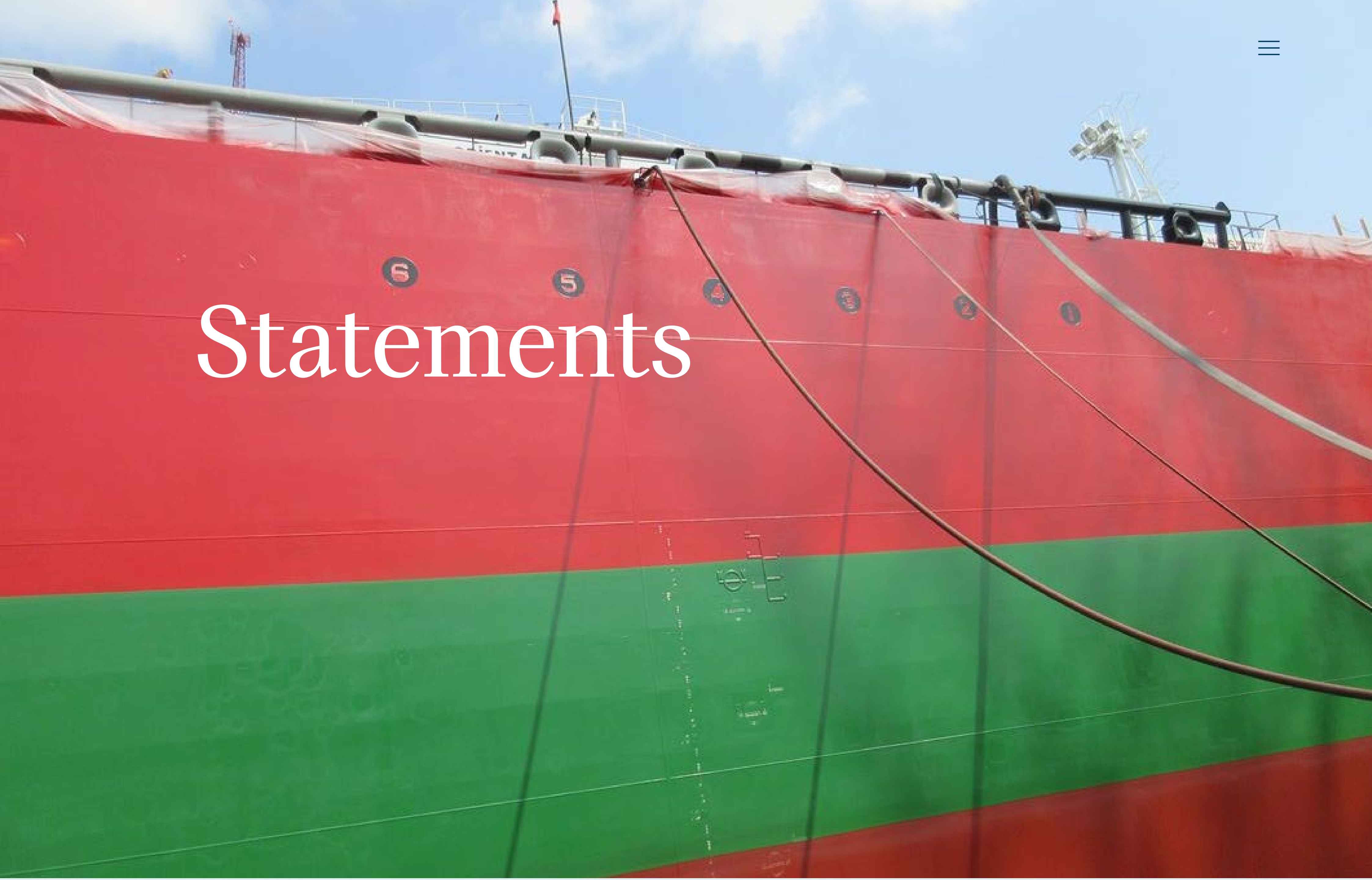
Pursuant to the executive order on the presentaton of capital centres by Danish Ship Finance A/S, our financial statements are broken down by the individual underlying capital centres:

DKK million	Capital Centre Institute in general	Capital Centre A	Total
Income statement			
Interest, loans and other receivables	1,891	399	2,291
Other interest and fee income, net	(1,382)	(292)	(1,674)
Market value adjustments	(168)	343	175
Staff costs and administrative expenses	(166)	(35)	(201)
Loan impairment charges	475	31	506
Tax	(166)	(113)	(278)
Net profit for the year	**484**	**334**	**818**
Assets			
Loans and other receivables at amortised cost	23,408	7,779	31,187
Other assets	29,734	3,307	33,041
Total assets	**53,142**	**11,086**	**64,228**
Liabilities			
Issued bonds at amortised cost	34,969	8,626	43,595
Other liabilities	10,187	39	10,226
Equity	7,986	2,421	10,407
Total liabilities	**53,142**	**11,086**	**64,228**
Transfers of capital between capital centres	**(865)**	**865**	**-**

NOTE 42 CONTINUED CAPITAL CENTRES 2022

DKK million	Capital Centre Institute in general	Capital Centre A	Total
Income statement			
Interest, loans and other receivables	1,185	238	1,422
Other interest and fee income, net	(651)	(131)	(782)
Market value adjustments	116	(322)	(206)
Staff costs and administrative expenses	(156)	(32)	(188)
Loan impairment charges	477	106	583
Tax	(197)	31	(166)
Net profit for the year	**773**	**(110)**	**663**
Assets			
Loans and other receivables at amortised cost	27,835	6,194	34,029
Other assets	23,230	1,558	24,789
Total assets	**51,065**	**7,753**	**58,818**
Liabilities			
Issued bonds at amortised cost	35,213	6,189	41,402
Other liabilities	7,653	8	7,661
Equity	8,199	1,556	9,755
Total liabilities	**51,065**	**7,753**	**58,818**
Transfers of capital between capital centres	**501**	**(501)**	**-**

The financial statements of the individual capital centre are unaudited. The complete financial statements for the individual capital centre are available upon request.



Statements

Statement *by Management*

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year 1 January to 31 December 2023. The Annual Report is presented in accordance with the requirements provided by the legislation, including requirements in the Danish Financial Business Act, the Danish disclosure requirements for annual reports of issuers of listed bonds and the requirements provided by Danish Ship Finance's articles of association.

In our opinion, the Management Report includes a fair review of developments in the company's activities and financial position and fairly describes the principal risks and uncertainties that may affect the company.

Further, in our opinion, the financial statements give a true and fair view of the company's financial position as of 31 December 2023 and of the results of its activities for the financial year 1 January to 31 December 2023.

The Annual Report is recommended for adoption by the annual general meeting on 19 March 2024.

Copenhagen, 28 February 2024

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

Henrik Rohde Søgaard

Independent *auditor's report*

To the shareholders of
Danish Ship Finance A/S
(Danmarks Skibskredit A/S)

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year 1 January – 31 December 2023, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including material accounting policy information. The financial statements are prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the financial position as of 31 December 2023 and of the results of its operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor
We were initially appointed as auditor of Danish Ship Finance A/S (Danmarks Skibskredit A/S) on 26 February 2021 for the financial year 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 3 years up until the financial year 2023.

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 for the financial year 2023. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

LOANS AND PROVISIONS FOR CREDIT LOSSES

KEY AUDIT MATTERS

A significant part of the company's assets consist of loans, which amounted to DKK 31,187 million at 31 December 2023 (DKK 34,029 at 31 December 2022), including provisions for credit losses on loans which amounted to DKK 624 million at 31 December 2023 (DKK 726 million in 2022).

We consider the measurement of loans and provisions for credit losses a key audit matter, as the measurement of expected losses involves management judgment and is subject to significant uncertainty.

The principles for determining expected credit losses are described in the summary of significant accounting policies and in note 16 and Management has described significant accounting estimates and the management of credit risk and the review for impairment in more detail in notes 1 and 13-17 to the financial statements.

In 2023, the following required high level of management judgment and audit attention:

- Identification of credit-impaired exposures.
- Parameters and management judgments in the calculation model used to determine expected credit losses for loans in Stages 1 and 2.
- Realisable value of collateral in ships and estimation of future cash flows including management judgment involved in determining expected credit losses for loans in Stage 3.

HOW OUR AUDIT HAS ADDRESSED THE KEY AUDIT MATTERS

Based on our risk assessment, our audit comprised a review of relevant business procedures, testing of selected internal controls as well as analysis of the loans and the amount of impairment charges.

Specifically, the audit included the following procedures:

Evaluation of methods and models used for calculation of expected credit losses to ensure compliance with relevant accounting rules.

Test of internal controls regarding
- Granting and monitoring of exposures.
- Assessment of credit risk and stage allocation.
- Valuation of collateral.

Test of individual loans on a sample basis
- Assessment of credit risk and stage allocation.
- Assessment of realisable value of collateral in ships, future cash flows, calculation of losses.
- Challenge of management judgments.

Test of calculation models
- Assessment and validation of input, assumptions and calculations applied in determination of provisions for loans in Stages 1 and 2.
- Challenge of management judgments with focus on consistency and documentation.

Verification that disclosures related to loans, credit risk and provisions for credit losses are appropriate and meet the relevant accounting requirements, cf. notes 16 and 17.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the relevant law and regulations.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with relevant law and regulations. We did not identify any material misstatement in the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to 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 and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, 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, 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 Company'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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Report on compliance with the ESEF Regulation
As part of our audit of the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S), we performed procedures to express an opinion on whether the Annual Report for the financial year 1 January – 31 December 2023 with the file name Annual Report 2023 (XHTML) has been prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the Annual Report in XHTML format.

Management is responsible for preparing an Annual Report that complies with the ESEF Regulation and requirements related to the preparation of the Annual Report in XHTML format.

Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The procedure include testing whether the Annual Report is prepared in XHTML format.

In our opinion, the Annual Report for the financial year 1 January – 31 December 2023 with the file name Annual Report 2023 (XHTML) has been prepared, in all material respects, in compliance with the ESEF Regulation.

Frederiksberg, 28 February 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

Management *and directorships*

Management *and directorships etc.*

Directorships and executive positions – Board of Directors

This section lists positions, other directorships, executive positions and fiduciary positions held by board members at the date of publication of the Annual Report 2023. The length of tenure the board members have served and their special competencies are also shown.

Board members elected by the general meeting are elected for a term of one year and board members elected by the employees are elected for a term of four years.

Board of Directors

Eivind Kolding, Chairman
Chairman of the Remuneration Committee
Born on 16 November 1959
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Chairman of NTG Nordic Transport Group A/S, DAFA A/S, MFT Energy A/S
Vice Chairman of Leo Fondet, NNIT A/S
Member of the Board of Directors of Altor Fund Manager AB

Competencies:
Broad knowledge of shipping and the maritime industry, macroeconomics, banking, credit, insurance and finance, financial risk management, regulation and general management of international business.

Peter Nyegaard, Senior Advisor, Axcel
Vice Chairman
Member of the Audit Committee
Born on 16 May 1963
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Axcel

Directorships and executive positions:
Member of the Board of Directors of Øens Murerfirma A/S
Chairman/member of a number of boards in the Axcel Group
Member of the Board of Directors of Nuuday A/S

Competencies:
Broad knowledge of general management of international companies, financial risk management,
financial regulation, capital markets, credit, financing and macroeconomics.

Anders Damgaard, Group CFO, PFA Pension
Chairman of the Audit Committee
Born on 8 August 1970
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by PFA

Directorships and executive positions:
Member of the Board of Directors of:
Blue Equity Management A/S
Danish Ship Finance Holding A/S
PFA Asset Management A/S
PFA Kapitalforening
Finansforeningen

Competencies:
Broad knowledge of financial business (including banking), credit, investment, finance, regulation and financial risk management.

Michael N. Pedersen, Management Executive, PKA A/S
Member of the Audit Committee
Born on 8 July 1961
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by PKA

Directorships and executive positions:
Management Executive of:
Property companies owned by the three pension funds managed by PKA A/S
Ejendomsselskabet Dronningegården
A/S Kjøbenhavns Ejendoms-selskab
Forstædernes Ejendoms-aktieselskab
Sygeplejerskernes og Læge-sekretærernes Ejendomsselskab
Sundhedsfagliges Ejendoms-selskab
Socialrådgiveres, Social-pædagogers og Kontorpersonales Ejendomsselskab
Farmakonomers Ejendoms-selskab
PKA Herning Plus A/S
IIP Venture II GP ApS
IIP Private Funds V GP
PKA Ejendomme P/S
P/S Karrékvarteret
Chairman/member of the Advisory Board and investment committees of various foundations relating to private equity, infrastructure and micro finance due to PKA's investment in such foundations.
Member of the Board of Directors of:
Danish Ship Finance Holding A/S
Refshaleøens Ejendomsselskab A/S
Refshaleøen Holding
Hotel Koldingfjord A/S
Fonden Dansk Sygeplejehistorisk Museum
P/S PKAE Ejendom
P/S Parkering PKAE
Komplementarselskabet PKA AE ApS
SAS Pilot & Navigators Pension Fund
Investeringsselskabet af 24. februar 2015 A/S
Brokvarteret P/S
P/S Tranders Høje
P/S Fredensgård
Institutional Holding P/S
PKA Venture I GP ApS
Falckgården P/S
PKA AIP A/S
IIP Denmark P/S
IIP Denmark GP APS
PKA Private Funds III GP ApS
PKA Private Funds IV GP ApS
PS Gjellerup
Tuborg Havnevej I I/S
PKA Ejendomme I I/S
PKA Ejendomme af 2013 I/S
PKA Projektselskab I/S
Institutional Holding GP ApS
PKA Ejendomme af 2012 I/S
PKA AE ApS

Competencies:
Broad knowledge of financial business (including pension fund operations), credit, investment, finance, regulation and financial risk management.

Christian Frigast
Member of the Remuneration Committee
Born on 23 November 1951
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Axcel

Directorships and executive positions:
Chairman of the Board of Directors of:
Axcelfuture, Axcel's think tank
Axcel Management
Danish Ship Finance Holding A/S
Brancheforeningen for Aktive Ejere i Danmark (Active Owners)
Bestyrelsesforeningen (The Board Leadership Society in Denmark)
Vice Chairman of the Board of Directors of:
Pandora
PostNord
Axcel Advisory Board
Member of the Board of Directors:
EIFO Danmarks Eksport- & Investeringsfond
Nordsøfonden
Nissens A/S
CBS Executive Fonden

Associate professor at CBS (Copenhagen Business School)

Competencies:
Broad knowledge of banking, finance, financial risk management and management of international companies, M&A, restructuring, operational efficiency and value proposition strategies.

Thor Jørgen Guttormsen
Member of the Remuneration Committee
Born on 5 January 1949
Nationality: Norwegian
Considered to be an independent board member
Joined the Board of Directors on 16 June 2017
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Member of the Board of Directors of:
Hoegh Autoliners ASA
Telenor Maritime AS
Aequitas Ltd

Competencies:
Broad knowledge of shipping and the maritime industry, investment, finance, restructuring of operations and general management.

Jacob Meldgaard, CEO, TORM A/S
Member of the Remuneration Committee
Born on 24 June 1968
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 16 June 2017
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Member of the Board of Directors of:
Danish Shipping (Danske Rederier)
TORM Plc (board member in five companies under TORM)
ICS (International Chamber of Shipping)

Competencies:
Broad knowledge of shipping and the maritime industry, general management, investment, finance and restructuring of operations.

Henrik Sjøgreen
Member of the Audit Committee
Born on 30 July 1964
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Chairman of the Board of Directors of:
Simon Fougner Hartmanns Fond
Trusted advisor for the Executive Board of PKA
Member of the Board of Directors of:
Henrik Frode Obels Fond
Spar Nord Bank A/S

Competencies:
Broad knowledge of banking, credit, insurance and finance, financial risk management, debt markets and general management.

Christopher Rex, Head of Sustainability and Research, Danish Ship Finance A/S
Employee representative
Born on 28 January 1979
Nationality: Danish
Joined the Board of Directors on 29 March 2012

Competencies:
Broad knowledge of macroeconomics, financial risk management, international shipping, digitalisation and decarbonisation.

Ninna Møller Kristensen, Executive Assistant, Danish Ship Finance A/S
Employee representative
Born on 2 September 1987
Nationality: Danish
Joined the Board of Directors on 26 March 2020

Competencies:
Broad knowledge of the shipping markets as well as management and execution of strategic initiatives.

Henrik Rohde Søgaard, Senior Client Executive, Danish Ship Finance A/S
Employee representative
Born on 9 February 1959
Nationality: Danish
Joined the Board of Directors on 1 July 2023

Competencies:
Broad knowledge of the international banking and shipping markets, credit and ship finance.

Marcus Freuchen Christensen, Head of Client Associates / Senior Client Executive, Danish Ship Finance A/S
Employee representative
Born on 20 November 1979
Nationality: Danish
Joined the Board of Directors on 1 October 2021

Competencies:
Broad knowledge of the international banking and shipping markets, credit and ship finance.

Attendance at board meetings 2023

Attendance rate (%)	Board of Directors	Audit Committee	Remuneration Committee
Eivind Kolding	100		100
Peter Nyegaard	97	100	
Anders Damgaard	86	100	
Christian Frigast	78		100
Thor Jørgen Guttormsen	94		100
Michael N. Pedersen	83	100	
Jacob Meldgaard	89		33
Henrik Sjøgreen	89	100	
Christopher Rex	94		
Ninna Møller Kristensen	97		
Marcus F. Christensen	97		
Berit Koertz*	100		
Henrik Rohde Søgaard*	100		

** Berit Koertz resigned from the Board of Directors on 30 June 2023. Henrik R. Søgaard joined the Board of Directors on 1 July 2023.*

Executive Board

Erik I. Lassen, CEO
Member of the Executive Board since 9 April 2008

Executive positions in other business enterprises:
CEO of Danish Ship Finance Holding A/S

Lars Jebjerg, CFO
Member of the Executive Board since 22 May 2018

Executive positions in other business enterprises:
Member of the Executive Board of Danish Ship Finance Holding A/S

Financial calendar *for 2024*

28 February

Publication of the Annual Report 2023

19 March

Annual general meeting of Danish Ship Finance A/S
at our premises at Sankt Annae Plads 3, 1250 Copenhagen K

26 August

Publication of the Interim Report 2024

Danish Ship Finance A/S
(Danmarks Skibskredit A/S)

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